Magna International Inc.

First Quarter Report

2011

MAGNA INTERNATIONAL INC.

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

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, unless otherwise noted. 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 unaudited interim consolidated financial statements for the three months ended March 31, 2011 included in this Quarterly Report, and the audited consolidated financial statements and MD&A for the year ended December 31, 2010 included in our 2010 Annual Report to Shareholders.

On January 1, 2011, we adopted United States generally accepted accounting principles ("GAAP") as our primary basis of accounting, as further discussed in note 1[b] to the unaudited interim consolidated financial statements and the accounting policies as set out in notes 1 and 28 to the annual consolidated financial statements for the year ended December 31, 2010.

The adoption of U.S. GAAP did not have a material change on our accounting policies or financial results, except for the reporting differences disclosed in note 28 to the annual consolidated financial statements for the year ended December 31, 2010. All comparative financial information contained in this MD&A and the unaudited interim consolidated financial statements has been revised to reflect our results as if they had been historically reported in accordance with U.S. GAAP.

This MD&A has been prepared as at May 4, 2011.

OVERVIEW

We are the most diversified global automotive supplier. We design, develop and manufacture technologically advanced automotive systems, assemblies, modules and components, and engineer and assemble complete vehicles, primarily for sale to original equipment manufacturers ("OEMs") of cars and light trucks. Our capabilities include the design, engineering, testing and manufacture of automotive interior systems; seating systems; closure systems; body and chassis systems; vision systems; electronic systems; exterior systems; powertrain systems; roof systems; hybrid and electric vehicles/systems; as well as complete vehicle engineering and assembly. We follow a corporate policy of functional and operational decentralization, pursuant to which we conduct our operations through divisions, each of which is an autonomous business unit operating within pre-determined guidelines. As at March 31, 2011, we had 263 manufacturing operations and 84 product development, engineering and sales centres in 26 countries.

HIGHLIGHTS

North American light vehicle production increased 17% in the first quarter of 2011, compared to the first quarter of 2010. The key reasons for the continued strengthening of North American light vehicle production are improving auto sales in the region, coupled with dealer inventories that are below long-term historical averages. Light vehicle production improved in Western Europe as well, increasing 10% in the first quarter of 2011, compared to the first quarter of 2010.

Our first quarter 2011 total sales increased 34% over the first quarter of 2010, largely reflecting the improved levels of light vehicle production in our two principal markets, North America and Europe. Our North American, European and Rest of World production sales, as well as complete vehicle assembly sales and tooling and other sales, all increased relative to the first quarter of 2010. In particular, production sales in our Rest of World segment, an important growth driver for Magna, increased 69% compared to the first quarter of 2010, reflecting the acquisitions of Resil Minas and Pabsa in South America, as well as the continued launch of new business. We are currently expanding in a number of regions included in our Rest of World segment, and expect continued strong sales growth in this segment.

Largely as a result of the significant increase in total sales, our operating income increased 44% to $400 million in the first quarter of 2011, compared to $278 million in the first quarter of 2010. Accordingly, our diluted earnings per Common Share increased 31% to $1.30 in the first quarter of 2011, compared to $0.99 in the first quarter of 2010.

The tragic earthquake and tsunami experienced in Japan in the first quarter have disrupted and will continue to disrupt global vehicle production through 2011. However, we expect that much of the lost production, particularly in North America and Europe, will be recovered later in the year or early next year. To date, the negative impact of such disruptions has not been material to our results, nor is it expected to be material to our results in future quarters.

FINANCIAL RESULTS SUMMARY

During the first quarter of 2011, we posted sales of $7.2 billion, an increase of 34% from the first quarter of 2010. This higher sales level was a result of increases in our North American, European and Rest of World production sales, complete vehicle assembly sales and tooling, engineering and other sales. Comparing the first quarters of 2011 to 2010:

- North American vehicle production increased by 17% and our North American production sales increased 34%;
- Western European vehicle production increased 10% and our European production sales increased 28%;
- Complete vehicle assembly sales increased 51% to $674 million, as complete vehicle assembly volumes increased 85%;
- Rest of World production sales increased 69% to $316 million; and
- Tooling, engineering and other sales increased 31% to $454 million.

During the first quarter of 2011, we earned operating income of $400 million compared to $278 million for the first quarter of 2010. Excluding the unusual items recorded in the first quarters of 2011 and 2010, as discussed in the "Unusual Items" section, the $145 million increase in operating income was substantially due to increased margins earned on higher sales as a result of significantly higher vehicle production volumes. In addition, operating income was positively impacted by:

- incremental margin earned on new programs that launched during or subsequent to the first quarter of 2010;
- lower costs incurred related to launches at our complete vehicle assembly operations; and
- productivity and efficiency improvements at certain facilities.

These factors were partially offset by:

- operational inefficiencies and other costs at certain facilities, in particular at certain exteriors and interiors systems facilities in Europe;
- higher costs related to launches at our components business;
- increased commodity costs;
- pre-operating costs incurred at new facilities;
- higher employee profit sharing;
- lower equity income, primarily related to our share of losses at our E-Car Systems Partnership; and
- net customer price concessions subsequent to the first quarter of 2010.

During the first quarter of 2011, net income increased $98 million to $322 million compared to $224 million for the first quarter of 2010. Excluding the unusual items recorded in the first quarters of 2011 and 2010, as discussed in the "Unusual Items" section, net income for the first quarter of 2011 increased $121 million. The increase in net income was a result of the increase in operating income partially offset by higher income taxes.

During the first quarter of 2011, our diluted earnings per share increased by $0.31 to $1.30 compared to $0.99 for the first quarter of 2010. Excluding the unusual items recorded in the first quarters of 2011 and 2010, as discussed in the "Unusual Items" section, diluted earnings per share for the first quarter of 2011 increased by $0.41. The increase in diluted earnings per share is as a result of the increase in net income partially offset by an increase in the weighted average number of diluted shares outstanding. The increase in the weighted average number of diluted shares outstanding was primarily due to the net issue of shares during 2010 related primarily to the plan of arrangement completed August 31, 2010 ("the Arrangement") that eliminated our dual-class share structure and an increase in the number of diluted shares associated with stock options and restricted stock partially offset by the effect of the repurchase and cancellation of Common Shares pursuant to our normal course issuer bid.

UNUSUAL ITEMS

During the three months ended March 31, 2011 and 2010, we recorded certain unusual items as follows:

	2011			2010		
	Operating Income	**Net Income**	**Diluted Earnings per Share**	Operating Income	Net Income	Diluted Earnings per Share
First Quarter						
Write down of real estate [1]	**$ (9)**	**$ (9)**	**$ (0.04)**	$ —	$ —	$ —
Sale of facility [2]	**—**	**—**	**—**	14	14	0.06
	$ (9)	**$ (9)**	**$ (0.04)**	$ 14	$ 14	$ 0.06

(1) Write down of real estate

During the first quarter of 2011, we determined that a group of certain corporate real estate assets were non-core and should be held for disposal. Our founder, Mr. Stronach, subsequently expressed an interest in acquiring the properties, independent appraisals were obtained for each property under the oversight of the Board's Corporate Governance and Compensation Committee. Because the appraised fair value range of the group of properties was less than their $52 million carrying value, we recorded a $9 million impairment charge in the quarter related to this asset group. In May 2011, we reached an agreement to sell this asset group to entities associated with Mr. Stronach within the appraised fair value range and on other terms negotiated and recommended by the Committee and approved by all the independent directors.

(2) Sale of facility

During 2010, we sold our interest in an electronics systems joint venture in China and realized a $14 million gain.

