

DANA INCORPORATED

Quarterly Financial Information and Reconciliations of Non-GAAP Financial Measures

Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP financial measure which we have defined as net income before interest, taxes, depreciation, amortization, equity grant expense, restructuring expense, non-service cost components of pension and other postretirement benefit costs and other adjustments not related to our core operations (gain/loss on debt extinguishment, pension settlements, divestitures, impairment, etc.). Adjusted EBITDA is a measure of our ability to maintain and continue to invest in our operations and provide shareholder returns. We use adjusted EBITDA in assessing the effectiveness of our business strategies, evaluating and pricing potential acquisitions and as a factor in making incentive compensation decisions. In addition to its use by management, we also believe adjusted EBITDA is a measure widely used by securities analysts, investors and others to evaluate financial performance of our company relative to other Tier 1 automotive suppliers. Adjusted EBITDA should not be considered a substitute for income before income taxes, net income or other results reported in accordance with GAAP. Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

Diluted adjusted EPS is a non-GAAP financial measure which we have defined as adjusted net income divided by adjusted diluted shares. We define adjusted net income as net income attributable to the parent company, excluding any nonrecurring income tax items, restructuring charges, amortization expense, non-service cost components of pension and other postretirement benefits costs and other adjustments not related to our core operations (as used in adjusted EBITDA), net of any associated income tax effects. We define adjusted diluted shares as diluted shares as determined in accordance with GAAP based on adjusted net income. This measure is considered useful for purposes of providing investors, analysts and other interested parties with an indicator of ongoing financial performance that provides enhanced comparability to EPS reported by other companies. Diluted adjusted EPS is neither intended to represent nor be an alternative measure to diluted EPS reported under GAAP.

Free cash flow is a non-GAAP financial measure which we have defined as net cash provided by (used in) operating activities less purchases of property, plant and equipment. We believe this measure is useful to investors in evaluating the operational cash flow of the company inclusive of the spending required to maintain the operations. Free cash flow is neither intended to represent nor be an alternative to the measure of net cash provided by (used in) operating activities reported under GAAP. Free cash flow may not be comparable to similarly titled measures reported by other companies.

The accompanying financial information provides reconciliations of adjusted EBITDA, diluted adjusted EPS and free cash flow to the most directly comparable financial measures calculated and presented in accordance with GAAP. We have not provided a reconciliation of our adjusted EBITDA and diluted adjusted EPS outlook to the most comparable GAAP measures of net income and diluted EPS. Providing net income and diluted EPS guidance is potentially misleading and not practical given the difficulty of projecting event driven transactional and other non-core operating items that are included in net income and diluted EPS, including restructuring actions, asset impairments and income tax valuation adjustments. The accompanying reconciliations of these non-GAAP measures with the most comparable GAAP measures for the historical periods presented are indicative of the reconciliations that will be prepared upon completion of the periods covered by the non-GAAP guidance.

DANA INCORPORATED
Consolidated Statement of Operations (Unaudited)
For the Three Months Ended March 31, 2018 and 2017

(In millions, except per share amounts)

	Three Months Ended	
	March 31,	
	2018	2017
Net sales	\$ 2,138	\$ 1,701
Costs and expenses		
Cost of sales	1,831	1,437
Selling, general and administrative expenses	130	120
Amortization of intangibles	2	2
Restructuring charges, net	1	2
Other expense, net		(11)
Earnings before interest and income taxes	174	129
Interest income	3	3
Interest expense	24	27
Earnings before income taxes	153	105
Income tax expense	48	30
Equity in earnings of affiliates	6	5
Net income	111	80
Less: Noncontrolling interests net income	2	5
Less: Redeemable noncontrolling interests net income	1	
Net income attributable to the parent company	<u>\$ 108</u>	<u>\$ 75</u>
Net income per share available to common stockholders		
Basic	\$ 0.74	\$ 0.52
Diluted	\$ 0.73	\$ 0.51
Weighted-average shares outstanding - Basic	145.6	144.6
Weighted-average shares outstanding - Diluted	147.5	145.9
Cash dividends declared per share	\$ 0.10	\$ 0.06

