UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

☑ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended: March 31, 2023

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period From to

Commission File Number: 1-1063

Dana Incorporated

(Exact name of registrant as specified in its charter)

Delaware	**26-1531856**
(State of incorporation)	*(IRS Employer Identification Number)*
3939 Technology Drive, Maumee, OH	**43537**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code: **(419) 887-3000**

Securities registered pursuant to Section 12(b) of the Act:

Common stock $0.01 par value	**DAN**	**New York Stock Exchange**
(Title of each class)	*(Trading Symbol)*	*(Name of exchange on which registered)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

There were 144,330,117 shares of the registrant's common stock outstanding at April 14, 2023.

DANA INCORPORATED – FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2023

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Dana Incorporated
Consolidated Statement of Operations (Unaudited)
(In millions, except per share amounts)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net sales	$ 2,644	$ 2,480
Costs and expenses		
Cost of sales	2,415	2,283
Selling, general and administrative expenses	140	130
Amortization of intangibles	3	4
Restructuring charges, net	1	(1)
Other income (expense), net	5	2
Earnings before interest and income taxes	90	66
Interest income	4	2
Interest expense	34	31
Earnings before income taxes	60	37
Income tax expense	30	18
Equity in earnings of affiliates	1	1
Net income	31	20
Less: Noncontrolling interests net income	4	4
Less: Redeemable noncontrolling interests net loss	(1)	(1)
Net income attributable to the parent company	$ 28	$ 17
Net income per share available to common stockholders		
Basic	$ 0.19	$ 0.12
Diluted	$ 0.19	$ 0.12
Weighted-average common shares outstanding		
Basic	143.9	144.2
Diluted	144.3	145.3

The accompanying notes are an integral part of the consolidated financial statements.

Dana Incorporated
Consolidated Statement of Comprehensive Income (Unaudited)
(In millions)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net income	$ 31	$ 20
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	25	39
Hedging gains and losses	15	(4)
Defined benefit plans	1	1
Other comprehensive income	41	36
Total comprehensive income	72	56
Less: Comprehensive income attributable to noncontrolling interests	(4)	(4)
Less: Comprehensive loss attributable to redeemable noncontrolling interests		1
Comprehensive income attributable to the parent company	$ 68	$ 53

The accompanying notes are an integral part of the consolidated financial statements.

Dana Incorporated
Consolidated Balance Sheet (Unaudited)
(In millions, except share and per share amounts)

	March 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 401	$ 425
Accounts receivable		
Trade, less allowance for doubtful accounts of $13 in 2023 and $11 in 2022	1,624	1,374
Other	248	202
Inventories	1,723	1,609
Other current assets	237	219
Total current assets	4,233	3,829
Goodwill	262	259
Intangibles	197	201
Deferred tax assets	405	397
Other noncurrent assets	106	123
Investments in affiliates	138	136
Operating lease assets	319	311
Property, plant and equipment, net	2,233	2,193
Total assets	$ 7,893	$ 7,449
Liabilities, redeemable noncontrolling interests and equity		
Current liabilities		
Short-term debt	$ 321	$ 52
Current portion of long-term debt	32	8
Accounts payable	1,919	1,838
Accrued payroll and employee benefits	210	214
Taxes on income	72	54
Current portion of operating lease liabilities	35	36
Other accrued liabilities	287	277
Total current liabilities	2,876	2,479
Long-term debt, less debt issuance costs of $21 in 2023 and $22 in 2022	2,328	2,348
Noncurrent operating lease liabilities	282	277
Pension and postretirement obligations	301	298
Other noncurrent liabilities	242	249
Total liabilities	6,029	5,651
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests	206	195
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, 144,330,117 and 143,366,482 shares outstanding	2	2
Additional paid-in capital	2,237	2,229
Retained earnings	333	321
Treasury stock, at cost (447,594 and zero shares)	(8)	
Accumulated other comprehensive loss	(961)	(1,001)
Total parent company stockholders' equity	1,603	1,551
Noncontrolling interests	55	52
Total equity	1,658	1,603
Total liabilities, redeemable noncontrolling interests and equity	$ 7,893	$ 7,449

The accompanying notes are an integral part of the consolidated financial statements.

Dana Incorporated
Consolidated Statement of Cash Flows (Unaudited)
(In millions)

	Three Months Ended March 31,	
	2023	2022
Operating activities		
Net income	$ 31	$ 20
Depreciation	92	91
Amortization	5	6
Amortization of deferred financing charges	1	1
Earnings of affiliates, net of dividends received	(1)	(1)
Stock compensation expense	6	4
Deferred income taxes	(8)	(25)
Pension expense, net		(1)
Change in working capital	(304)	(211)
Other, net	8	(5)
Net cash used in operating activities	(170)	(121)
Investing activities		
Purchases of property, plant and equipment	(120)	(116)
Proceeds from sale of property, plant and equipment	2	2
Purchases of marketable securities		(5)
Proceeds from sales of marketable securities		2
Net cash used in investing activities	(118)	(117)
Financing activities		
Net change in short-term debt	269	278
Proceeds from long-term debt		2
Repayment of long-term debt	(2)	(3)
Deferred financing payments	(2)	
Dividends paid to common stockholders	(15)	(14)
Repurchases of common stock		(25)
Distributions to noncontrolling interests	(1)	(1)
Contributions from redeemable noncontrolling interests	10	2
Payments to acquire noncontrolling interests		(3)
Other, net	(4)	(7)
Net cash provided by financing activities	255	229
Net decrease in cash, cash equivalents and restricted cash	(33)	(9)
Cash, cash equivalents and restricted cash – beginning of period	442	287
Effect of exchange rate changes on cash balances	10	2
Cash, cash equivalents and restricted cash – end of period (Note 4)	$ 419	$ 280
Non-cash investing activity		
Purchases of property, plant and equipment held in accounts payable	$ 72	$ 74

The accompanying notes are an integral part of the consolidated financial statements.

Dana Incorporated
Index to Notes to Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies
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Notes to Consolidated Financial Statements (Unaudited)
(In millions, except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies

General

Dana Incorporated (Dana) is headquartered in Maumee, Ohio and was incorporated in Delaware in 2007. As a global provider of high technology driveline (axles, driveshafts and transmissions); sealing and thermal-management products; and motors, power inverters, and control systems for electric vehicles our customer base includes virtually every major vehicle manufacturer in the global light vehicle, medium/heavy vehicle and off-highway markets.

The terms "Dana," "we," "our" and "us," when used in this report, are references to Dana. These references include the subsidiaries of Dana unless otherwise indicated or the context requires otherwise.

Summary of significant accounting policies

Basis of presentation — Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. These statements are unaudited, but in the opinion of management include all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the results for the interim periods. The results reported in these consolidated financial statements should not necessarily be taken as indicative of results that may be expected for the entire year. The financial information included herein should be read in conjunction with the consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2022 (the 2022 Form 10-K). Certain prior year amounts have been reclassified to conform to the current presentation.

On January 1, 2023 we adopted *Accounting Standards Update (ASU) 2022-04, Supplier Finance Programs* which requires annual and interim disclosures for entities that use supplier finance programs in connection with the purchase of goods and services. Adoption of this new standard did not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. Certain of our subsidiaries have entered into paying agency agreements with third-party administrators. These voluntary supply chain finance programs generally give participating suppliers the ability to sell, or otherwise pledge as collateral, their receivables from Dana to the participating financial institutions, at the sole discretion of both the suppliers and financial institutions. Dana is not a party to the arrangements between the suppliers and the financial institutions. Dana's obligations to its suppliers, including amounts due and scheduled payment dates, are not impacted by the suppliers' decisions to sell, or otherwise pledge as collateral, amounts under these arrangements. Dana's payment terms to the financial institutions, including the timing and amount of payments, are based on the original supplier invoices. As of March 31, 2023 and December 31, 2022, we had $62 and $81, respectively, of confirmed obligations presented as accounts payable within total current liabilities on the consolidated balance sheet.

We also adopted the following standard during the first three months of 2023, which did not have a material impact on our financial statements or financial statement disclosures:

	Standard	Effective Date
ASU 2021-08	Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	January 1, 2023

Note 2. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill by segment —

	Off-Highway
Balance, December 31, 2022	$ 259
Currency impact	3
Balance, March 31, 2023	$ 262

Components of other intangible assets —

		March 31, 2023			December 31, 2022		
	Weighted Average Useful Life (years)	Gross Carrying Amount	Accumulated Impairment and Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Impairment and Amortization	Net Carrying Amount
Amortizable intangible assets							
Core technology	8	$ 157	$ (118)	$ 39	$ 156	$ (116)	$ 40
Trademarks and trade names	13	29	(14)	15	29	(13)	16
Customer relationships	8	500	(429)	71	498	(425)	73
Non-amortizable intangible assets							
Trademarks and trade names		72		72	72		72
		$ 758	$ (561)	$ 197	$ 755	$ (554)	$ 201

The net carrying amounts of intangible assets, other than goodwill, attributable to each of our operating segments at March 31, 2023 were as follows: Light Vehicle — $16, Commercial Vehicle — $64, Off-Highway — $112 and Power Technologies — $5.

