

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 net income before interest, taxes, depreciation, amortization, equity grant expense, restructuring expense 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 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 September 30, 2016 and 2015

(In millions except per share amounts)

	Three Months Ended	
	September 30,	
	2016	2015
Net sales	\$ 1,384	\$ 1,468
Costs and expenses		
Cost of sales	1,176	1,255
Selling, general and administrative expenses	99	98
Amortization of intangibles	2	4
Restructuring charges, net	17	1
Impairment of long-lived assets		(36)
Other income, net	9	2
Income before interest expense and income taxes	99	76
Interest expense	27	31
Income before income taxes	72	45
Income tax expense (benefit)	13	(77)
Equity in earnings of affiliates	2	
Net income	61	122
Less: Noncontrolling interests net income	4	3
Net income attributable to the parent company	<u>\$ 57</u>	<u>\$ 119</u>
Net income per share attributable to the parent company		
Basic	\$ 0.40	\$ 0.75
Diluted	\$ 0.39	\$ 0.75
Weighted-average shares outstanding - Basic	144.0	158.0
Weighted-average shares outstanding - Diluted	144.6	158.9
Cash dividends declared per share	\$ 0.06	\$ 0.06

DANA INCORPORATED
Consolidated Statement of Operations (Unaudited)
For the Nine Months Ended September 30, 2016 and 2015

(In millions except per share amounts)

	Nine Months Ended	
	September 30,	
	2016	2015
Net sales	\$ 4,379	\$ 4,685
Costs and expenses		
Cost of sales	3,739	4,008
Selling, general and administrative expenses	303	299
Amortization of intangibles	6	13
Restructuring charges, net	23	13
Impairment of long-lived assets		(36)
Loss on extinguishment of debt	(17)	(2)
Other income, net	17	18
Income before interest expense and income taxes	308	332
Interest expense	84	86
Income before income taxes	224	246
Income tax expense (benefit)	66	(10)
Equity in earnings of affiliates	6	3
Net income	164	259
Less: Noncontrolling interests net income	9	18
Net income attributable to the parent company	<u>\$ 155</u>	<u>\$ 241</u>
Net income per share attributable to the parent company		
Basic	\$ 1.06	\$ 1.49
Diluted	\$ 1.05	\$ 1.48
Weighted-average shares outstanding - Basic	146.7	161.6
Weighted-average shares outstanding - Diluted	147.1	162.7
Cash dividends declared per share	\$ 0.18	\$ 0.17

DANA INCORPORATED
Consolidated Statement of Comprehensive Income (Unaudited)
For the Three Months Ended September 30, 2016 and 2015

(In millions)	Three Months Ended	
	September 30,	
	2016	2015
Net income	\$ 61	\$ 122
Less: Noncontrolling interests net income	4	3
Net income attributable to the parent company	<u>57</u>	<u>119</u>
Other comprehensive income (loss) attributable to the parent company, net of tax:		
Currency translation adjustments	(8)	(66)
Hedging gains and losses	(11)	1
Investment and other gains and losses	(5)	(5)
Defined benefit plans		17
Other comprehensive loss attributable to the parent company	<u>(24)</u>	<u>(53)</u>
Other comprehensive income (loss) attributable to noncontrolling interests, net of tax:		
Currency translation adjustments		(3)
Other comprehensive loss attributable to noncontrolling interests	<u>-</u>	<u>(3)</u>
Total comprehensive income attributable to the parent company	33	66
Total comprehensive income attributable to noncontrolling interests	4	-
Total comprehensive income	<u>\$ 37</u>	<u>\$ 66</u>

DANA INCORPORATED
Consolidated Statement of Comprehensive Income (Unaudited)
For the Nine Months Ended September 30, 2016 and 2015