INDUSTRY TRENDS AND RISKS

Our success is primarily dependent upon the levels of North American and European car and light truck production by our customers and the relative amount of content we have on the various programs. OEM production volumes in different regions may be impacted by factors which may vary from one region to the next, including but not limited to general economic and political conditions, interest rates, credit availability, energy and fuel prices, international conflicts, labour relations issues, regulatory requirements, trade agreements, infrastructure, legislative changes, and environmental emissions and safety issues. These factors and a number of other economic, industry and risk factors which also affect our success, including such things as relative currency values, commodities prices, price reduction pressures from our customers, the financial condition of our supply base and competition from manufacturers with operations in low cost countries, are discussed in our Annual Information Form and Annual Report on Form 40-F, each in respect of the year ended December 31, 2010, and remain substantially unchanged in respect of the first quarter ended March 31, 2011.

RESULTS OF OPERATIONS

Average Foreign Exchange

	For the three months ended March 31,		
	2011	2010	Change
1 Canadian dollar equals U.S. dollars	**1.014**	0.961	+ 6%
1 euro equals U.S. dollars	**1.367**	1.384	- 1%
1 British pound equals U.S. dollars	**1.602**	1.562	+ 3%

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 significant changes in these foreign exchange rates for the three months ended March 31, 2011 impacted the reported U.S. dollar amounts of our sales, expenses and income.

The results of operations whose 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.

Our results can also be affected by the impact of movements in exchange rates on foreign currency transactions (such as raw material purchases or sales denominated in foreign currencies). However, as a result of hedging programs employed by us, foreign currency transactions in the current period have not been fully impacted by movements in exchange rates. We record foreign currency transactions at the hedged rate where applicable.

Finally, holding gains and losses on foreign currency denominated monetary items, which are recorded in selling, general and administrative expenses, impact reported results.

Sales

	For the three months ended March 31,		
	2011	2010	Change
Vehicle Production Volumes *(millions of units)*			
North America	**3.374**	2.879	+ 17%
Western Europe	**3.705**	3.380	+ 10%
Sales			
External Production			
North America	**$ 3,563**	$ 2,668	+ 34%
Europe	**2,182**	1,703	+ 28%
Rest of World	**316**	187	+ 69%
Complete Vehicle Assembly	**674**	446	+ 51%
Tooling, Engineering and Other	**454**	346	+ 31%
Total Sales	**$ 7,189**	$ 5,350	+ 34%

External Production Sales - North America

External production sales in North America increased 34% or $0.9 billion to $3.6 billion for the first quarter of 2011 compared to $2.7 billion for the first quarter of 2010. The increase in external production sales is primarily as a result of:

- a 17% increase in North American vehicle production volumes;
- the launch of new programs during or subsequent to the first quarter of 2010, including the:
  - Jeep Grand Cherokee;
  - Dodge Durango;
  - BMW X3;
  - Chevrolet Cruze;
  - Chevrolet Traverse;
  - Ford Explorer;
  - Ford Fiesta; and
  - Chevrolet Equinox and GMC Terrain;
- an increase in reported U.S. dollar sales due to the strengthening of the Canadian dollar against the U.S. dollar; and
- an increase in content on certain programs, including the Dodge Grand Caravan, Chrysler Town & Country and Volkswagen Routan.

These factors were partially offset by:

- programs that ended production during or subsequent to the first quarter of 2010, including the Mercury brand vehicles; and
- net customer price concessions subsequent to the first quarter of 2010.

External Production Sales - Europe

External production sales in Europe increased 28% or $0.5 billion to $2.2 billion for the first quarter of 2011 compared to $1.7 billion for the first quarter of 2010. The increase in external production sales is primarily as a result of:

- the launch of new programs during or subsequent to the first quarter of 2010, including the:
  - MINI Countryman;
  - Porsche Cayenne and Volkswagen Touareg;
  - Audi A1; and
  - BMW 5-Series;
- a 10% increase in Western European vehicle production volumes; and
- acquisitions completed subsequent to the first quarter of 2010, including Erhard & Söhne GmbH.

These factors were partially offset by:

- programs that ended production during or subsequent to the first quarter of 2010, including the BMW X3;
- a decrease in reported U.S. dollar sales as a result of the weakening of the euro against the U.S. dollar; and
- net customer price concessions subsequent to the first quarter of 2010.

External Production Sales – Rest of World

External production sales in Rest of World increased 69% or $129 million to $316 million for the first quarter of 2011 compared to $187 million for the first quarter of 2010. The increase in production sales is primarily as a result of:

- acquisitions completed during or subsequent to the first quarter of 2010 including Resil Minas, Pabsa S.A. and a roof systems facility in Japan;
- the launch of new programs during or subsequent to the first quarter of 2010 in China and Brazil;
- an increase in production on certain programs in China and India; and
- an increase in reported U.S. dollar sales as a result of the strengthening of the Chinese Renminbi and Brazilian real, each against the U.S. dollar.

Complete Vehicle Assembly Sales

Under the terms of all our current assembly contracts we are acting as principal and purchased components and systems in assembled vehicles are included in our inventory and cost of goods sold. These costs are reflected on a full-cost basis in the selling price of the final assembled vehicle to the OEM customer. Historically, certain contracts have provided that third party components and systems were held on consignment by us, in which case the selling price to the OEM customer reflected a value-added assembly fee only.

Production levels of the various vehicles assembled by us have an impact on the level of our sales and profitability. Historically, the relative proportion of programs accounted for on a full-cost basis and programs accounted for on a value-added basis, also impacted our level of sales and operating margin percentage, but may not have necessarily affected our overall level of profitability. Assuming no change in total vehicles assembled, a relative increase in the assembly of vehicles accounted for on a full-cost basis had the effect of increasing the level of total sales, however, because purchased components were included in cost of goods sold, profitability as a percentage of total sales was reduced. Conversely, a relative increase in the assembly of vehicles accounted for on a value-added basis had the effect of reducing the level of total sales and increasing profitability as a percentage of total sales.

	For the three months ended March 31,		
	2011	2010	Change
Complete Vehicle Assembly Sales	**$ 674**	$ 446	+ 51%
Complete Vehicle Assembly Volumes *(Units)*			
Full-Costed:			
MINI Countryman, Peugeot RCZ, Mercedes-Benz G-Class, Aston Martin Rapide and BMW X3	**33,302**	14,029	
Value-Added:			
Chrysler 300 and Jeep Grand Cherokee	**—**	3,942	
	33,302	17,971	+ 85%

Complete vehicle assembly sales increased 51% or $228 million to $674 million for the first quarter of 2011 compared to $446 million for the first quarter of 2010 while assembly volumes increased 85% or 15,331 units.

The increase in complete vehicle assembly sales is primarily as a result of:

- the launch of new assembly programs subsequent to the first quarter of 2010, including the:
  - MINI Countryman; and
  - Aston Martin Rapide; and
- an increase in assembly volumes for the Peugeot RCZ and Mercedes-Benz G-Class.

These factors were partially offset by the end of production on certain assembly programs at our Magna Steyr facility, including the:

- BMW X3 in the third quarter of 2010; and
- Chrysler 300 and Jeep Grand Cherokee in the second quarter of 2010.

Tooling, Engineering and Other Sales

Tooling, engineering and other sales increased 31% or $108 million to $454 million for the first quarter of 2011 compared to $346 million for the first quarter of 2010.

In the first quarter of 2011 the major programs for which we recorded tooling, engineering and other sales were the:

- MINI Cooper and Countryman;
- Chrysler 300C, Dodge Charger and Challenger;
- BMW X3;
- Mercedes-Benz M-Class;
- Volkswagen Touareg;
- Opel Calibra;
- Chevrolet Camaro;
- Chery A6 Coup; and
- Chevrolet Volt.

In the first quarter of 2010 the major programs for which we recorded tooling, engineering and other sales were the:

- Chevrolet Silverado;
- BMW X3;
- Audi A8;
- Mercedes-Benz R-Class;
- Porsche Cayenne;
- MINI Cooper and Crossman;
- Opel/Vauxhall Astra;
- Jeep Grand Cherokee; and
- Mercedes-Benz E-Class.

In addition, tooling, engineering and other sales increased as a result of the strengthening of the Canadian dollar against the U.S. dollar.