Amortization expense related to amortizable intangible assets —

	Three Months Ended March 31,	
	2023	2022
Charged to cost of sales	$ 2	$ 2
Charged to amortization of intangibles	3	4
Total amortization	$ 5	$ 6

Note 3. Restructuring of Operations

Our restructuring activities have historically included rationalizing our operating footprint by consolidating facilities, positioning operations in lower cost locations and reducing overhead costs. Restructuring expense includes costs associated with current and previously announced actions and is comprised of contractual and noncontractual separation costs and exit costs.

Accrued restructuring costs and activity —

	Employee Termination Benefits	Exit Costs	Total
Balance, December 31, 2022	$ 2	$ —	$ 2
Charges to restructuring		1	1
Cash payments		(1)	(1)
Balance, March 31, 2023	$ 2	$ —	$ 2

At March 31, 2023, the accrued employee termination benefits include costs to reduce approximately 100 employees to be completed over the next year.

Note 4. Supplemental Balance Sheet and Cash Flow Information

Inventory components at —

	March 31, 2023	December 31, 2022
Raw materials	$ 708	$ 679
Work in process and finished goods	1,109	1,023
Inventory reserves	(94)	(93)
Total	$ 1,723	$ 1,609

Cash, cash equivalents and restricted cash at —

	March 31, 2023	December 31, 2022	March 31, 2022	December 31, 2021
Cash and cash equivalents	$ 401	$ 425	$ 259	$ 268
Restricted cash included in other current assets	7	7	9	9
Restricted cash included in other noncurrent assets	11	10	12	10
Total cash, cash equivalents and restricted cash	$ 419	$ 442	$ 280	$ 287

Note 5. Stockholders' Equity

Common stock — Our Board of Directors declared a cash dividend of ten cents per share of common stock in the first quarter of 2023. Dividends accrue on restricted stock units (RSUs) granted under our stock compensation program and will be paid in cash or additional units when the underlying units vest.

Share repurchase program — On February 16, 2021 our Board of Directors approved an extension of our existing common stock share repurchase program through December 31, 2023. Under the program, we spent $25 to repurchase 1,483,742 shares of our common stock during the first quarter of 2022 through open market transactions. Approximately $102 remained available for future share repurchases as of March 31, 2023.

Changes in equity —

2023	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Equity
Balance, December 31, 2022	$ 2	$ 2,229	$ 321	$ —	$ (1,001)	$ 52	$ 1,603
Net income			28			4	32
Other comprehensive income					40		40
Common stock dividends and dividend equivalents			(15)				(15)
Distributions to noncontrolling interests						(1)	(1)
Redeemable noncontrolling interests adjustment to redemption value			(1)				(1)
Stock compensation		8					8
Stock withheld for employees taxes				(8)			(8)
Balance, March 31, 2023	2	2,237	333	(8)	(961)	55	1,658

2022	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Equity
Balance, December 31, 2021	$ 2	$ 2,427	$ 662	$ (184)	$ (985)	$ 53	$ 1,975
Net income			17			4	21
Other comprehensive income					36		36
Common stock dividends and dividend equivalents			(14)				(14)
Common stock repurchases				(25)			(25)
Distributions to noncontrolling interests						(1)	(1)
Purchases of noncontrolling interests						(1)	(1)
Redeemable noncontrolling interests adjustment to redemption value			(1)				(1)
Stock compensation		4					4
Stock withheld for employees taxes				(7)			(7)
Balance, March 31, 2022	2	2,431	664	(216)	(949)	55	1,987

Changes in each component of accumulated other comprehensive income (loss) (AOCI) of the parent —

	Parent Company Stockholders			
2023	Foreign Currency Translation	Hedging	Defined Benefit Plans	Accumulated Other Comprehensive Loss
Balance, December 31, 2022	$ (895)	$ 21	$ (127)	$ (1,001)
Currency translation adjustments	24			24
Holding gains and losses		16		16
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)			1	1
Tax expense		(1)		(1)
Other comprehensive income	24	15	1	40
Balance, March 31, 2023	(871)	36	(126)	(961)

	Parent Company Stockholders			
2022	Foreign Currency Translation	Hedging	Defined Benefit Plans	Accumulated Other Comprehensive Loss
Balance, December 31, 2021	$ (809)	$ 4	$ (180)	$ (985)
Currency translation adjustments	39			39
Holding gains and losses		19		19
Reclassification of amount to net income (a)		(22)		(22)
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)			2	2
Tax expense		(1)	(1)	(2)
Other comprehensive income (loss)	39	(4)	1	36
Balance, March 31, 2022	(770)	—	(179)	(949)

(a) Realized gains and losses from currency-related forward contracts associated with forecasted transactions or from other derivative instruments treated as cash flow hedges are reclassified from AOCI into the same line item in the consolidated statement of operations in which the underlying forecasted transaction or other hedged item is recorded. See Note 11 for additional details.

(b) See Note 9 for additional details.

Note 6. Redeemable Noncontrolling Interests

Hydro-Québec owns a 45% redeemable noncontrolling interest in Dana TM4 Inc., Dana TM4 Electric Holdings BV and Dana TM4 USA, LLC. The terms of the joint venture agreement provide Hydro-Québec with the right to put all, and not less than all, of its ownership interests in Dana TM4 Inc., Dana TM4 Electric Holdings BV and Dana TM4 USA, LLC to Dana at fair value.

Redeemable noncontrolling interests reflected as of the balance sheet date are the greater of the redeemable noncontrolling interest balances adjusted for comprehensive income (loss) items and distributions or the redemption value. Redeemable noncontrolling interest adjustments of redemption value are recorded in retained earnings. We estimate the fair value of the redemption value using an income based approach based on discounted cash flow projections. In determining fair value using discounted cash flow projections, we make significant assumptions and estimates about the extent and timing of future cash flows, including revenue growth rates, projected EBITDA, discount rates and terminal growth rates.

Reconciliation of changes in redeemable noncontrolling interests —

	Three Months Ended March 31,	
	2023	2022
Balance, beginning of period	$ 195	$ 198
Capital contribution from redeemable noncontrolling interest	10	2
Adjustment to redemption value	1	1
Comprehensive income (loss) adjustments:		
Net loss attributable to redeemable noncontrolling interests	(1)	(1)
Other comprehensive income attributable to redeemable noncontrolling interests	1	
Balance, end of period	$ 206	$ 200

Note 7. Earnings per Share

Reconciliation of the numerators and denominators of the earnings per share calculations —

	Three Months Ended March 31,	
	2023	2022
Net income available to common stockholders - Numerator basic and diluted	$ 28	$ 17
Denominator:		
Weighted-average common shares outstanding - Basic	143.9	144.2
Employee compensation-related shares, including stock options	0.4	1.1
Weighted-average common shares outstanding - Diluted	144.3	145.3

The share count for diluted earnings per share is computed on the basis of the weighted-average number of common shares outstanding plus the effects of dilutive common stock equivalents (CSEs) outstanding during the period. We excluded 0.2 million and 0.4 million CSEs from the calculation of diluted earnings per share for the first quarters of 2023 and 2022 as the effect of including them would have been anti-dilutive.

Note 8. Stock Compensation

The Compensation Committee of our Board of Directors approved the grant of RSUs and performance share units (PSUs) shown in the table below during 2023.

	Granted (In millions)	Grant Date Fair Value*
RSUs	1.1	$ 18.56
PSUs	0.6	$ 19.57

* Weighted-average per share

We calculated the fair value of the RSUs at grant date based on the closing market price of our common stock at the date of grant. The number of PSUs that ultimately vest is contingent on achieving specified financial targets and specified total shareholder return targets relative to peer companies. For the portion of the award based on financial metrics, we estimated the fair value of the PSUs at grant date based on the closing market price of our common stock at the date of grant adjusted for the value of assumed dividends over the period because the awards are not dividend protected. For the portion of the award based on shareholder returns, we estimated the fair value of the PSUs at grant date using various assumptions as part of a Monte Carlo simulation. The expected term represents the period from the grant date to the end of the three-year performance period. The risk-free interest rate of 4.28% was based on U.S. Treasury constant maturity rates at the grant date. The dividend yield of 2.5% was calculated using our historical approach calculated by dividing the expected annual dividend by the average stock price over the prior year. The estimated volatility of 67.0% was based on observed historical volatility of daily stock returns for the 3-year period preceding the grant date.