(In millions)	Nine Months Ended	
	September 30,	
	2016	2015
Net income	\$ 164	\$ 259
Less: Noncontrolling interests net income	9	18
Net income attributable to the parent company	<u>155</u>	<u>241</u>
Other comprehensive income (loss) attributable to the parent company, net of tax:		
Currency translation adjustments	(3)	(151)
Hedging gains and losses	(21)	3
Investment and other gains and losses	(2)	(5)
Defined benefit plans	<u>13</u>	<u>40</u>
Other comprehensive loss attributable to the parent company	<u>(13)</u>	<u>(113)</u>
Other comprehensive income (loss) attributable to noncontrolling interests, net of tax:		
Currency translation adjustments	1	(5)
Defined benefit plans	<u>1</u>	<u>1</u>
Other comprehensive income (loss) attributable to noncontrolling interests	<u>1</u>	<u>(4)</u>
Total comprehensive income attributable to the parent company	142	128
Total comprehensive income attributable to noncontrolling interests	<u>10</u>	<u>14</u>
Total comprehensive income	<u>\$ 152</u>	<u>\$ 142</u>

DANA INCORPORATED
Consolidated Balance Sheet (Unaudited)
As of September 30, 2016 and December 31, 2015

(In millions except share and per share amounts)

	September 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 727	\$ 791
Marketable securities	126	162
Accounts receivable		
Trade, less allowance for doubtful accounts of \$6 in 2016 and \$5 in 2015	802	673
Other	150	115
Inventories	696	625
Other current assets	140	108
Total current assets	2,641	2,474
Goodwill	89	80
Intangibles	108	102
Other noncurrent assets	345	353
Investments in affiliates	147	150
Property, plant and equipment, net	1,283	1,167
Total assets	\$ 4,613	\$ 4,326
Liabilities and equity		
Current liabilities		
Notes payable, including current portion of long-term debt	\$ 50	\$ 22
Accounts payable	833	712
Accrued payroll and employee benefits	147	145
Taxes on income	20	19
Other accrued liabilities	202	193
Total current liabilities	1,252	1,091
Long-term debt, less debt issuance costs of \$23 in 2016 and \$21 in 2015	1,615	1,553
Pension and postretirement obligations	508	521
Other noncurrent liabilities	368	330
Total liabilities	3,743	3,495
Commitments and contingencies		
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, 143,813,145 and 150,068,040 shares outstanding	2	2
Additional paid-in capital	2,322	2,311
Accumulated deficit	(281)	(410)
Treasury stock, at cost (6,810,678 and 23,963 shares)	(83)	(1)
Accumulated other comprehensive loss	(1,187)	(1,174)
Total parent company stockholders' equity	773	728
Noncontrolling equity	97	103
Total equity	870	831
Total liabilities and equity	\$ 4,613	\$ 4,326

DANA INCORPORATED
Consolidated Statement of Cash Flows (Unaudited)
For the Three Months Ended September 30, 2016 and 2015

(In millions)	Three Months Ended	
	September 30,	
	2016	2015
Operating activities		
Net income	\$ 61	\$ 122
Depreciation	45	39
Amortization of intangibles	3	4
Amortization of deferred financing charges	2	1
Earnings of affiliates, net of dividends received		3
Stock compensation expense	4	6
Deferred income taxes	(4)	(99)
Pension contributions, net	(3)	(5)
Impairment of long-lived assets		36
Change in working capital	(59)	16
Other, net	(7)	15
Net cash provided by operating activities (1)	42	138
Investing activities		
Purchases of property, plant and equipment (1)	(68)	(70)
Purchases of marketable securities	(16)	(3)
Proceeds from sales of marketable securities	43	3
Proceeds from maturities of marketable securities	11	5
Other	(7)	
Net cash used in investing activities	(37)	(65)
Financing activities		
Net change in short-term debt	2	
Repayment of long-term debt	(2)	(1)
Dividends paid to common stockholders	(8)	(9)
Distributions paid to noncontrolling interests	(13)	(5)
Repurchases of common stock		(119)
Other	(4)	5
Net cash used in financing activities	(25)	(129)
Net decrease in cash and cash equivalents	(20)	(56)
Cash and cash equivalents – beginning of period	745	894
Effect of exchange rate changes on cash balances	2	(21)
Cash and cash equivalents – end of period	\$ 727	\$ 817

(1) Free cash flow of (\$26) in 2016 and \$68 in 2015 is the sum of net cash provided by operating activities reduced by the purchases of property, plant and equipment.