Gross Margin

Gross margin increased $0.2 billion to $0.9 billion for the first quarter of 2011 compared to $0.7 billion for the first quarter of 2010 and gross margin as a percentage of total sales decreased to 12.2% for the first quarter of 2011 compared to 12.7% for the first quarter of 2010. The decrease in gross margin as a percentage of total sales was substantially due to:

- an increase in complete vehicle assembly sales which have a lower gross margin than our consolidated average;
- an increase in tooling sales that have low or no margins;
- operational inefficiencies and other costs at certain facilities, in particular at certain exteriors and interiors systems facilities in Europe;
- higher costs related to launches at our components business;
- increased commodity costs;
- pre-operating costs incurred at new facilities; and
- net customer price concessions subsequent to the first quarter of 2010.

These factors were partially offset by:

- increased gross margin earned as a result of significantly higher vehicle production volumes;
- lower costs incurred related to launches at our complete vehicle assembly operations; and
- productivity and efficiency improvements at certain facilities.

Depreciation and Amortization

Depreciation and amortization costs increased $1 million to $165 million for the first quarter of 2011 compared to $164 million for the first quarter of 2010. The increase in depreciation and amortization was primarily as a result of:

- acquisitions completed subsequent to the first quarter of 2010, including Resil Minas and Erhard & Söhne GmbH; and
- an increase in reported U.S. dollar depreciation and amortization due to the strengthening of the Canadian dollar and British pound, each against the U.S. dollar.

These factors were partially offset by the impairment of certain assets subsequent to the first quarter of 2010.

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

SG&A expense as a percentage of sales was 4.9% for the first quarter of 2011 compared to 5.3% for the first quarter of 2010. The unusual item discussed in the "Unusual Items" section negatively impacted SG&A as a percentage of total sales in the first quarter of 2011 by 0.1% and positively impacted SG&A as a percentage of total sales in the first quarter of 2010 by 0.3%. Excluding these unusual items, SG&A as a percentage of total sales decreased by 0.8%.

SG&A expense increased $68 million to $352 million for the first quarter of 2011 compared to $284 million for the first quarter of 2010. Excluding the unusual items recorded in the first quarters of 2011 and 2010 (as discussed in the "Unusual Items" section), SG&A expenses increased by $45 million primarily as a result of:

- higher wages and other costs to support the growth in sales;
- higher group and divisional incentive compensation;
- higher stock-based compensation; and
- acquisitions completed subsequent to the first quarter of 2010, including Resil Minas and Erhard & Söhne GmbH.

Segment Analysis

Given the differences between the regions in which we operate, our operations are segmented on a geographic basis between North America, Europe and Rest of World. Consistent with the above, our internal financial reporting segments key internal operating performance measures between North America, Europe 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 the long-term strategic direction and our 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 is calculated as follows:

(i) EBIT which represents income from operations before income taxes and interest income, net;
(ii) Unusual items, which consist of significant non-operational items such as: restructuring charges generally related to plant closures; impairment charges; gains or losses on disposal of facilities; and other items not reflective of on-going operating profit or loss.

	For the three months ended March 31,					
	External Sales			**Adjusted EBIT**		
	2011	2010	Change	**2011**	2010	Change
North America	**$ 3,775**	$ 2,801	$ 974	**$ 384**	$ 266	$ 118
Europe	**3,071**	2,350	721	**29**	2	27
Rest of World	**334**	200	134	**14**	15	(1)
Corporate and Other	**9**	(1)	10	**(19)**	(22)	3
Total reportable segments	**$ 7,189**	$ 5,350	$ 1,839	**$ 408**	$ 261	$ 147

Excluded from Adjusted EBIT for the first quarters of 2011 and 2010 were the following unusual items, which have been discussed in the "Unusual Items" section above.

	For the three months ended March 31,	
	2011	2010
Rest of World		
Sale of facility	**$ —**	$ 14
Corporate and Other		
Write down of real estate	**(9)**	—
	$ (9)	$ 14

North America

Adjusted EBIT in North America increased $118 million to $384 million for the first quarter of 2011 compared to $266 million for the first quarter of 2010 substantially due to increased margins earned on higher sales as a result of significantly higher vehicle production volumes. In addition, Adjusted EBIT was positively impacted by:

- incremental margin earned on the launch of new facilities and new programs;
- an increase in reported U.S. dollar EBIT due to the strengthening of the Canadian dollar against the U.S. dollar;
- higher equity income; and
- productivity and efficiency improvements at certain facilities.

These factors were partially offset by:

- operational inefficiencies and other costs at certain facilities;
- higher employee profit sharing;
- higher costs incurred in preparation for upcoming launches;
- pre-operating costs incurred at new facilities;
- increased commodity costs;
- higher affiliation fees paid to corporate; and
- net customer price concessions subsequent to the first quarter of 2010.

Europe

Adjusted EBIT in Europe increased $27 million to $29 million for the first quarter of 2011 compared to $2 million for the first quarter of 2010 primarily as a result of:

- lower costs incurred related to launches at our complete vehicle assembly operations;
- lower employee profit sharing;
- increased margins earned on higher sales as a result of higher vehicle production volumes;
- lower warranty costs; and
- productivity and efficiency improvements at certain facilities.

These factors were partially offset by:

- operational inefficiencies and other costs at certain facilities, in particular at certain exteriors and interiors systems facilities;
- higher commodity costs;
- pre-operating costs incurred at new facilities; and
- net customer price concessions subsequent to the first quarter of 2010.

Rest of World

Rest of World Adjusted EBIT decreased $1 million to $14 million for the first quarter of 2011 compared to $15 million for the first quarter of 2010 primarily as a result of:

- additional infrastructure costs to support future growth in South America, China and India including the acquisition of Pabsa S.A and Resil Minas;
- higher commodity costs; and
- net customer price concessions subsequent to the first quarter of 2010.

These factors were partially offset by:

- an increase in equity income earned;
- additional margin earned on increased production sales; and
- incremental margin earned on new programs that launched during or subsequent to the first quarter of 2010.

Corporate and Other

Corporate and Other Adjusted EBIT increased $3 million to a loss of $19 million for the first quarter of 2011 compared to a loss of $22 million for the first quarter of 2010 primarily as a result of:

- the recovery of previously expensed engineering and design costs;
- an increase in affiliation fees earned from our divisions; and
- an increase in equity income earned.

These factors were partially offset by higher stock-based compensation.

In addition, the Adjusted EBIT from our E-Car Systems partnership was unchanged for the first quarter of 2011 compared to the first quarter of 2010 as the $7 million increase in development and launch costs were offset by a reduced ownership percentage as a result of the Arrangement.

Interest Income, net

During the first quarter of 2011, we recorded net interest income of $1 million, compared to $3 million for the first quarter of 2010.

Operating Income

Operating income increased $122 million to $400 million for the first quarter of 2011 compared to $278 million for the first quarter of 2010. Excluding the unusual item discussed in the "Unusual Items" section, operating income for the first quarter of 2011 increased $145 million. The increase in operating income is the result of the increase in EBIT (excluding unusual items) partially offset by the decrease in net interest income earned, both as discussed above.

Income Taxes

The effective income tax rate on operating income was 19.5% for the first quarter of 2011 compared to 19.4% for the first quarter of 2010. In the first quarter of 2011 and 2010, income tax rates were impacted by the items discussed in the "Unusual Items" section. Excluding the unusual items, the effective income tax rate decreased to 19.1% for the first quarter of 2011 compared to 20.5% for the first quarter of 2010. The effective tax rate decreased primarily as a result of a reduction in the Canadian statutory rate and an increase in the utilization of losses not previously benefitted.

Net Income

Net income increased $98 million to $322 million for the first quarter of 2011 compared to $224 million for the first quarter of 2010. Excluding the unusual item discussed in the "Unusual Items" section, net income increased $121 million. The increase in net income is the result of the increase in operating income partially offset by higher income taxes, both as discussed above.