During 2023, we paid $5 of cash to settle RSUs and issued 1.2 million shares of common stock based on the vesting of RSUs. We recognized stock compensation expense of $6 and $4 during the first quarters of 2023 and 2022, respectively. At March 31, 2023, the total unrecognized compensation cost related to the nonvested awards granted and expected to vest was $44. This cost is expected to be recognized over a weighted-average period of 2.2 years.

Note 9. Pension and Postretirement Benefit Plans

We have a number of defined contribution and defined benefit, qualified and nonqualified, pension plans covering eligible employees. Other postretirement benefits (OPEB), including medical and life insurance, are provided for certain employees upon retirement.

Components of net periodic benefit cost (credit) —

	Pension				OPEB	
	2023		2022		2023	2022
Three Months Ended March 31,	U.S.	Non-U.S.	U.S.	Non-U.S.	Non-U.S.	Non-U.S.
Interest cost	$ 7	$ 3	$ 4	$ 2	$ 1	$ —
Expected return on plan assets	(8)	(1)	(7)	(1)		
Service cost		1		2		
Amortization of net actuarial loss	2		2	1	(1)	(1)
Net periodic benefit cost (credit)	$ 1	$ 3	$ (1)	$ 4	$ —	$ (1)

The service cost components of net periodic pension and OPEB costs are included in cost of sales and selling, general and administrative expenses as part of compensation cost and are eligible for capitalization in inventory and other assets. The non-service components are reported in other income (expense), net and are not eligible for capitalization.

Note 10. Financing Agreements

Long-term debt at —

	Interest Rate		March 31, 2023	December 31, 2022
Senior Notes due April 15, 2025	5.750%	*	$ 400	$ 400
Senior Notes due November 15, 2027	5.375%		400	400
Senior Notes due June 15, 2028	5.625%		400	400
Senior Euro Notes due July 15, 2029	3.000%		352	348
Senior Notes due September 1, 2030	4.250%		400	400
Senior Notes due February 15, 2032	4.500%		350	350
Other indebtedness			79	80
Debt issuance costs			(21)	(22)
			2,360	2,356
Less: Current portion of long-term debt			32	8
Long-term debt, less debt issuance costs			$ 2,328	$ 2,348

* In conjunction with the issuance of the April 2025 Notes we entered into 8-year fixed-to-fixed cross-currency swaps which have the effect of economically converting the April 2025 Notes to euro-denominated debt at a fixed rate of 3.850%. See Note 11 for additional information.

Interest on the senior notes is payable semi-annually. Other indebtedness includes a $25 note payable to the former shareholders of SME S.p.A., borrowings from various financial institutions and finance lease obligations.

Senior notes redemption provisions — We may redeem some or all of the senior notes at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest to the redemption date, if redeemed during the 12-month period commencing on the anniversary date of the senior notes in the year set forth below:

	Redemption Price					
Year	April 2025 Notes	November 2027 Notes	June 2028 Notes	July 2029 Notes	September 2030 Notes	February 2032 Notes
2023	100.000%	101.344%	102.813%			
2024	100.000%	100.000%	101.406%	101.500%		
2025		100.000%	100.000%	100.750%		
2026		100.000%	100.000%	100.000%	102.125%	
2027			100.000%	100.000%	101.417%	102.250%
2028				100.000%	100.708%	101.500%
2029					100.000%	100.750%
2030						100.000%
2031						100.000%

At any time prior to June 15, 2023, we may redeem up to 35% of the aggregate principal amount of the June 2028 Notes in an amount not to exceed the amount of proceeds of one or more equity offerings, at a price equal to 105.625% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 50% of the original aggregate principal amount of the June 2028 Notes remains outstanding after the redemption. Prior to June 15, 2023, we may redeem some or all of the June 2028 Notes at a redemption price of 100.000% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus a "make-whole" premium. We have not separated the make-whole premium from the underlying debt instrument to account for it as a derivative instrument as the economic characteristics and the risks of this embedded derivative are clearly and closely related to the economic characteristics and risks of the underlying debt.

At any time prior to July 15, 2024, we may redeem up to 40% of the aggregate principal amount of the July 2029 Notes in an amount not to exceed the amount of proceeds of one or more equity offerings, at a price equal to 103.000% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 50% of the aggregate principal amount of the July 2029 Notes remain outstanding after the redemption. Prior to July 15, 2024, we may also redeem some or all of the July 2029 Notes at a redemption price equal to 100% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus a "make-whole" premium. We have not separated the make-whole premium from the underlying debt instrument to account for it as a derivative instrument as the economic characteristics and the risks of this embedded derivative are clearly and closely related to the economic characteristics and risks of the underlying debt.

At any time prior to May 1, 2024, we may redeem up to 40% of the aggregate principal amount of the September 2030 Notes in an amount not to exceed the amount of proceeds of one or more equity offerings, at a price equal to 104.250% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, provided that at least 50% of the aggregate principal amount of the September 2030 Notes remains outstanding after the redemption. Prior to May 1, 2026, we may redeem some or all of the September 2030 Notes at a redemption price equal to 100% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus a "make-whole" premium. We have not separated the make-whole premium from the underlying debt instrument to account for it as a derivative instrument as the economic characteristics and the risks of this embedded derivative are clearly and closely related to the economic characteristics and risks of the underlying debt.

At any time prior to February 15, 2025, we may redeem up to 40% of the aggregate principal amount of the February 2032 Notes in an amount not to exceed the amount of proceeds of one or more equity offerings, at a price equal to 104.500% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, provided that at least 50% of the aggregate principal amount of the February 2032 Notes remains outstanding after the redemption. Prior to February 15, 2027, we may redeem some or all of the February 2032 Notes at a redemption price equal to 100% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus a "make-whole" premium. We have not separated the make-whole premium from the underlying debt instrument to account for it as a derivative instrument as the economic characteristics and the risks of this embedded derivative are clearly and closely related to the economic characteristics and risks of the underlying debt.

Credit agreement — On March 14, 2023, we amended our credit and guaranty agreement, extending its maturity to March 14, 2028. We recorded deferred fees of $2 related to the amendment. The deferred fees are being amortized over the life of the Revolving Facility. Deferred financing costs on our Revolving Facility are included in other noncurrent assets.

The Revolving Facility is guaranteed by all of our wholly-owned domestic subsidiaries subject to certain exceptions (the guarantors) and are secured by a first-priority lien on substantially all of the assets of Dana and the guarantors, subject to certain exceptions.

Advances under the Revolving Facility bear interest at a floating rate based on, at our option, the base rate or the Term Secured Overnight Financing Rate ("SOFR") (each as described in the credit agreement) plus a margin as set forth below:

	Margin	
Total Net Leverage Ratio	Base Rate	SOFR Rate
Less than or equal to 1.00:1.00	0.25%	1.25%
Greater than 1.00:1.00 but less than or equal to 2.00:1.00	0.50%	1.50%
Greater than 2.00:1.00	0.75%	1.75%

Commitment fees are applied based on the average daily unused portion of the available amounts under the Revolving Facility as set forth below:

Total Net Leverage Ratio	Commitment Fee
Less than or equal to 1.00:1.00	0.250%
Greater than 1.00:1.00 but less than or equal to 2.00:1.00	0.375%
Greater than 2.00:1.00	0.500%

Up to $275 of the Revolving Facility may be applied to letters of credit, which reduces availability. We pay a fee for issued and undrawn letters of credit in an amount per annum equal to the applicable margin for SOFR rate advances based on a quarterly average availability under issued and undrawn letters of credit under the Revolving Facility and a per annum fronting fee of 0.125%, payable quarterly.

At March 31, 2023, we had $295 of outstanding borrowings under the Revolving Facility and had utilized $16 for letters of credit. We had availability at March 31, 2023 under the Revolving Facility of $839 after deducting outstanding borrowings and the letters of credit.

Debt covenants — At March 31, 2023, we were in compliance with the covenants of our financing agreements. Under the Revolving Facility and the senior notes, we are required to comply with certain incurrence-based covenants customary for facilities of these types and, in the case of the Revolving Facility, a maintenance covenant tested on the last day of each fiscal quarter requiring us to maintain a first lien net leverage ratio not to exceed 2.00 to 1.00.

Note 11. Fair Value Measurements and Derivatives

In measuring the fair value of our assets and liabilities, we use market data or assumptions that we believe market participants would use in pricing an asset or liability including assumptions about risk when appropriate. Our valuation techniques include a combination of observable and unobservable inputs.

Fair value measurements on a recurring basis — Assets and liabilities that are carried in our balance sheet at fair value are as follows:

			Fair Value	
Category	Balance Sheet Location	Fair Value Level	March 31, 2023	December 31, 2022
Currency forward contracts				
Cash flow hedges	Accounts receivable - Other	2	$ 40	$ 26
Cash flow hedges	Other accrued liabilities	2	4	4
Undesignated	Accounts receivable - Other	2	3	2
Undesignated	Other accrued liabilities	2	5	7
Currency swaps				
Cash flow hedges	Other noncurrent assets	2	15	17
Undesignated	Other noncurrent liabilities	2	11	11

Fair Value Level 2 assets and liabilities reflect the use of significant other observable inputs.