DANA INCORPORATED
Consolidated Statement of Comprehensive Income (Unaudited)
For the Three Months Ended March 31, 2018 and 2017

(In millions)

	Three Months Ended March 31,	
	2018	2017
Net income	\$ 111	\$ 80
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	10	30
Hedging gains and losses	(8)	(4)
Defined benefit plans	7	5
Other comprehensive income	9	31
Total comprehensive income	120	111
Less: Comprehensive income attributable to noncontrolling interests	(2)	(7)
Less: Comprehensive (income) loss attributable to redeemable noncontrolling interests	(2)	1
Comprehensive income attributable to the parent company	<u>\$ 116</u>	<u>\$ 105</u>

DANA INCORPORATED
Consolidated Balance Sheet (Unaudited)
As of March 31, 2018 and December 31, 2017

(In millions, except share and per share amounts)

	March 31, 2018	December 31, 2017
	<u> </u>	<u> </u>
Assets		
Current assets		
Cash and cash equivalents	\$ 479	\$ 603
Marketable securities	41	40
Accounts receivable		
Trade, less allowance for doubtful accounts of \$7 in 2018 and \$8 in 2017	1,266	994
Other	235	172
Inventories	1,032	969
Other current assets	102	97
Current assets of disposal group held for sale	<u>9</u>	<u>7</u>
Total current assets	3,164	2,882
Goodwill	130	127
Intangibles	172	174
Deferred tax assets	407	420
Other noncurrent assets	74	71
Investments in affiliates	171	163
Property, plant and equipment, net	<u>1,827</u>	<u>1,807</u>
Total assets	<u><u>\$ 5,945</u></u>	<u><u>\$ 5,644</u></u>
Liabilities and equity		
Current liabilities		
Short-term debt and current portion of long-term debt	\$ 39	\$ 40
Accounts payable	1,301	1,165
Accrued payroll and employee benefits	178	219
Taxes on income	58	53
Other accrued liabilities	278	220
Current liabilities of disposal group held for sale	<u>7</u>	<u>5</u>
Total current liabilities	1,861	1,702
Long-term debt, less debt issuance costs of \$21 in 2018 and \$22 in 2017	1,755	1,759
Pension and postretirement obligations	604	607
Other noncurrent liabilities	459	413
Noncurrent liabilities of disposal group held for sale	<u>2</u>	<u>2</u>
Total liabilities	<u>4,681</u>	<u>4,483</u>
Commitments and contingencies		
Redeemable noncontrolling interests	49	47
Parent company stockholders' equity		
Preferred stock, 50,000,000 shares authorized, \$0.01 par value, no shares outstanding	-	-
Common stock, 450,000,000 shares authorized, \$0.01 par value, 145,465,858 and 144,984,050 shares outstanding	2	2
Additional paid-in capital	2,350	2,354
Retained earnings	181	86
Treasury stock, at cost (7,191,700 and 7,001,017 shares)	(93)	(87)
Accumulated other comprehensive loss	<u>(1,336)</u>	<u>(1,342)</u>
Total parent company stockholders' equity	1,104	1,013
Noncontrolling interests	<u>111</u>	<u>101</u>
Total equity	<u>1,215</u>	<u>1,114</u>
Total liabilities and equity	<u><u>\$ 5,945</u></u>	<u><u>\$ 5,644</u></u>

DANA INCORPORATED
Consolidated Statement of Cash Flows (Unaudited)
For the Three Months Ended March 31, 2018 and 2017