Earnings per Share

	For the three months ended March 31,		
	2011	2010	Change
Earnings per Common Share or Class B Share			
Basic	**$ 1.33**	$ 1.00	+ 33%
Diluted	**$ 1.30**	$ 0.99	+ 31%
Average number of Common Shares and Class B Shares outstanding (millions)			
Basic	**242.0**	224.0	+ 8%
Diluted	**246.8**	226.3	+ 9%

Diluted earnings per share increased $0.31 to $1.30 for the first quarter of 2011 compared to $0.99 for the first quarter of 2010. Excluding the unusual item discussed in the "Unusual Items" section, diluted earnings per share increased $0.41 from the first quarter of 2010 as a result of the increase in net income (excluding unusual items), described above, partially offset by an increase in the weighted average number of diluted shares outstanding during the quarter.

The increase in the weighted average number of diluted shares outstanding was primarily due to the net issue of Common Shares during 2010 related to the Arrangement, the issue of Common Shares related to the exercise of stock options and an increase in the number of diluted shares associated with stock options, partially offset by the effect of the repurchase and cancellation of Common Shares pursuant to our normal course issuer bid.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flow from Operations

	For the three months ended March 31,		
	2011	2010	Change
Net income	**$ 322**	$ 224	
Items not involving current cash flows	**174**	156	
	496	380	$ 116
Changes in non-cash operating assets and liabilities	**(608)**	(340)	
Cash (used for) provided from operating activities	**$ (112)**	$ 40	$ (152)

Cash flow from operations before changes in non-cash operating assets and liabilities increased $116 million to $496 million for the first quarter of 2011 compared to $380 million for the first quarter of 2010. The increase in cash flow from operations was due to a $98 million increase in net income, as discussed above, and an $18 million increase in items not involving current cash flows. Items not involving current cash flows are comprised of the following:

	For the three months ended March 31,	
	2011	2010
Depreciation and amortization	**$ 165**	$ 164
Amortization of other assets included in cost of goods sold	**17**	14
Other non-cash charges	**30**	17
Amortization of employee wage buydown	**3**	5
Deferred income taxes and non-cash portion of current taxes	**(5)**	(3)
Equity income	**(36)**	(41)
Items not involving current cash flows	**$ 174**	$ 156

Cash invested in non-cash operating assets and liabilities amounted to $608 million for the first quarter of 2011 compared to $340 million for the first quarter of 2010. The change in non-cash operating assets and liabilities is comprised of the following sources (and uses) of cash:

	For the three months ended March 31,	
	2011	2010
Accounts receivable	**$ (1,151)**	$ (733)
Inventories	**(62)**	(115)
Income taxes payable	**(32)**	53
Prepaid expenses and other	**(14)**	(10)
Accounts payable	**447**	219
Accrued salaries and wages	**70**	81
Other accrued liabilities	**138**	166
Deferred revenue	**(4)**	(1)
Changes in non-cash operating assets and liabilities	**$ (608)**	$ (340)

The increase in accounts receivable, inventories, accounts payable, accrued salaries and wages and other accrued liabilities in the first quarter of 2011 was primarily due to the increase in production activities compared to the fourth quarter of 2010. The decrease in income taxes payable was primarily due to the final payment of 2010 taxes with respect to Canada and Mexico.

Capital and Investment Spending

	For the three months ended March 31, 2011	2010	Change
Fixed asset additions	**$ (144)**	$ (128)	
Investments and other assets	**(55)**	(27)	
Fixed assets, investments and other assets additions	**(199)**	(155)	
Purchase of subsidiaries	**—**	(2)	
Proceeds from disposition	**33**	174	
Cash (used for) provided from investment activities	**$ (166)**	$ 17	$ (183)

Fixed assets, investments and other assets additions

In the first quarter of 2011, we invested $144 million 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 the first quarter of 2011 was for manufacturing equipment for programs that will be launching subsequent to the first quarter of 2011. Consistent with our strategy to expand in developing markets, approximately 7% (2010 - 18%) of this investment was in Russia China, Brazil and India.

In the first quarter of 2011, we invested $55 million in other assets related primarily to fully reimbursable tooling and engineering costs at our body & chassis systems and complete vehicle engineering and assembly operations for programs that will be launching subsequent to the first quarter of 2011.

Proceeds from disposition

Proceeds from disposal in the first quarter of 2011 were $33 million which included:

- normal course reimbursement received in respect of planning and engineering costs that were capitalized in prior periods; and
- normal course fixed and other asset disposals.

Financing

	For the three months ended March 31, 2011	2010	Change
Increase in bank indebtedness	**$ 19**	$ 4	
Repayments of debt	**(2)**	(9)	
Issues of debt	**6**	1	
Issues of Common Shares	**48**	7	
Repurchase of Common Shares	**(88)**	—	
Cash dividends paid	**(61)**	—	
Cash (used for) provided from financing activities	**$ (78)**	$ 3	$ (81)

During the first quarter of 2011, we received cash proceeds of $48 million on the exercise of stock options for Common shares.

During the first quarter of 2011, we repurchased 1.7 million Common Shares for an aggregate purchase price of $88 million under our normal course issuer bid.

Cash dividends paid per Common Share were $0.25 for the first quarter of 2011, for a total of $61 million.

Financing Resources

	As at March 31, 2011	As at December 31, 2010	Change
Liabilities			
Bank indebtedness	**$ 51**	$ 20	
Long-term debt due within one year	**20**	19	
Long-term debt	**55**	47	
	126	86	
Non-controlling interest	**4**	3	
Shareholders' equity	**8,503**	8,023	
Total capitalization	**$ 8,633**	$ 8,112	$ 521

Total capitalization increased by $0.5 billion to $8.6 billion at March 31, 2011 compared to $8.1 billion at December 31, 2010, primarily as a result of the increase in shareholders' equity.

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

- net income earned during the first quarter of 2011;
- a $240 million increase in accumulated net unrealized gains on translation of net investment in foreign operations, primarily as a result of the strengthening of the euro, Canadian dollar and British pound, each against the U.S. dollar between December 31, 2010 and March 31, 2011;
- Common Shares issued on the exercise of stock options;
- net unrealized gains on cash flow hedges; and
- an increase in contributed surplus related to stock-based compensation expense.

These factors were partially offset by:

- the purchase for cancellation of Common Shares in connection with our normal course issuer bid;
- dividends paid during the first quarter of 2011.

Cash Resources

During the first quarter of 2011, our cash resources decreased by $0.3 billion to $1.6 billion as a result of the cash used for investing, operating and financing activities, as discussed above. In addition to our cash resources, we had term and operating lines of credit totalling $2.1 billion of which $1.9 billion was unused and available.

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 May 4, 2011 were exercised:

Common Shares	241,909,380
Stock options [(i)]	10,062,671
	251,972,051

(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

There have been no material changes with respect to the contractual obligations requiring annual payments during the first quarter of 2011 that are outside the ordinary course of our business. Refer to our MD&A included in our 2010 Annual Report.

COMMITMENTS AND CONTINGENCIES

From time to time, we may be contingently liable for litigation and other claims.

Refer to note 26 of our 2010 audited consolidated financial statements, which describes these claims.

For a discussion of risk factors relating to legal and other claims 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, 2010.