Fair value of financial instruments — The financial instruments that are not carried in our balance sheet at fair value are as follows:

		March 31, 2023		December 31, 2022	
	Fair Value Level	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	2	$ 2,310	$ 2,038	$ 2,304	$ 2,010

Foreign currency derivatives — Our foreign currency derivatives include forward contracts associated with forecasted transactions, primarily involving the purchases and sales of inventory, as well as currency swaps associated with certain recorded external notes payable and intercompany loans receivable and payable. Periodically, our foreign currency derivatives also include net investment hedges of certain of our investments in foreign operations.

We have executed fixed-to-fixed cross-currency swaps in conjunction with the issuance of certain notes to eliminate the variability in the functional-currency-equivalent cash flows due to changes in exchange rates associated with the forecasted principal and interest payments. All of the underlying designated financial instruments have been designated as the hedged items in each respective cash flow hedge relationship, as shown in the table below. Designated as cash flow hedges of the forecasted principal and interest payments of the underlying designated financial instruments all of the swaps economically convert the underlying designated financial instruments into the functional currency of each respective holder. The impact of the interest rate differential between the inflow and outflow rates on all fixed-to-fixed cross-currency swaps is recognized during each period as a component of interest expense.

The following fixed-to-fixed cross-currency swaps were outstanding at March 31, 2023:

Underlying Financial Instrument				Derivative Financial Instrument			
Description	Type	Face Amount	Rate	Notional Amount	Traded Amount	Inflow Rate	Outflow Rate
April 2025 Notes	Payable	$ 400	5.75%	$ 300	€ 278	5.75%	3.85%
Luxembourg Intercompany Notes	Receivable	€ 278	3.70%	€ 278	$ 300	5.38%	3.70%
Undesignated 2026 Swap				$ 188	€ 169	6.50%	5.14%
Undesignated Offset 2026 Swap				€ 169	$ 188	3.13%	6.50%

The designated swaps are expected to be highly effective in offsetting the corresponding currency-based changes in cash outflows related to the underlying designated financial instruments. Based on our qualitative assessment that the critical terms of the underlying designated financial instruments and the associated swaps match and that all other required criteria have been met, we do not expect to incur any ineffectiveness. As effective cash flow hedges, changes in the fair value of the swaps will be recorded in OCI during each period. Additionally, to the extent the swaps remain effective, the appropriate portion of AOCI will be reclassified to earnings each period as an offset to the foreign exchange gain or loss resulting from the remeasurement of the underlying designated financial instruments. See Note 10 for additional information about the April 2025 Notes. To the extent the swaps are no longer effective, changes in their fair values will be recorded in earnings.

The total notional amount of outstanding foreign currency forward contracts, involving the exchange of various currencies, was $697 at March 31, 2023 and $608 at December 31, 2022. The total notional amount of outstanding foreign currency swaps, including the fixed-to-fixed cross-currency swaps, was $972 at March 31, 2023 and $967 at December 31, 2022.

The following currency derivatives were outstanding at March 31, 2023:

		Notional Amount (U.S. Dollar Equivalent)			
Functional Currency	Traded Currency	Designated	Undesignated	Total	Maturity
U.S. dollar	Mexican peso, Thai baht	$ 168	$ 12	$ 180	Mar-2024
Euro	U.S. dollar, Australian dollar, Canadian dollar, Swiss franc, Chinese renminbi, British pound, Hungarian forint, Indian rupee, Japanese yen, Mexican peso, Norwegian krone, New Zealand dollar, Swedish krona, Singapore dollar, South African rand	174	77	251	Sep-2027
British pound	U.S. dollar, euro	2	5	7	Sep-2023
South African rand	U.S. dollar, euro, Thai baht		11	11	May-2023
Canadian dollar	U.S. dollar		8	8	Apr-2023
Brazilian real	U.S. dollar, euro	72	17	89	Mar-2024
Indian rupee	U.S. dollar, euro, British pound		137	137	Jun-2024
Chinese renminbi	U.S. dollar, euro, Canadian dollar		13	13	Apr-2023
Australian dollar	U.S. dollar, euro		1	1	Apr-2023
Total forward contracts		416	281	697	
U.S. dollar	euro	301	183	484	Nov-2027
Euro	U.S. dollar	300	188	488	Jun-2026
Total currency swaps		601	371	972	
Total currency derivatives		$ 1,017	$ 652	$ 1,669	

Designated cash flow hedges — With respect to contracts designated as cash flow hedges, changes in fair value during the period in which the contracts remain outstanding are reported in OCI to the extent such contracts remain effective. Effectiveness is measured by using regression analysis to determine the degree of correlation between the change in the fair value of the derivative instrument and the change in the associated foreign currency exchange rates. Changes in fair value of contracts not designated as cash flow hedges or as net investment hedges are recognized in other income (expense), net in the period in which the changes occur. Realized gains and losses from currency-related forward contracts associated with forecasted transactions or from other derivative instruments, including those that have been designated as cash flow hedges and those that have not been designated, are recognized in the same line item in the consolidated statement of operations in which the underlying forecasted transaction or other hedged item is recorded. Accordingly, amounts are potentially recorded in sales, cost of sales or, in certain circumstances, other income (expense), net.

The following table provides a summary of deferred gains (losses) reported in AOCI as well as the amount expected to be reclassified to income in one year or less:

	Deferred Gain (Loss) in AOCI		
	March 31, 2023	December 31, 2022	Gain (loss) expected to be reclassified into income in one year or less
Forward Contracts	$ 24	$ 11	$ 24
Cross-Currency Swaps	14	11	
Total	$ 38	$ 22	$ 24

The following table provides a summary of the location and amount of gains or losses recognized in the consolidated statement of operations associated with cash flow hedging relationships:

	Three Months Ended March 31,	
Derivatives Designated as Cash Flow Hedges	2023	2022
Total amounts of income and expense line items presented in the consolidated statement of operations in which the effects of cash flow hedges are recorded		
Net sales	$ 2,644	$ 2,480
Cost of sales	2,415	2,283
Other income (expense), net	5	2
(Gain) or loss on cash flow hedging relationships		
Foreign currency forwards		
Amount of (gain) loss reclassified from AOCI into income		
Cost of sales	(5)	(1)
Other income (expense), net	(2)	(2)
Cross-currency swaps		
Amount of (gain) loss reclassified from AOCI into income		
Other income (expense), net	7	(19)

The amounts reclassified from AOCI into income for the cross-currency swaps represent an offset to a foreign exchange loss on our foreign currency-denominated intercompany and external debt instruments.

Certain of our hedges of forecasted transactions have not formally been designated as cash flow hedges. As undesignated forward contracts, the changes in the fair value of such contracts are included in earnings for the duration of the outstanding forward contract. Any realized gain or loss on the settlement of such contracts is recognized in the same period and in the same line item in the consolidated statement of operations as the underlying transaction. The following table provides a summary of the location and amount of gains or losses recognized in the consolidated statement of operations associated with undesignated hedging relationships.

	Three Months Ended March 31,	
Derivatives Not Designated as Hedging Instruments	2023	2022
Gain or (loss) recognized in income		
Foreign currency forward contracts		
Cost of sales	$ (1)	$ —
Other income (expense), net	$ 3	$ (6)

Net investment hedges — We periodically designate derivative contracts or underlying non-derivative financial instruments as net investment hedges. With respect to contracts designated as net investment hedges, we apply the forward method, but for non-derivative financial instruments designated as net investment hedges, we apply the spot method. Under both methods, we report changes in fair value in the cumulative translation adjustment (CTA) component of OCI during the period in which the contracts remain outstanding to the extent such contracts and non-derivative financial instruments remain effective.

Note 12. Commitments and Contingencies

Product liabilities — Accrued product liability costs were de minimis at March 31, 2023 and de minimis at December 31, 2022. Amounts recognized as recoverable from third parties were de minimis at March 31, 2023 and de minimis at December 31, 2022. Payments made to claimants precede recovery of amounts from third parties, and may result in recoverable amounts in excess of the total liability. We estimate these liabilities based on current information and assumptions about the value and likelihood of the claims against us.

Environmental liabilities — Accrued environmental liabilities were $7 at March 31, 2023 and $8 at December 31, 2022. We consider the most probable method of remediation, current laws and regulations and existing technology in estimating our environmental liabilities.

Guarantee of lease obligations — In connection with the divestiture of our Structural Products business in 2010, leases covering three U.S. facilities were assigned to a U.S. affiliate of Metalsa. Under the terms of the sale agreement, we will guarantee the affiliate's performance under the leases, which run through June 2025, including approximately $6 of annual payments. In the event of a required payment by Dana as guarantor, we are entitled to pursue full recovery from Metalsa of the amounts paid under the guarantee and to take possession of the leased property.