DANA INCORPORATED
Consolidated Statement of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2016 and 2015

(In millions)	Nine Months Ended	
	September 30,	
	2016	2015
Operating activities		
Net income	\$ 164	\$ 259
Depreciation	129	117
Amortization of intangibles	7	14
Amortization of deferred financing charges	4	3
Call premium on senior notes	12	2
Write off of deferred financing costs	5	1
Earnings of affiliates, net of dividends received	3	12
Stock compensation expense	11	14
Deferred income taxes	1	(97)
Pension contributions, net	(12)	(14)
Impairment of long-lived assets		36
Change in working capital	(142)	(92)
Other, net		11
Net cash provided by in operating activities (1)	182	266
Investing activities		
Purchases of property, plant and equipment (1)	(198)	(192)
Acquisition of business	(18)	
Purchases of marketable securities	(41)	(29)
Proceeds from sales of marketable securities	47	15
Proceeds from maturities of marketable securities	33	21
Other	(10)	(3)
Net cash used in investing activities	(187)	(188)
Financing activities		
Net change in short-term debt	14	3
Repayment of letters of credit		(4)
Proceeds from long-term debt	441	18
Repayment of long-term debt	(378)	(59)
Call premium on senior notes	(12)	(2)
Deferred financing payments	(10)	
Dividends paid to common stockholders	(26)	(27)
Distributions paid to noncontrolling interests	(16)	(8)
Repurchases of common stock	(81)	(245)
Other	(4)	6
Net cash used in financing activities	(72)	(318)
Net decrease in cash and cash equivalents	(77)	(240)
Cash and cash equivalents – beginning of period	791	1,121
Effect of exchange rate changes on cash balances	13	(64)
Cash and cash equivalents – end of period	\$ 727	\$ 817

(1) Free cash flow of (\$16) in 2016 and \$74 in 2015 is the sum of net cash provided by operating activities reduced by the purchases of property, plant and equipment.

DANA INCORPORATED
Segment Sales & Segment EBITDA (Unaudited)
For the Three Months Ended September 30, 2016 and 2015

(In millions)	Three Months Ended	
	September 30,	
	2016	2015
Sales		
Light Vehicle	\$ 631	\$ 605
Commercial Vehicle	294	367
Off-Highway	199	246
Power Technologies	260	250
Total Sales	<u>\$ 1,384</u>	<u>\$ 1,468</u>
Segment EBITDA		
Light Vehicle	\$ 73	\$ 63
Commercial Vehicle	23	31
Off-Highway	28	35
Power Technologies	42	40
Total Segment EBITDA	<u>166</u>	<u>169</u>
Corporate expense and other items, net	2	(2)
Adjusted EBITDA	<u>\$ 168</u>	<u>\$ 167</u>

DANA INCORPORATED
Segment Sales & Segment EBITDA (Unaudited)
For the Nine Months Ended September 30, 2016 and 2015

(In millions)	Nine Months Ended	
	September 30,	
	2016	2015
Sales		
Light Vehicle	\$ 1,913	\$ 1,883
Commercial Vehicle	976	1,231
Off-Highway	692	809
Power Technologies	798	762
Total Sales	<u>\$ 4,379</u>	<u>\$ 4,685</u>
Segment EBITDA		
Light Vehicle	\$ 202	\$ 193
Commercial Vehicle	81	102
Off-Highway	97	115
Power Technologies	120	117
Total Segment EBITDA	<u>500</u>	<u>527</u>
Corporate expense and other items, net	<u>(6)</u>	<u>(4)</u>
Adjusted EBITDA	<u>\$ 494</u>	<u>\$ 523</u>