CONTROLS AND PROCEDURES

There have been no changes in our internal controls over financial reporting that occurred during the three months ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

The previous discussion contains statements that constitute "forward-looking statements" within the meaning of applicable securities legislation, including, but not limited to, statements relating to: expansion and continued sales growth in the Rest of World segment; recovery of lost production as a consequence of the March 2011 earthquake and tsunami in Japan. The forward-looking information in this MD&A is presented for the purpose of providing information about management's current expectations and plans and such information 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", "forecast", "outlook", "project", "estimate" and similar expressions suggesting future outcomes or events to identify forward-looking statements. Any such 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. However, whether actual results and developments will conform with 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: the potential for a slower than anticipated economic recovery or a deterioration of economic conditions; production volume levels; the potential bankruptcy of a major automotive customer; the inability of sub-suppliers to timely accommodate demand for their parts; the impact of the insolvency or bankruptcy of a critical supplier; the highly competitive nature of the automotive parts supply business; a reduction in outsourcing by our customers or the loss of a material production or assembly program; the termination or non-renewal by our customers of any material production purchase order; a shift away from technologies in which we are investing; restructuring, downsizing and/or other significant non-recurring costs; impairment charges related to goodwill, long-lived assets and deferred tax assets; our ability to diversify our sales; shifts in market shares among vehicles or vehicle segments, or shifts away from vehicles on which we have significant content; our ability to shift our manufacturing footprint to take advantage of opportunities in growing markets; risks of conducting business in foreign countries, including China, India, Brazil, Russia and other growing markets; exposure to elevated commodities prices; our ability to negotiate favourable borrowing terms or secure sufficient borrowing limits; the impact of potential disruptions in the capital and credit markets; uncertainty with respect to the financial condition of a number of governments, particularly in Europe; fluctuations in relative currency values; our ability to successfully identify, complete and integrate acquisitions; pricing pressures, including our ability to offset price concessions demanded by our customers; warranty and recall costs; our ability to compete successfully in non-automotive businesses in which we pursue opportunities; changes in our mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as our ability to fully benefit tax losses; other potential tax exposures; legal claims against us; work stoppages and labour relations disputes; changes in credit ratings assigned to us; changes in laws and governmental regulations; costs associated with compliance with environmental laws and regulations; our non-controlling interest in Magna E-Car Systems; our ability to recover our initial or any potential subsequent investment(s) in Magna E-Car Systems; risks related to the electric vehicle industry itself; and other factors 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. In evaluating forward-looking statements, we caution readers not to place undue reliance on any forward-looking statements 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. Unless otherwise required by applicable securities laws, we do not intend, nor do we undertake any obligation, to update or revise any forward-looking statements to reflect subsequent information, events, results or circumstances or otherwise.

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF INCOME
[Unaudited]
[U.S. dollars in millions, except per share figures]

	Note	Three months ended March 31, 2011	2010
Sales		**$ 7,189**	$ 5,350
Costs and expenses			
Cost of goods sold	2	**6,309**	4,668
Depreciation and amortization		**165**	164
Selling, general and administrative	9	**352**	284
Interest income, net		**(1)**	(3)
Equity income		**(36)**	(41)
Income from operations before income taxes		**400**	278
Income taxes		**78**	54
Net income		**$ 322**	$ 224
Earnings per Common Share:			
Basic		**$ 1.33**	$ 1.00
Diluted		**$ 1.30**	$ 0.99
Cash dividends paid per Common Share		**$ 0.25**	$ —
Average number of Common Shares outstanding during the period [in millions]:			
Basic		**242.0**	224.0
Diluted		**246.8**	226.3

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
[Unaudited]
[U.S. dollars in millions]

	Note	Three months ended March 31, 2011	2010
Cash provided from (used for):			
OPERATING ACTIVITIES			
Net income		**$ 322**	$ 224
Items not involving current cash flows	3	**174**	156
		496	380
Changes in non-cash operating assets and liabilities	3	**(608)**	(340)
Cash (used for) provided from operating activities		**(112)**	40
INVESTMENT ACTIVITIES			
Fixed asset additions		**(144)**	(128)
Acquisitions		**—**	(2)
Increase in investments and other assets	6	**(55)**	(27)
Proceeds from disposition		**33**	174
Cash (used for) provided from investing activities		**(166)**	17
FINANCING ACTIVITIES			
Increase in bank indebtedness		**19**	4
Repayments of debt		**(2)**	(9)
Issues of debt		**6**	1
Issues of Common Shares		**48**	7
Repurchase of Common Shares		**(88)**	—
Dividends		**(61)**	—
Cash (used for) provided from financing activities		**(78)**	3
Effect of exchange rate changes on cash and cash equivalents		**45**	8
Net (decrease) increase in cash and cash equivalents during the period		**(311)**	68
Cash and cash equivalents, beginning of period		**1,881**	1,270
Cash and cash equivalents, end of period		**$ 1,570**	$ 1,338

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
[Unaudited]
[U.S. dollars in millions]

	Note	**As at March 31, 2011**	As at December 31, 2010
ASSETS			
Current assets			
Cash and cash equivalents	3	**$ 1,570**	$ 1,881
Accounts receivable		**4,828**	3,543
Inventories	4	**1,945**	1,822
Deferred tax assets		**75**	77
Prepaid expenses and other		**197**	162
		8,615	7,485
Investments	12	**617**	575
Fixed assets, net	11	**3,848**	3,742
Goodwill		**1,228**	1,194
Deferred tax assets		**61**	60
Other assets	6	**683**	640
		$ 15,052	$ 13,696
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness		**$ 51**	$ 20
Accounts payable		**4,070**	3,496
Accrued salaries and wages		**533**	445
Other accrued liabilities	7	**1,079**	899
Income taxes payable		**22**	55
Deferred tax liabilities		**31**	31
Long-term debt due within one year		**20**	19
		5,806	4,965
Deferred revenue		**12**	15
Long-term debt		**55**	47
Other long-term liabilities	8	**582**	551
Deferred tax liabilities		**90**	92
		6,545	5,670
Shareholders' equity			
Capital stock			
Common Shares			
[issued: 241,909,380; December 31, 2010 – 242,564,616]		**4,530**	4,500
Contributed surplus		**50**	56
Retained earnings		**2,929**	2,715
Accumulated other comprehensive income	10	**994**	752
		8,503	8,023
Non-controlling interest		**4**	3
		8,507	8,026
		$ 15,052	$ 13,696

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
[Unaudited]
[U.S. dollars in millions]

	Common Shares Number	Common Shares Stated Value	Contri-buted Surplus	Retained Earnings	AOCI (i)	Non-controlling Interest	Total Equity	Compre-hensive income
	[in millions]							
December 31, 2010	**242.6**	**$ 4,500**	**$ 56**	**$ 2,715**	**$ 752**	**$ 3**	**$ 8,026**	
Comprehensive income:								
Net income				322			322	$ 322
Foreign currency translation					235	1	236	236
Net unrealized gains on cash flow hedges					25		25	25
Reclassification of net gains on cash flow hedges to net income					(7)		(7)	(7)
Net unrealized loss on available-for-sale investments					(3)		(3)	(3)
Pension and post retirement benefits					1		1	1
Other comprehensive income								252
Comprehensive income								$ 574
Shares issued (repurchased):								
Exercise of Stock Options	1.0	57	(9)				48	
Release of restricted stock		5	(5)					
Repurchase and cancellation under normal course issuer bid	(1.7)	(32)		(47)	(9)		(88)	
Stock-based compensation:								
Expense			8				8	
Dividends paid				(61)			(61)	
March 31, 2011	**241.9**	**$ 4,530**	**$ 50**	**$ 2,929**	**$ 994**	**$ 4**	**$ 8,507**	

	Common Shares Number	Common Shares Stated Value	Contri-buted Surplus	Retained Earnings	AOCI (i)	Non-controlling Interest	Total Equity	Compre-hensive income
	[in millions]							
December 31, 2009	**223.9**	**$ 3,779**	**$ 32**	**$ 2,803**	**$ 685**	**$ —**	**$ 7,299**	
Comprehensive income:								
Net income				224			224	$ 224
Foreign currency translation					20		20	20
Net unrealized gains on cash flow hedges					59		59	59
Pension and post retirement benefits					1		1	1
Other comprehensive income								80
Comprehensive income								$ 304
Shares issued (repurchased):								
Exercise of Stock Options	0.4	8	(1)				7	
Repurchase and cancellation	(0.2)							
Release of restricted stock		6	(6)				—	
Stock-based compensation:								
Expense			5				5	
March 31, 2010	**224.1**	**$ 3,793**	**$ 30**	**$ 3,027**	**$ 765**	**$ —**	**$ 7,615**	

(i) AOCI is Accumulated Other Comprehensive Income.