Other legal matters — We are subject to various pending or threatened legal proceedings arising out of the normal course of business or operations. In view of the inherent difficulty of predicting the outcome of such matters, we cannot state what the eventual outcome of these matters will be. However, based on current knowledge and after consultation with legal counsel, we believe that any liabilities that may result from these proceedings will not have a material adverse effect on our liquidity, financial condition or results of operations.

Note 13. Warranty Obligations

We record a liability for estimated warranty obligations at the dates our products are sold. We record the liability based on our estimate of costs to settle future claims. Adjustments to our estimated costs at time of sale are made as claim experience and other new information becomes available. Obligations for service campaigns and other occurrences are recognized as adjustments to prior estimates when the obligation is probable and can be reasonably estimated.

Changes in warranty liabilities —

	Three Months Ended March 31,	
	2023	2022
Balance, beginning of period	$ 108	$ 107
Amounts accrued for current period sales	10	10
Adjustments of prior estimates	8	(4)
Settlements of warranty claims	(17)	(13)
Currency impact	(1)	
Balance, end of period	$ 108	$ 100

Note 14. Income Taxes

We estimate the effective tax rate expected to be applicable for the full fiscal year and use that rate to provide for income taxes in interim reporting periods. We also recognize the tax impact of certain unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur.

We have generally not recognized tax benefits on losses generated in several entities where the recent history of operating losses does not allow us to satisfy the "more likely than not" criterion for the recognition of deferred tax assets. Consequently, there is no income tax expense or benefit recognized on the pre-tax income or losses in these jurisdictions as valuation allowances are adjusted to offset the associated tax expense or benefit.

We record interest and penalties related to uncertain tax positions as a component of income tax expense. Net interest expense for the periods presented herein is not significant.

We reported income tax expense of $30 and $18 for the first quarter of 2023 and 2022, respectively. Our effective tax rates were 50% and 49% for the first quarter of 2023 and 2022. Our effective income tax rates vary from the U.S. federal statutory rate of 21% due to establishment, release and adjustment of valuation allowances in several countries, nondeductible expenses and deemed income, local tax incentives in several countries outside the U.S., different statutory tax rates outside the U.S. and withholding taxes related to repatriations of international earnings. The effective income tax rate may vary significantly due to fluctuations in the amounts and sources, both foreign and domestic, of pretax income and changes in the amounts of non-deductible expenses.

Note 15. Other Income (Expense), Net

	Three Months Ended March 31,	
	2023	2022
Non-service cost components of pension and OPEB costs	$ (3)	$ —
Government assistance	1	
Foreign exchange gain	4	3
Strategic transaction expenses	(1)	(4)
Other, net	4	3
Other income (expense), net	$ 5	$ 2

Foreign exchange gains and losses on cross-currency intercompany loan balances that are not of a long-term investment nature are included above. Foreign exchange gains and losses on intercompany loans that are permanently invested are reported in OCI.

Strategic transaction expenses relate primarily to costs incurred in connection with acquisition and divestiture related activities, including costs to complete the transaction and post-closing integration costs, and other strategic initiatives. Strategic transaction expenses in 2023 and 2022 were primarily attributable to investigating potential acquisitions and business ventures and other strategic initiatives.

Note 16. Revenue from Contracts with Customers

We generate revenue from selling production parts to original equipment manufacturers (OEMs) and service parts to OEMs and aftermarket customers. While we provide production and service parts to certain OEMs under awarded multi-year programs, these multi-year programs do not contain any commitment to volume by the customer. As such, individual customer releases or purchase orders represent the contract with the customer. Our customer contracts do not provide us with an enforceable right to payment for performance completed to date throughout the contract term. As such, we recognize part sales revenue at the point in time when the parts are shipped, and risk of loss has transferred to the customer. We have elected to continue to include shipping and handling fees billed to customers in revenue, while including costs of shipping and handling in costs of sales. Taxes collected from customers are excluded from revenues and credited directly to obligations to the appropriate government agencies. Payment terms with our customers are established based on industry and regional practices and generally do not exceed 180 days.

We continually seek new business opportunities and at times provide incentives to our customers for new program awards. We evaluate the underlying economics of each payment made to our customers to determine the proper accounting by understanding the nature of the payment, the rights and obligations in the contract, and other relevant facts and circumstances. Upfront payments to our customers are capitalized if we determine that the payments are incremental and incurred only if the new business is obtained and we expect to recover these amounts from the customer over the term of the new business program. We recognize a reduction to revenue as products that the upfront payments are related to are transferred to the customer, based on the total amount of products expected to be sold over the term of the program. We evaluate the amounts capitalized each period for recoverability and expense any amounts that are no longer expected to be recovered. We had $7 and $7 recorded in other current assets and $27 and $28 recorded in other noncurrent assets at March 31, 2023 and December 31, 2022.

Certain of our customer contracts include rebate incentives. We estimate expected rebates and accrue the corresponding refund liability, as a reduction of revenue, at the time covered product is sold to the customer based on anticipated customer purchases during the rebate period and contractual rebate percentages. Refund liabilities are included in other accrued liabilities on our consolidated balance sheet. We provide standard fitness for use warranties on the products we sell, accruing for estimated costs related to product warranty obligations at time of sale. See Note 13 for additional information.

Contract liabilities are primarily comprised of cash deposits made by customers with cash in advance payment terms. Generally, our contract liabilities turn over frequently given our relatively short production cycles. Contract liabilities were $50 and $48 at March 31, 2023 and December 31, 2022. Contract liabilities are included in other accrued liabilities on our consolidated balance sheet.

Disaggregation of revenue —

The following table disaggregates revenue for each of our operating segments by geographical market:

	Three Months Ended March 31,	
	2023	2022
Light Vehicle		
North America	$ 640	$ 712
Europe	132	105
South America	53	45
Asia Pacific	137	123
Total	$ 962	$ 985
Commercial Vehicle		
North America	$ 287	$ 229
Europe	81	70
South America	103	116
Asia Pacific	51	48
Total	$ 522	$ 463
Off-Highway		
North America	$ 97	$ 83
Europe	573	504
South America	4	4
Asia Pacific	168	153
Total	$ 842	$ 744
Power Technologies		
North America	$ 159	$ 141
Europe	134	122
South America	8	7
Asia Pacific	17	18
Total	$ 318	$ 288
Total		
North America	$ 1,183	$ 1,165
Europe	920	801
South America	168	172
Asia Pacific	373	342
Total	$ 2,644	$ 2,480

Note 17. Segments

We are a global provider of high-technology products to virtually every major vehicle manufacturer in the world. We also serve the stationary industrial market. Our technologies include drive systems (axles, driveshafts, transmissions, and wheel and track drives); motion systems (winches, slew drives, and hub drives); electrodynamic technologies (motors, inverters, software and control systems, battery-management systems, and fuel cell plates); sealing solutions (gaskets, seals, cam covers, and oil pan modules); thermal-management technologies (transmission and engine oil cooling, battery and electronics cooling, charge air cooling, and thermal-acoustical protective shielding); and digital solutions (active and passive system controls and descriptive and predictive analytics). We serve our global light vehicle, medium/heavy vehicle and off-highway markets through four operating segments – Light Vehicle Drive Systems (Light Vehicle), Commercial Vehicle Drive and Motion Systems (Commercial Vehicle), Off-Highway Drive and Motion Systems (Off-Highway) and Power Technologies, which is the center of excellence for sealing and thermal-management technologies that span all customers in our on-highway and off-highway markets. These operating segments have global responsibility and accountability for business commercial activities and financial performance.

Dana evaluates the performance of its operating segments based on external sales and segment EBITDA. Segment EBITDA is a primary driver of cash flows from operations and a measure of our ability to maintain and continue to invest in our operations and provide shareholder returns. Our segments are charged for corporate and other shared administrative costs. Segment EBITDA may not be comparable to similarly titled measures reported by other companies.

Segment information —

	2023			2022		
Three Months Ended March 31,	External Sales	Inter-Segment Sales	Segment EBITDA	External Sales	Inter-Segment Sales	Segment EBITDA
Light Vehicle	$ 962	$ 52	$ 49	$ 985	$ 48	$ 31
Commercial Vehicle	522	32	17	463	30	10
Off-Highway	842	17	118	744	20	100
Power Technologies	318	8	23	288	7	29
Eliminations and other		(109)			(105)	
Total	$ 2,644	$ —	$ 207	$ 2,480	$ —	$ 170

Reconciliation of segment EBITDA to consolidated net income —

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Segment EBITDA	$ 207	$ 170
Corporate expense and other items, net	(3)	
Depreciation	(92)	(91)
Amortization	(5)	(6)
Non-service cost components of pension and OPEB costs	(3)	
Restructuring charges, net	(1)	1
Stock compensation expense	(6)	(4)
Strategic transaction expenses	(1)	(4)
Distressed supplier costs	(8)	
Other items	2	
Earnings before interest and income taxes	90	66
Interest income	4	2
Interest expense	34	31
Earnings before income taxes	60	37
Income tax expense	30	18
Equity in earnings of affiliates	1	1
Net income	$ 31	$ 20

Note 18. Equity Affiliates

We have a number of investments in entities that engage in the manufacture and supply of vehicular parts (primarily axles, axle housings and driveshafts).