DANA INCORPORATED
Reconciliation of Segment and Adjusted EBITDA
to Net Income (Unaudited)
For the Three Months Ended September 30, 2016 and 2015

(In millions)

	Three Months Ended September 30,	
	2016	2015
Segment EBITDA	\$ 166	\$ 169
Corporate expense and other items, net	2	(2)
Adjusted EBITDA	168	167
Depreciation	(45)	(39)
Amortization of intangibles	(3)	(4)
Restructuring	(17)	(1)
Stock compensation expense	(4)	(6)
Strategic transaction expenses	(3)	(1)
Other items		(4)
Impairment of long-lived assets		(36)
Amounts attributable to previously divested/closed operations		(4)
Interest expense, net	(24)	(27)
Income before income taxes	72	45
Income tax expense (benefit)	13	(77)
Equity in earnings of affiliates	2	
Net income	<u>\$ 61</u>	<u>\$ 122</u>

DANA INCORPORATED
Reconciliation of Segment and Adjusted EBITDA
to Net Income (Unaudited)
For the Nine Months Ended September 30, 2016 and 2015

(In millions)

	Nine Months Ended September 30,	
	2016	2015
Segment EBITDA	\$ 500	\$ 527
Corporate expense and other items, net	(6)	(4)
Adjusted EBITDA	494	523
Depreciation	(129)	(117)
Amortization of intangibles	(7)	(14)
Restructuring	(23)	(13)
Stock compensation expense	(11)	(14)
Strategic transaction expenses	(6)	(3)
Other items	(3)	(4)
Impairment of long-lived assets		(36)
Distressed supplier costs	(1)	
Amounts attributable to previously divested/closed operations	3	(4)
Gain on derecognition of noncontrolling interest		5
Loss on extinguishment of debt	(17)	(2)
Interest expense, net	(76)	(75)
Income before income taxes	224	246
Income tax expense (benefit)	66	(10)
Equity in earnings of affiliates	6	3
Net income	\$ 164	\$ 259

DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Three Months Ended September 30, 2016 and 2015

(In millions except per share amounts)

	Three Months Ended September 30,	
	2016	2015
Net income attributable to parent company	\$ 57	\$ 119
Items impacting income before income taxes:		
Restructuring charges	17	1
Amortization of intangibles	3	4
Impairment of long-lived assets		36
Other items	2	13
Items impacting income taxes:		
Net Income tax expense (benefit) on items above	(10)	(16)
Nonrecurring income tax expense	2	(92)
Adjusted net income	<u>\$ 71</u>	<u>\$ 65</u>
Diluted shares - as reported	<u>145</u>	<u>159</u>
Adjusted diluted shares	<u>145</u>	<u>159</u>
Diluted adjusted EPS	\$ 0.49	\$ 0.41

DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Nine Months Ended September 30, 2016 and 2015

(In millions except per share amounts)

	Nine Months Ended September 30,	
	2016	2015
Net income attributable to parent company	\$ 155	\$ 241
Items impacting income before income taxes:		
Restructuring charges	23	13
Amortization of intangibles	7	14
Loss on extinguishment of debt	17	2
Impairment of long-lived assets		36
Other items	2	14
Items impacting income taxes:		
Net Income tax expense on items above	(12)	(23)
Nonrecurring income tax expense (benefit)	8	(74)
Items impacting noncontrolling interests net income:		
Gain on derecognition of noncontrolling interest		(5)
Correction of prior period understatement of noncontrolling interest		9
Adjusted net income	<u>\$ 200</u>	<u>\$ 227</u>
Diluted shares - as reported	<u>147</u>	<u>163</u>
Adjusted diluted shares	<u>147</u>	<u>163</u>
Diluted adjusted EPS	\$ 1.36	\$ 1.39