See accompanying notes

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 United States dollars following United States generally accepted accounting principles ["GAAP"] as further discussed in note 1[b] and the accounting policies as set out in notes 1 and 28 to the annual consolidated financial statements for the year ended December 31, 2010.

The unaudited interim consolidated financial statements do not conform in all respects to the requirements of GAAP for annual financial statements. Accordingly, these unaudited consolidated financial statements should be read in conjunction with the December 31, 2010 audited consolidated financial statements and notes included in the Company's 2010 Annual Report.

In the opinion of management, 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, 2011 and the results of operations, cash flows and changes in equity for the three-months ended March 31, 2011 and 2010.

[b] Accounting Changes

Adoption of United States Generally Accepted Accounting Principles

In February 2008, the Canadian Accounting Standards Board confirmed the transition from Canadian GAAP to International Financial Reporting Standards ["IFRS"] for all publicly accountable entities no later than fiscal years commencing on or after January 1, 2011. As a result, management undertook a detailed review of the implications of Magna having to report under IFRS and also examined the alternative available to the Company, as a Foreign Private Issuer in the United States, of filing its primary financial statements in Canada using U.S. GAAP, as permitted by the Canadian Securities Administrators' National Instrument 51-102, ''Continuous Disclosure Obligations''.

In carrying out this evaluation, management considered many factors, including, but not limited to (i) the changes in accounting policies that would be required and the resulting impact on the Company's reported results and key performance indicators, (ii) the reporting standards expected to be used by many of the Company's industry comparables, and (iii) the financial reporting needs of the Company's market participants, including shareholders, lenders, rating agencies and market analysts.

As a result of this analysis, management determined that Magna would adopt U.S. GAAP as its primary basis of financial reporting commencing January 1, 2011 on a retrospective basis. All comparative financial information contained in the unaudited interim consolidated financial statements has been revised to reflect the Company's results as if they had been historically reported in accordance with U.S. GAAP.

The adoption of U.S. GAAP did not have a material change on the Company's accounting policies or financial results, except for the reporting differences disclosed in note 28 to the annual consolidated financial statements for the year ended December 31, 2010.

Multiple-Deliverable Revenue Arrangements

In October 2009, the FASB issued Accounting Standards Update ["ASU"] 2009-13, "Revenue Recognition [Topic 605] - Multiple-Deliverable Revenue Arrangements". This ASU eliminates the requirement that undelivered elements must have objective and reliable evidence of fair value before a company can recognize the portion of the consideration that is attributable to items that already have been delivered. This may allow some companies to recognize revenue on transactions that involve multiple deliverables earlier than under the current requirements. For Magna, this ASU is effective for revenue arrangements entered into or materially modified on or after January 1, 2011. This change did not have any material impact on the consolidated financial statements.

[c] Seasonality

Our businesses are generally not seasonal. However, our sales and profits are closely related to our automotive customers' vehicle production schedules. Our largest North American customers typically halt production for approximately two weeks in July and one week in December. Additionally, many of our customers in Europe typically shutdown vehicle production during portions of August and one week in December.

2. EARNINGS PER SHARE

	Three months ended March 31,	
	2011	2010
Basic earnings per Common Share:		
Net income	**$ 322**	$ 224
Average number of Common Shares outstanding	**242.0**	224.0
Basic earnings per Common Share	**$ 1.33**	$ 1.00
Diluted earnings per Common Share:		
Net income	**$ 322**	$ 224
Average number of Common Shares outstanding	**242.0**	224.0
Adjustments		
Stock options and restricted stock [a]	**4.8**	2.3
	246.8	226.3
Diluted earnings per Common Share	**$ 1.30**	$ 0.99

[a] Diluted earnings per Common share exclude nil [2010 – 5.7 million] Common Shares issuable under the Company's Incentive Stock Option Plan because these options were not "in-the-money".

3. DETAILS OF CASH FROM OPERATING ACTIVITIES

[a] Cash and cash equivalents:

	March 31, 2011	December 31, 2010
Bank term deposits, bankers acceptances and government paper	**$ 1,308**	$ 1,565
Cash	**262**	316
	$ 1,570	$ 1,881

[b] Items not involving current cash flows:

	Three months ended March 31,	
	2011	2010
Depreciation and amortization	**$ 165**	$ 164
Other non-cash charges	**30**	17
Amortization of other assets included in cost of goods sold	**17**	14
Amortization of employee wage buydown	**3**	5
Deferred income taxes and non-cash portion of current taxes	**(5)**	(3)
Equity income	**(36)**	(41)
	$ 174	$ 156

3. DETAILS OF CASH FROM OPERATING ACTIVITIES (CONTINUED)

[c] Changes in non-cash operating assets and liabilities:

	Three months ended March 31,	
	2011	2010
Accounts receivable	**$ (1,151)**	$ (733)
Inventories	**(62)**	(115)
Prepaid expenses and other	**(14)**	(10)
Accounts payable	**447**	219
Accrued salaries and wages	**70**	81
Other accrued liabilities	**138**	166
Income taxes payable (receivable)	**(32)**	53
Deferred revenue	**(4)**	(1)
	$ (608)	$ (340)

4. INVENTORIES

Inventories consist of:

	March 31, 2011	December 31, 2010
Raw materials and supplies	**$ 781**	$ 724
Work-in-process	**226**	202
Finished goods	**241**	226
Tooling and engineering	**697**	670
	$ 1,945	$ 1,822

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

5. INCOME TAXES

As of December 31, 2010 and 2009, the Company's gross unrecognized tax benefits were $257 million and $243 million, respectively [excluding interest and penalties], of which $186 million and $169 million, respectively, if recognized, would affect the Company's effective tax rate. The gross unrecognized tax benefits differ from the amount that would affect the Company's effective tax rate due primarily to the impact of the valuation allowance on deferred tax assets.

A summary of the changes in gross unrecognized tax benefits in the year ended December 31, 2010 is as follows:

Balance, December 31, 2009	$ 243
Additions based on tax positions related to current year	11
Additions based on tax positions of prior years	19
Settlements	(19)
Statute expirations	(1)
Foreign currency translation	4
Balance, December 31, 2010	$ 257

The Company recognizes interest and penalties with respect to unrecognized tax benefits as income tax expense. As of December 31, 2010 and 2009, the Company has recorded interest and penalties, on the unrecognized tax benefits, of $45 million and $42 million, respectively. During the year ended December 31, 2010, the Company recorded tax expense related to changes in its reserves for interest and penalties of $3 million.

5. INCOME TAXES (CONTINUED)

The Company operates in multiple jurisdictions throughout the world, and its tax returns are periodically audited or subject to review by both domestic and foreign tax authorities. During the next twelve months, it is reasonably possible that, as a result of audit settlements, the conclusion of current examinations and the expiration of the statute of limitations in several jurisdictions, the Company may decrease the amount of its gross unrecognized tax benefits [including interest and penalties] by approximately $78 million, of which $67 million, if recognized, would affect its effective tax rate.

The Company considers its significant tax jurisdictions to include Canada, USA, Austria, Germany and Mexico. The Company or its subsidiaries remain subject to income tax examination in Germany and Canada for years after 2002, in Mexico for years after 2004, in Austria for years after 2005, and in the U.S. federal jurisdiction for years after 2006.