Equity method investments at March 31, 2023 —

	Ownership Percentage	Investment
Dongfeng Dana Axle Co., Ltd.	50%	$ 70
ROC-Spicer, Ltd.	50%	21
Axles India Limited	48%	12
Tai Ya Investment (HK) Co., Limited	50%	5
All others as a group		6
Investments in equity affiliates		114
Investments in affiliates carried at cost		24
Investments in affiliates		$ 138

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions)***

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with the financial statements and accompanying notes in this report.

Forward-Looking Information

Statements in this report (or otherwise made by us or on our behalf) that are not entirely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements can often be identified by words such as "anticipates," "expects," "believes," "intends," "plans," "predicts," "seeks," "estimates," "projects," "outlook," "may," "will," "should," "would," "could," "potential," "continue," "ongoing" and similar expressions, variations or negatives of these words. These statements represent the present expectations of Dana Incorporated and its consolidated subsidiaries (Dana) based on our current information and assumptions. Forward-looking statements are inherently subject to risks and uncertainties. Our plans, actions and actual results could differ materially from our present expectations due to a number of factors, including those discussed below and elsewhere in this report and in our other filings with the Securities and Exchange Commission (SEC). All forward-looking statements speak only as of the date made and we undertake no obligation to publicly update or revise any forward-looking statement to reflect events or circumstances that may arise after the date of this report.

Management Overview

Dana, with history dating back to 1904, is headquartered in Maumee, Ohio. We are a world leader in providing power-conveyance and energy-management solutions for vehicles and machinery. The company's portfolio improves the efficiency, performance, and sustainability of light vehicles, commercial vehicles, and off-highway equipment. Our technologies include drive systems (axles, driveshafts, transmissions, and wheel and track drives); motion systems (winches, slew drives, and hub drives); electrodynamic technologies (motors, inverters, software and control systems, battery-management systems, and fuel cell plates); sealing solutions (gaskets, seals, cam covers, and oil pan modules); thermal-management technologies (transmission and engine oil cooling, battery and electronics cooling, charge air cooling, and thermal-acoustical protective shielding); and digital solutions (active and passive system controls and descriptive and predictive analytics). We serve our global light vehicle, medium/heavy vehicle and off-highway markets through four business units – Light Vehicle Drive Systems (Light Vehicle), Commercial Vehicle Drive and Motion Systems (Commercial Vehicle), Off-Highway Drive and Motion Systems (Off-Highway) and Power Technologies, which is the center of excellence for sealing and thermal-management technologies that span all customers in our on-highway and off-highway markets. We have a diverse customer base and geographic footprint which minimizes our exposure to individual market and segment declines. At March 31, 2023, we employed approximately 42,800 people and operated in 31 countries.

External sales by operating segment for the periods ended March 31, 2023 and 2022 are as follows:

	Three Months Ended March 31,			
	2023		2022	
	Dollars	% of Total	Dollars	% of Total
Light Vehicle	$ 962	36.4%	$ 985	39.7%
Commercial Vehicle	522	19.7%	463	18.7%
Off-Highway	842	31.9%	744	30.0%
Power Technologies	318	12.0%	288	11.6%
Total	$ 2,644		$ 2,480	

See Note 17 to our consolidated financial statements in Item 1 of Part I for further financial information about our operating segments.

Our internet address is www.dana.com. The inclusion of our website address in this report is an inactive textual reference only and is not intended to include or incorporate by reference the information on our website into this report.

Operational and Strategic Initiatives

Our enterprise strategy builds on our strong technology foundation and leverages our resources across the organization while driving a customer-centric focus, expanding our global markets, and delivering innovative solutions as we evolve into the era of vehicle electrification.

Central to our strategy is *leveraging our core operations*. This foundational element enables us to infuse strong operational disciplines throughout the strategy, making it practical, actionable, and effective. It enables us to capitalize on being a major drive systems supplier across all three end mobility markets. We are achieving improved profitability by actively seeking synergies across our engineering, purchasing, and manufacturing base. We have strengthened the portfolio by acquiring critical assets, and we are utilizing our physical and intellectual capital to amplify innovation across the enterprise. Leveraging these core elements can further expand the cost efficiencies of our common technologies and deliver a sustainable competitive advantage for Dana.

Driving customer centricity continues to be at the heart of who we are. Putting our customers at the center of our value system is firmly embedded in our culture and is driving growth by focusing on customer relationships and providing value to our customers. These relationships are strengthened as we are physically located where we need to be in order to provide unparalleled service, and we are prioritizing our customers' needs as we engineer solutions that differentiate their products, while making it easier to do business with Dana by digitizing their experience. Our customer-centric focus has uniquely positioned us to win more than our fair share of new business and capitalize on future customer outsourcing initiatives.

Expanding global markets means utilizing our global capabilities and presence to further penetrate growth markets, focusing on Asia due to its position as the largest mobility market in the world with the highest market growth rate as well as its lead in the adoption of new energy vehicles. We are investing across various avenues to increase our presence in Asia Pacific by forging new partnerships, expanding inorganically, and growing organically. We continue to operate in this region through wholly owned and joint ventures with local market partners. We have recently made acquisitions that have augmented our footprint in the region, specifically in India and China. All the while, we have been making meaningful organic investments to grow with existing and new customers, primarily in Thailand, India, and China. These added capabilities have enabled us to target the domestic Asia Pacific markets and utilize the capacity for export to other global markets. We continue to enhance and expand our global footprint, optimizing it to capture growth across all of our end markets.

Delivering innovative solutions enables us to capitalize on market growth trends as we evolve our core technology capabilities. We are also focused on enhancing our physical products with digital content to provide smart systems, and we see an opportunity to become a digital systems provider by delivering software as a service to our traditional end customers. This focus on delivering solutions based on our core technology is leading to new business wins and increasing our content per vehicle. We have made significant investments - both organically and inorganically - allowing us to move to the next phase, which is to *Lead electric propulsion*.

Over the last several years we continue to deliver on our goal to accelerate vehicle electrification through both core Dana technologies and targeted strategic acquisitions and are positioned today to lead the market. The nine recent investments in electrodynamic expertise and technologies combined with Dana's longstanding mechatronics capabilities has allowed us to develop and deliver fully integrated e-Propulsion systems that are power-dense and achieve optimal efficiency through the integration of the components that we offer due to our mechatronics capabilities. With recent electric vehicle program awards, we are well on our way to achieving our growth objectives in this emerging market.

The development and implementation of our enterprise strategy is positioning Dana to grow profitably due to increased customer focus as we leverage our core capabilities, expand into new markets, develop and commercialize new technologies, including for electric vehicles.

Capital Structure Initiatives

In addition to investing in our business, we plan to prioritize a balanced allocation of capital while maintaining a strong financial position. We continue to drive toward investment grade metrics as part of our balanced allocation approach with a goal of further strengthening our balance sheet.

Shareholder return actions — When evaluating capital structure initiatives, we balance our growth opportunities and shareholder value initiatives with maintaining a strong balance sheet and access to capital. Our strong financial position has enabled us to simplify our capital structure while providing returns to our shareholders in the form of cash dividends and a reduction in the number of shares outstanding. Through the first quarter of 2020, we had declared and paid quarterly common stock dividends for thirty-three consecutive quarters. In response to the COVID pandemic, we temporarily suspended the declaration and payment of dividends to common shareholders and the repurchase of common stock under our $200 common stock share repurchase program. With the impacts of the COVID pandemic largely behind us we resumed the declaration and payment of quarterly common stock dividends during the first quarter of 2021. In addition, we resumed the repurchase of common shares using $25 and $23 of cash to repurchase common shares under the program in 2022 and 2021, respectively. The share repurchase program expires on December 31, 2023, and $102 remains available for future share repurchases as of March 31, 2023.

Financing actions — We have taken advantage of competitive debt markets, eliminating our secured debt and extending and restructuring our senior note maturity schedule. Our current portfolio of unsecured senior notes is structured such that no more than $400 of senior notes comes due in any calendar year, with no maturities until the second quarter of 2025. We have a $1,150 revolving credit facility that matures on March 14, 2028. See Note 10 to our consolidated financial statements in Item 1 of Part I for additional information.