(In millions)	Three Months Ended	
	March 31,	
	2018	2017
Operating activities		
Net income	\$ 111	\$ 80
Depreciation	64	49
Amortization of intangibles	3	3
Amortization of deferred financing charges	1	1
Earnings of affiliates, net of dividends received	(5)	(5)
Stock compensation expense	4	4
Deferred income taxes	12	10
Pension contributions, net		(2)
Change in working capital	(216)	(133)
Other, net	(2)	4
Net cash provided by (used in) operating activities (1)	(28)	11
Investing activities		
Purchases of property, plant and equipment (1)	(65)	(96)
Acquisition of businesses, net of cash acquired		(182)
Purchases of marketable securities	(17)	(11)
Proceeds from sales of marketable securities	4	
Proceeds from maturities of marketable securities	11	13
Other		(2)
Net cash used in investing activities	(67)	(278)
Financing activities		
Net change in short-term debt	(7)	(1)
Repayment of long-term debt	(1)	(17)
Dividends paid to common stockholders	(15)	(9)
Distributions paid to noncontrolling interests	(1)	(1)
Other	(4)	2
Net cash used in financing activities	(28)	(26)
Net decrease in cash, cash equivalents and restricted cash	(123)	(293)
Cash, cash equivalents and restricted cash – beginning of period (2)	610	716
Effect of exchange rate changes on cash balances	14	13
Less: Cash contributed to disposal group held for sale	(10)	
Cash, cash equivalents and restricted cash – end of period (2)	\$ 491	\$ 436

- (1) Free cash flow of (\$93) in 2018 and (\$85) in 2017 is the sum of net cash provided by (used in) operating activities reduced by the purchases of property, plant and equipment.
- (2) Includes restricted cash of \$12 at March 31, 2018, \$7 at December 31, 2017, \$13 at March 31, 2017 and \$9 at December 31, 2016.

DANA INCORPORATED
Segment Sales and Segment EBITDA (Unaudited)
For the Three Months Ended March 31, 2018 and 2017

(In millions)	Three Months Ended	
	March 31,	
	2018	2017
Sales		
Light Vehicle	\$ 950	\$ 761
Commercial Vehicle	400	329
Off-Highway	492	328
Power Technologies	296	283
Total Sales	<u>\$ 2,138</u>	<u>\$ 1,701</u>
Segment EBITDA		
Light Vehicle	\$ 103	\$ 89
Commercial Vehicle	34	28
Off-Highway	72	45
Power Technologies	45	50
Total Segment EBITDA	<u>254</u>	<u>212</u>
Corporate expense and other items, net	<u>(6)</u>	<u>(7)</u>
Adjusted EBITDA	<u>\$ 248</u>	<u>\$ 205</u>

DANA INCORPORATED
Reconciliation of Segment and Adjusted EBITDA to Net Income (Unaudited)
For the Three Months Ended March 31, 2018 and 2017

(In millions)	Three Months Ended	
	March 31,	
	2018	2017
Segment EBITDA	\$ 254	\$ 212
Corporate expense and other items, net	(6)	(7)
Adjusted EBITDA	248	205
Depreciation	(64)	(49)
Amortization of intangibles	(3)	(3)
Restructuring	(1)	(2)
Stock compensation expense	(4)	(4)
Strategic transaction expenses, net of transaction breakup fee income	1	(11)
Acquisition related inventory adjustments		(6)
Other items	(3)	(1)
Earnings before interest and income taxes	174	129
Interest expense	(24)	(27)
Interest income	3	3
Earnings before income taxes	153	105
Income tax expense	48	30
Equity in earnings of affiliates	6	5
Net income	\$ 111	\$ 80

DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Three Months Ended March 31, 2018 and 2017

(In millions, except per share amounts)

	Three Months Ended March 31,	
	2018	2017
Net income attributable to parent company	\$ 108	\$ 75
Items impacting income before income taxes:		
Restructuring charges	1	2
Amortization of intangibles	3	3
Strategic transaction expenses		11
Acquisition related inventory adjustments		6
Other items	(1)	
Items impacting income taxes:		
Net income tax expense on items above	(1)	(5)
Adjusted net income	<u>\$ 110</u>	<u>\$ 92</u>
Diluted shares - as reported	<u>147.5</u>	<u>145.9</u>
Adjusted diluted shares	<u>147.5</u>	<u>145.9</u>
Diluted adjusted EPS	\$ 0.75	\$ 0.63