6. OTHER ASSETS

Other assets consist of:

	March 31, 2011	December 31, 2010
Preproduction costs related to long-term supply agreements with contractual guarantee for reimbursement	**$ 341**	$ 309
Long-term receivables	**137**	129
Patents and licences, net	**33**	33
Other, net	**172**	169
	$ 683	$ 640

7. WARRANTY

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

	2011	2010
Balance, beginning of period	**$ 68**	$ 75
Expense, net	**10**	10
Settlements	**(9)**	(4)
Foreign exchange and other	**4**	(2)
Balance, March 31,	**$ 73**	$ 79

8. EMPLOYEE FUTURE BENEFIT PLANS

The Company recorded employee future benefit expenses as follows:

	Three months ended March 31,	
	2011	2010
Defined benefit pension plans and other	**$ 4**	$ 4
Termination and long service arrangements	**8**	6
	$ 12	$ 10

9. STOCK-BASED COMPENSATION

[a] Incentive Stock Option Plan

The following is a continuity schedule of options outstanding [number of options in the table below are expressed in whole numbers]:

	2011			2010		
	Options outstanding			Options outstanding		
	Number of options	**Exercise price (i)**	**Number of options exercisable**	Number of options	Exercise price (i)	Number of options exercisable
Beginning of period	**11,142,450**	**34.22**	**3,362,116**	7,150,544	34.26	4,988,544
Granted	**—**	**—**	**—**	5,050,000	30.00	—
Exercised	**(1,079,779)**	**44.94**	**(1,079,779)**	(408,924)	22.52	(408,924)
Cancelled	**—**	**—**	**—**	(51,000)	36.64	(51,000)
Vested	**—**	**—**	**2,400,001**	—	—	716,666
March 31	**10,062,671**	**33.07**	**4,682,338**	11,740,620	32.83	5,245,286

(i) The exercise price noted above represents the weighted average exercise price in Canadian dollars.

The weighted average assumptions used in measuring the fair value of stock options granted and/or modified and the compensation expense recorded in selling, general and administrative expenses are as follows:

	Three months ended March 31,	
	2011	2010
Risk free interest rate	**—**	2.34%
Expected dividend yield	**—**	2.00%
Expected volatility	**—**	35%
Expected time until exercise	**—**	4.5 years
Weighted average fair value of options granted or modified in period (Cdn$)	**$ —**	$ 8.09

Compensation expense recorded in selling, general and administrative expenses during the three-month period ended March 31, 2011 was $7 million [2010 - $3 million].

[b] Long-term retention program

Information about the Company's long-term retention program is as follows [number of shares in table below are expressed in whole numbers]:

	Three months ended March 31,	
	2011	2010
Common Shares awarded and not released	**1,026,304**	1,182,736
Reduction in stated value of Common Shares	**$ 34**	$ 39
Unamortized compensation expense recorded as a reduction of shareholder's equity	**$ 7**	$ 15

Compensation expense recorded in selling, general and administrative expenses during the three-month period ended March 31, 2011 was $1 million [2010 - $2 million].

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	2011	2010
Accumulated net unrealized gains on translation of net investment in foreign operations		
Balance, beginning of period	**$ 744**	$ 727
Net unrealized gain on translation of net investment in foreign operations	**235**	20
Repurchase of shares under normal course issuer bid	**(9)**	—
Balance, March 31	**970**	747
Accumulated net unrealized gains on cash flow hedges (i)		
Balance, beginning of period	**55**	2
Net unrealized gains on cash flow hedges	**25**	59
Reclassifications of net gain on cash flow hedges to net income	**(7)**	—
Balance, March 31	**73**	61
Accumulated net unrealized gain on available-for-sale investments		
Balance, beginning of period	**11**	—
Net unrealized loss on investments	**(3)**	—
Balance, March 31	**8**	—
Accumulated net unrealized loss on other long-term liabilities		
Balance, beginning of period	**(58)**	(44)
Net unrealized gain on other long-term liabilities	**1**	1
Balance, March 31	**(57)**	(43)
Total accumulated other comprehensive income	**$ 994**	$ 765

(i) The amount of income tax expense that has been netted in the amounts above is as follows:

	2011	*2010*
Balance, beginning of period	***$ (17)***	*$ (2)*
Net unrealized gains on cash flow hedges	***(8)***	*(14)*
Reclassifications of net gains on cash flow hedges to net income	***3***	*2*
Balance, March 31	***$ (22)***	*$ (14)*

The amount of other comprehensive income that is expected to be reclassified to net income over the next 12 months is $48 million [net of income taxes of $13 million].

11. REAL ESTATE ASSETS HELD FOR DISPOSAL

During the first quarter of 2011, the Company determined that a group of certain corporate real estate assets were non-core and should be held for disposal. As the Company's founder, Mr. Stronach, subsequently expressed an interest in acquiring the properties, independent appraisals were obtained for each property under the oversight of the Board's Corporate Governance and Compensation Committee. Because the appraised fair value range of the group of properties was less than their $52 million carrying value, the Company recorded a $9 million impairment charge in the quarter related to this asset group. In May 2011, the Company reached an agreement to sell this asset group to entities associated with Mr. Stronach within the appraised fair value range and on other terms negotiated and recommended by the Committee and approved by all the independent directors.

12. FINANCIAL INSTRUMENTS

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

	March 31, 2011	December 31, 2010
Held for trading		
Cash and cash equivalents	**$ 1,570**	$ 1,881
Investment in ABCP	**87**	84
	$ 1,657	$ 1,965
Held to maturity investments		
Severance investments	**$ 5**	$ 5
Available-for-sale		
Equity investments	**$ 17**	$ 19
Loans and receivables		
Accounts receivable	**$ 4,828**	$ 3,543
Long-term receivables included in other assets	**137**	129
	$ 4,965	$ 3,672
Other financial liabilities		
Bank indebtedness	**$ 51**	$ 20
Long-term debt (including portion due within one year)	**75**	66
Accounts payable	**4,070**	3,496
	$ 4,196	$ 3,582
Derivatives designated as effective hedges, measured at fair value		
Foreign currency contracts		
Prepaid expenses	**$ 76**	$ 58
Other assets	**51**	40
Other accrued liabilities	**(23)**	(17)
Other long-term liabilities	**(17)**	(13)
	87	68
Natural gas contracts		
Other accrued liabilities	**(5)**	(6)
Other long-term liabilities	**(4)**	(5)
	(9)	(11)
	$ 78	$ 57

[b] 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, bank indebtedness 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.

12. FINANCIAL INSTRUMENTS (CONTINUED)

Investments

At March 31, 2011, the Company held Canadian third party asset-backed commercial paper ["ABCP"] with a face value of Cdn$127 million [December 31, 2010 - Cdn$127 million]. The carrying value and estimated fair value of this investment was Cdn$84 million [December 31, 2010 - Cdn$84 million]. As fair value information is not readily determinable for the Company's investment in ABCP, the fair value was based on a valuation technique estimating the fair value from the perspective of a market participant.

At March 31, 2011, the Company held available-for-sale investments in publicly traded companies. The carrying value and fair value of these investments was $17 million, which was based on the closing share price of the investments on March 31, 2011.

Term debt

The Company's term debt includes $20 million due within one year. Due to the short period to maturity of this debt, the carrying value as presented in the consolidated balance sheet is a reasonable estimate of its fair value.

[c] Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, accounts receivable, long-term receivables, held to maturity investments, and foreign exchange forward contracts with positive fair values.

The Company's held for trading investments include an investment in ABCP. Given the continuing uncertainties regarding the value of the underlying assets, the amount and timing over cash flows and the risk of collateral calls in the event that spreads widened considerably, the Company could be exposed to further losses on its investment.

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

The Company is also exposed to credit risk from the potential default by any of its counterparties on its derivative instruments. 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, 2011, sales to the Company's six largest customers represented 80% of the Company’s total sales, respectively, and substantially all of our sales are to customers in which the Company has ongoing contractual relationships.

[d] Currency risk

The Company is exposed to fluctuations in foreign exchange rates when manufacturing facilities have committed to the delivery of products for which the selling price has been quoted in currencies other than the facilities' functional currency, or when materials and equipment are purchased 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.

As at March 31, 2011, the net foreign exchange exposure was not material.

[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 our cash and cash equivalents is impacted more by the investment decisions made and the demands to have available cash on hand, than by movements in the interest rates over a given period.