Other Initiatives

Aftermarket opportunities — We have a global group dedicated to identifying and developing aftermarket growth opportunities that leverage the capabilities within our existing businesses – targeting increased future aftermarket sales. Powered by recognized brands such as Dana®, Spicer®, Spicer Electrified™, Victor Reinz®, Glaser®, GWB®, Thompson®, Tru-Cool®, SVL®, and Transejes™, Dana delivers a broad range of aftermarket solutions – including genuine, all makes, and value lines – servicing passenger, commercial, and off-highway vehicles across the globe.

Selective acquisitions — Although transformational opportunities will be considered when strategically and economically attractive, our acquisition focus is principally directed at "bolt-on" or adjacent acquisition opportunities that have a strategic fit with our existing core businesses, particularly opportunities that support our enterprise strategy and enhance the value proposition of our product offerings. Any potential acquisition will be evaluated in the same manner we currently consider customer program opportunities and other uses of capital – with a disciplined financial approach designed to ensure profitable growth and increased shareholder value.

Acquisitions

Over the past several years we have actively grown our electric vehicle capabilities through multiple acquisitions, positioning us to deliver complete e-Propulsion systems with in-house electrodynamics. Our acquisitions of TM4 Inc. (TM4), S.M.E. S.p.A. (SME), Prestolite E-Propulsion Systems (Beijing) Limited (PEPS), Ashwoods Innovations Limited (Ashwoods), Oerlikon Drive Systems, Nordresa Motors, Inc., Rational Motion GmbH and Pi Innovo Holding Limited have enhanced our portfolio of core technologies including e-motors, power inverters, software and controls, and advance mechatronics. Our strategic partner, Hydro-Québec, owns 45% redeemable noncontrolling interests in the Dana TM4 joint venture entities. See Note 6 to our consolidated financial statements in Item 8 for additional information.

Trends in Our Markets

We serve our customers in three core global end markets: light vehicle, primarily full frame trucks and SUVs; commercial vehicle, including medium- and heavy-duty trucks and busses; and off-highway, including construction, mining, and agriculture equipment.

Each of our end-markets has unique cyclical dynamics and market drivers. These cycles are impacted by periods of investment where end-user vehicle fleets are refreshed or expanded in reaction to demand usage patterns, regulatory changes, or when the age of vehicles in service reach their useful life. Key market drivers include regional economic growth rates; cost and availability of end customer financing; industrial output; commodity production and pricing; and residential and nonresidential construction rates. Our multi-market coverage and broad customer base help provide stability across the cycles while mitigating secular variability. In 2020, all of our end-markets were impacted to varying degrees by the COVID pandemic, which initially resulted in lower demand driven by production shutdowns related to virus mitigation efforts in the regions we serve. During 2021, we generally saw improvement across all of our end markets despite production levels being muted by continued global supply chain disruptions driven in part by transportation inefficiencies and labor, commodity and semiconductor chip shortages. During 2022, we continued to see incremental improvements across our end markets despite continuing, but lessening, global supply chain disruptions.

Light vehicle markets — Our driveline business is weighted more heavily to the truck and SUV segments of the light-vehicle market versus the passenger-car segment. Our vehicle content is greater on rear-wheel drive, four-wheel drive, and all-wheel drive vehicles, as well as hybrid and electric vehicles. During 2022, light-truck markets improved across all regions and were up 6% on a global basis compared to 2021. The outlook for the full year of 2023 reflects global light-truck production being relatively stable across all regions, as production constraints continue to ease, vehicle inventories return to more normal levels, and constrained customer demand is fulfilled.

Commercial vehicle markets — Our primary business is driveline systems for medium and heavy-duty trucks and busses, including the emerging market for hybrid and electric vehicles. Key regional markets are North America, South America (primarily Brazil) and Asia Pacific. During 2022, production of Class-8 trucks in North America increased 24% over 2021 reflecting increased demand driven by strong transport and construction activity resulting from higher freight volumes and rates and increased fleet utilization levels. The strong demand was muted by continued global supply chain disruptions. The outlook for 2023 is for continued strong demand with production slightly above 2022 levels driven by solid order backlogs. Medium-duty truck production in North America experienced a modest 3% year-over-year increase from 2021 to 2022. The outlook for 2023 is for a slight increase in production over the prior year. Outside of North America, production of medium- and heavy-duty trucks in South America declined 3% in 2022 as demand moderated following a significant ramp up in production in 2021 with the dissipation of the COVID pandemic in the region. The 2023 outlook for South America is for a modest 1% increase in production from 2022 as local economic conditions remain relatively stable. Production of medium- and heavy-duty trucks in Asia Pacific, driven by China and India, decreased 27% in 2022 compared to 2021 due to China experiencing COVID outbreaks in certain regions and India's continued struggles to recover from the pandemic. The 2023 outlook for Asia Pacific is for a modest increase in production from the prior year driven by the market recovery in India gaining traction.

Off-highway markets — Our off-highway business has a large presence outside of North America, with 66% of its 2022 sales coming from products manufactured in Europe; however, a large portion of these products are utilized in vehicle production outside the region. The construction equipment segment of the off-highway market is closely related to global economic growth and infrastructure investment. The global construction equipment market continued to rebound in 2022 with production up 10% over the prior year. The outlook for 2023 is for continued modest growth. End-user investment in the mining equipment segment is driven by prices for commodity products produced by underground mining. The global mining equipment market has been mostly stable over the past several years as industry participants have maintained vehicle inventory levels to match commodity output, and this trend is expected to continue in 2023. The agriculture equipment market is the third of our key off-highway segments. Like the underground mining segment, investment in agriculture equipment is primarily driven by prices for farm commodities. Farm commodity price increases in 2022 spurred a 6% increase in agriculture equipment production. The outlook for 2023 is for global end-market demand to remain relatively flat with the prior year.

Foreign currency — With 58% of our first quarter 2023 sales coming from outside the U.S., international currency movements can have a significant effect on our sales and results of operations. The euro zone countries accounted for 52% of our first quarter 2023 non-U.S. sales, while India, Brazil and China accounted for 11%, 8% and 7%, respectively. Although sales in South Africa are less than 5% of our non-U.S. sales, the rand has been volatile and significantly impacted sales from time to time. International currencies including the euro, Indian rupee, Chinese renminbi and South African rand, weakened against the U.S. dollar in the first quarter of 2023, decreasing sales by $75.

Argentina has experienced significant inflationary pressures the past few years, contributing to significant devaluation of its currency among other economic challenges. Our Argentine operation supports our Light Vehicle operating segment. Our sales in Argentina for the first quarter of 2023 of approximately $39 are 1% of our consolidated sales and our net asset exposure related to Argentina was approximately $48, including $19 of net fixed assets, at March 31, 2023. During the second quarter of 2018, we determined that Argentina's economy met the GAAP definition of a highly inflationary economy. In assessing Argentina's economy as highly inflationary we considered its three-year cumulative inflation rate along with other factors. As a result, effective July 1, 2018, the U.S. dollar is the functional currency for our Argentine operations, rather than the Argentine peso. Beginning July 1, 2018, peso-denominated monetary assets and liabilities are remeasured into U.S. dollars using current Argentine peso exchange rates with resulting translation gains or losses included in results of operations. Nonmonetary assets and liabilities are remeasured into U.S. dollar using historic Argentine peso exchange rates.

Commodity costs — The cost of our products may be significantly impacted by changes in raw material commodity prices, the most important to us being those of various grades of steel, aluminum, copper, brass and rare earth materials. The effects of changes in commodity prices are reflected directly in our purchases of commodities and indirectly through our purchases of products such as castings, forgings, bearings, batteries and component parts that include commodities. Most of our major customer agreements provide for the sharing of significant commodity price changes with those customers based on the movement in various published commodity indexes. Where such formal agreements are not present, we have historically been successful implementing price adjustments that largely compensate for the inflationary impact of material costs. Material cost changes will customarily have some impact on our financial results as customer pricing adjustments typically lag commodity price changes. Higher commodity prices decreased year-over-year earnings by $447 in 2022. Material recovery pricing actions increased year-over-year earnings by $446 in 2022. Lower commodity prices increased earnings during the first quarter of 2023 by $8. Material cost recovery pricing actions increased earnings in the first quarter of 2023 by $5.

Sales, Earnings and Cash Flow Outlook

	2023 Outlook	2022		2021	
Sales	$10,350 - $10,850	$	10,156	$	8,945
Adjusted EBITDA	$750 - $850	$	700	$	795
Net cash provided by operating activities	$510 - $560	$	649	$	158
Purchases of property, plant and equipment	~5% of sales	$	440	$	369
Free Cash Flow	$0 - $50	$	209	$	(211)

Adjusted EBITDA and free cash flow are non-GAAP financial measures. See the Non-GAAP Financial Measures discussion below for definitions of our non-GAAP financial measures and reconciliations to the most directly comparable U.S. generally accepted accounting principles (GAAP) measures. We have not provided a reconciliation of our adjusted EBITDA outlook to the most comparable GAAP measure of net income. Providing net income 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, including restructuring actions, asset impairments and certain income tax 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.