12. FINANCIAL INSTRUMENTS (CONTINUED)

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

[f] Foreign Exchange Contracts

The Company operates globally, which gives rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in foreign exchange rates. However, as a result of hedging programs employed, foreign currency transactions in any given period may not be fully impacted by movements in exchange rates.

In particular, the Company uses foreign exchange forward contracts for the sole purpose of hedging certain of the Company's future committed Canadian dollar, U.S. dollar and euro ["€"] outflows and inflows. All derivative instruments, including foreign exchange contracts, are recorded on the consolidated balance sheet at fair value. To the extent that cash flow hedges are effective, the change in their fair value is recorded in other comprehensive income; any ineffective portion is recorded in net income. Amounts accumulated in other comprehensive income are reclassified to net income in the period in which the hedged item affects net income.

At March 31, 2011, the Company had outstanding foreign exchange forward contracts representing commitments to buy and sell various foreign currencies. Significant commitments are as follows:

	Buys	Sells
For Canadian dollars		
U.S. amount	353	665
euro amount	39	126
For U.S. dollars		
Peso amount	3,595	—
For euros		
U.S. amount	135	62
GBP amount	16	157
Czech Koruna amount	83	3,691
Polish Zlotys amount	54	231

Forward contracts mature at various dates through 2014. Foreign currency exposures are reviewed quarterly.

13. CONTINGENCIES

[a] In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers, former employees and other parties. In addition, the Company may be, or could become, liable to incur environmental remediation costs to bring environmental contamination levels back within acceptable legal limits. On an ongoing basis, the Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as 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.

[i] In November 1997, the Company and two of its subsidiaries were sued by KS Centoco Ltd., an Ontario-based steering wheel manufacturer in which the Company has a 23% equity interest, and by Centoco Holdings Limited, the owner of the remaining 77% equity interest in KS Centoco Ltd. In March 1999, the plaintiffs were granted leave to make substantial amendments to the original statement of claim in order to add several new defendants and claim additional remedies, and in February 2006, the plaintiffs further amended their claim to add an additional remedy. The amended statement of claim alleges, among other things:

- breach of fiduciary duty by the Company and two of its subsidiaries;

13. CONTINGENCIES (CONTINUED)

- breach by the Company of its binding letter of intent with KS Centoco Ltd., including its covenant not to have any interest, directly or indirectly, in any entity that carries on the airbag business in North America, other than through MST Automotive Inc., a company to be 77% owned by Magna and 23% owned by Centoco Holdings Limited;

- the plaintiff's exclusive entitlement to certain airbag technologies in North America pursuant to an exclusive licence agreement, together with an accounting of all revenues and profits resulting from the alleged use by the Company, TRW Inc. ["TRW"] and other unrelated third party automotive supplier defendants of such technology in North America;

- a conspiracy by the Company, TRW and others to deprive KS Centoco Ltd. of the benefits of such airbag technology in North America and to cause Centoco Holdings Limited to sell to TRW its interest in KS Centoco Ltd. in conjunction with the Company's sale to TRW of its interest in MST Automotive GmbH and TEMIC Bayern-Chemie Airbag GmbH; and

- oppression by the defendants.

The plaintiffs are seeking, amongst other things, damages of approximately Cdn$3.5 billion. Document production, completion of undertakings and examinations for discovery are substantially complete, although limited additional examinations for discovery may occur. The trial is not expected to commence until late 2012, at the earliest. The Company believes it has valid defences to the plaintiff's claims and therefore intends to continue to vigorously defend this case. At this time, notwithstanding the amount of time which has transpired since the claim was filed, these legal proceedings remain at an early stage and, accordingly, it is not possible to predict their outcome.

[b] In certain circumstances, the Company is at risk for warranty costs including product liability and recall costs. Due to the nature of the costs, the Company makes its best estimate of the expected future costs [note 7], however, the ultimate amount of such costs could be materially different. The Company continues to experience increased customer pressure to assume greater warranty responsibility. Currently, under most customer agreements, the Company only accounts for existing or probable claims. Under certain complete vehicle engineering and assembly contracts, the Company records an estimate of future warranty-related costs based on the terms of the specific customer agreements, and the specific customer's warranty experience.

14. SEGMENTED INFORMATION

Given the differences between the regions in which the Company operates, Magna's operations are segmented on a geographic basis between North America, Europe and Rest of World. Consistent with the above, the Company's internal financial reporting segments key internal operating performance measures between North America, Europe 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 the long-term strategic direction and future global growth of the Company.

The Company’s chief operating decision maker uses 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 as follows:

(i) EBIT which represents income from operations before income taxes and interest income, net;
(ii) Unusual items, which consist of significant non-operational items such as: restructuring charges generally related to plant closures; impairment charges; gains or losses on disposal of facilities; and other items not reflective of on-going operating profit or loss

The accounting policies of each segment are the same as those set out under "Significant Accounting Policies" [note 1] and intersegment sales and transfers are accounted for at fair market value.

14. SEGMENTED INFORMATION (CONTINUED)

The following tables show segment information and Adjusted EBIT for the Company's reporting segments and a reconciliation of Adjusted EBIT to the Company's consolidated income from operations before income taxes.

	Three months ended March 31, 2011				Three months ended March 31, 2010			
	Total sales	**External sales**	**Adjusted EBIT**	**Fixed assets, net**	Total sales	External sales	Adjusted EBIT	Fixed assets, net
North America								
Canada	**$ 1,561**	**$ 1,459**		**$ 642**	$ 1,239	$ 1,149		$ 644
United States	**1,819**	**1,680**		**664**	1,301	1,186		686
Mexico	**686**	**636**		**377**	501	466		357
Eliminations	**(273)**	**—**		**—**	(225)	—		—
	3,793	**3,775**	**$ 384**	**1,683**	2,816	2,801	$ 266	1,687
Europe								
Euroland	**2,515**	**2,474**		**1,047**	1,880	1,841		982
Great Britain	**218**	**219**		**59**	204	204		61
Other European countries	**409**	**378**		**502**	327	305		405
Eliminations	**(42)**	**—**		**—**	(36)	—		—
	3,100	**3,071**	**29**	**1,608**	2,375	2,350	2	1,448
Rest of World	**356**	**334**	**14**	**215**	215	200	15	154
Corporate and Other (i)	**(60)**	**9**	**(19)**	**342**	(56)	(1)	(22)	375
Total reportable segments	**$ 7,189**	**$ 7,189**	**$ 408**	**3,848**	$ 5,350	$ 5,350	$ 261	3,664
Write down of real estate			**(9)**				—	
Gain on disposal of facility			**—**				14	
Interest income, net			**1**				3	
	$ 7,189	**$ 7,189**	**$ 400**	**3,848**	$ 5,350	$ 5,350	$ 278	3,664
Current assets				**8,615**				7,014
Investments, goodwill and other assets				**2,589**				2,224
Consolidated total assets				**$ 15,052**				$ 12,902

(i) Corporate and other includes the Company's proportionate share of the net loss in the E-Car Systems partnership. For the three months ended March 31, 2011, the partnership recorded sales of $16 million [2010 - $nil], EBIT loss of $25 million [2010 - $18 million] and had fixed assets of $87 million [2010 - $33 million].

15. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current period's method of presentation.

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EXCHANGE LISTINGS

Common Shares

Toronto Stock Exchange	**MG**
The New York Stock Exchange	**MGA**

Shareholders wishing to communicate with the non-management members of the Magna Board of Directors may do so by contacting the Chairman of Board through the office of Magna's Corporate Secretary at 337 Magna Drive, Aurora, Ontario, Canada L4G 7K1 (905) 726-7072.

2010 Annual Report

Copies of the 2010 Annual Report may be obtained from: The Corporate Secretary, Magna International Inc., 337 Magna Drive, Aurora, Ontario, Canada L4G 7K1 or www.magna.com. Copies of financial data and other publicly filed documents 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, and on the United States Securities and Exchange Commission's Electronic Data Gathering, Analysis and Retrieval System (EDGAR) which can be accessed at www.sec.gov.