Our 2023 sales, adjusted EBITDA and free cash flow guidance ranges remain unchanged from those provided in February 2023. Our 2023 sales outlook is $10,350 to $10,850, reflecting a modest improvement in global market demand, continued material and inflationary cost recoveries and $300 of net new business backlog. At our current sales outlook for 2023, we expect full year 2023 adjusted EBITDA to approximate $750 to $850. Adjusted EBITDA Margin is expected to be 7.5% at the midpoint of our guidance range, a 60 basis-point improvement over 2022, reflecting higher margin net new business and the benefit of material cost recoveries as commodity costs begin to abate being partially offset by continued operational inefficiencies, driven by continuing global supply chain disruptions and customer order volatility, and increased investment to support our electrification strategy. We expect to generate free cash flow of approximately $25 at the midpoint of our guidance range reflecting the benefit of higher year-over-year adjusted EBITDA being largely offset by higher capital spending to support new business and our continued investment in our electrification strategy.

Summary Consolidated Results of Operations (First Quarter, 2023 versus 2022)

	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022		
	Dollars	% of Net Sales	Dollars	% of Net Sales	Increase/ (Decrease)
Net sales	$ 2,644		$ 2,480		$ 164
Cost of sales	2,415	91.3%	2,283	92.1%	132
Gross margin	229	8.7%	197	7.9%	32
Selling, general and administrative expenses	140	5.3%	130	5.2%	10
Amortization of intangibles	3		4		(1)
Restructuring charges, net	1		(1)		2
Other income (expense), net	5		2		3
Earnings before interest and income taxes	90		66		24
Interest income	4		2		2
Interest expense	34		31		3
Earnings before income taxes	60		37		23
Income tax expense	30		18		12
Equity in earnings of affiliates	1		1		—
Net income	31		20		11
Less: Noncontrolling interests net income	4		4		—
Less: Redeemable noncontrolling interests net loss	(1)		(1)		—
Net income attributable to the parent company	$ 28		$ 17		$ 11

Sales — The following table shows changes in our sales by geographic region.

	Three Months Ended March 31,			Amount of Change Due To		
	2023	2022	Increase/ (Decrease)	Currency Effects	Acquisitions (Divestitures)	Organic Change
North America	$ 1,183	$ 1,165	$ 18	$ (1)	$ —	$ 19
Europe	920	801	119	(47)		166
South America	168	172	(4)	(1)		(3)
Asia Pacific	373	342	31	(26)		57
Total	$ 2,644	$ 2,480	$ 164	$ (75)	$ —	$ 239

Sales in 2023 were $164 higher than in 2022. Weaker international currencies decreased sales by $75, principally due to a weaker euro, Indian rupee, South African rand and Chinese renminbi. The organic sales increase of $239, or 10%, resulted from improved global construction/mining equipment markets, improved commercial vehicle demand primarily in North America and Europe, higher global light-vehicle engine production and the conversion of sales backlog. Pricing actions and recoveries, including material commodity price and inflationary cost adjustments, increased sales by $110.

The North America organic sales increase of 2% was driven principally by stronger light-, medium- and heavy-duty truck production volumes, higher light-vehicle engine production levels and the conversion of sales backlog, partially offset by a full-frame light-truck customer program that ended in 2022. First quarter 2023 full-frame light-truck production was up 4% while light-vehicle engine production was up 13% compared to the first quarter of 2022. Year-over-year Class 8 truck production was up 17% while Classes 5-7 truck production was up 8%. Excluding currency effects, sales in Europe were up 21% compared with 2022. With our significant Off-Highway presence in the region, a stronger construction/mining equipment market was a major factor. Organic sales in this operating segment were up 18% compared with the first quarter of 2022. Excluding currency effects, first quarter sales in South America were comparable to 2022 reflecting relative stability in the region. Excluding currency effects, sales in Asia Pacific increased 17% compared to 2022 due to a stronger construction/mining market and higher light-truck sales despite overall light-truck production volumes being flat year-over-year.

Cost of sales and gross margin — Cost of sales for the first quarter of 2023 increased $132, or 6%, when compared to 2022. Cost of sales as a percent of sales was 80 basis points lower than in the previous year. Incremental margins provided by increased sales volumes, material cost savings of $29, lower commodity costs of $8, lower premium freight of $7 and lower spending on electrification initiatives of $7 were partially offset by non-material inflationary cost impacts of $96, higher warranty expense of $12, higher program launch costs of $9 and operational inefficiencies primarily attributed to continued global supply chain disruptions and frequent customer order changes made with little to no advance notification. Commodity cost are primarily driven by certain grades of steel and aluminum. Non-material inflation includes higher labor, energy and transportation rates.

Gross margin of $229 for the first quarter of 2023 increased $32 from 2022. Gross margin as a percent of sales was 8.7% in the first quarter of 2023, 80 basis points higher than in 2022. The improvement in gross margin as a percent of sales was driven principally by the cost of sales factors referenced above. Material cost recovery mechanisms with our customers lag material cost changes by our suppliers by approximately 90 days. With commodity costs abating slightly during the first quarter of 2023, gross margin was positively impacted by net material cost recoveries on both a dollar and percentage basis. The recovery of non-material inflation is not specifically provided for in our current contracts with customers resulting in prolonged negotiations and indeterminate recoveries.

Selling, general and administrative expenses (SG&A) — SG&A expenses in 2023 were $140 (5.3% of sales) as compared to $130 (5.2% of sales) in 2022. SG&A expenses were $10 higher in 2023 primarily due to higher salaried employee wages and incentive compensation, increased software technology investments and travel expenses.

Amortization of intangibles — Amortization expense was $3 in 2023 and $4 in 2022. See Note 2 for additional information.

Restructuring charges, net — Net restructuring charges were $1 in the first quarter of 2023 and ($1) in the first quarter of 2022. See Note 3 for additional information.

Other income (expense), net — The following table shows the major components of other income (expense), net.

	Three Months Ended March 31,	
	2023	2022
Non-service cost components of pension and OPEB costs	$ (3)	$ -
Government assistance	1	
Foreign exchange gain	4	3
Strategic transaction expenses	(1)	(4)
Other, net	4	3
Other income (expense), net	$ 5	$ 2

Strategic transaction expenses relate primarily to costs incurred in connection with acquisition and divestiture related activities, including costs to complete the transaction and post-closing integration costs, and other strategic initiatives. Strategic transaction expenses in 2023 and 2022 were primarily attributable to investigating potential acquisitions and business ventures and other strategic initiatives.

Interest income and interest expense — Interest income was $4 in 2023 and $2 in 2022. Interest expense increased from $31 in 2022 to $34 in 2023, due to higher average debt levels and higher interest rates on outstanding borrowings. Average effective interest rates, inclusive of amortization of debt issuance costs, approximated 5.0% in 2023 and 4.6% in 2022.

Income tax expense — We reported income tax expense of $30 and $18 for 2023 and 2022, respectively. Our effective tax rates were 50% and 49% for the first quarter of 2023 and 2022. Our effective income tax rates vary from the U.S. federal statutory rate of 21% due to establishment, release and adjustment of valuation allowances in several countries outside the U.S., different statutory tax rates outside the U.S. and withholding taxes related to repatriations of international earnings. The effective income tax rate may vary significantly due to fluctuations in the amounts and sources, both foreign and domestic, of pretax income and changes in the amounts of nondeductible expenses.

Equity in earnings of affiliates — Net earnings from equity investments was $1 in both 2023 and 2022. Net earnings from DDAC were de minimis in 2023 and $1 in 2022.

Segment Results of Operations (2023 versus 2022)

Light Vehicle

	Three Months		
	Sales	Segment EBITDA	Segment EBITDA Margin
2022	$ 985	$ 31	3.1%
Volume and mix	(30)	(9)	
Performance	27	30	
Currency effects	(20)	(3)	
2023	$ 962	$ 49	5.1%

Light Vehicle sales in the first quarter of 2023, exclusive of currency effects, were comparable to 2022 with lower volumes due to a customer program ending in 2022 being partially offset by generally stronger global light-truck markets and the benefit of net customer pricing and cost recovery actions. Year-over-year North America full-frame light-truck production increased 4% while light-truck production in Europe and South America increased 16% and 15%, respectively. Light-truck production in Asia Pacifica was comparable with the same period last year. Net customer pricing and cost recovery actions increased year-over-year sales by $27.

Light Vehicle first-quarter segment EBITDA increased by $18 compared to the prior year. Lower sales volumes decreased year-over-year earnings by $9 (30% decremental margin). The year-over-year performance-related earnings increase was driven by net customer pricing and cost recovery actions of $27, commodity cost decreases of $23, operational efficiencies of $18, material cost savings of $9, lower premium freight costs of $1 and lower spending on electrification initiatives of $1. Partially offsetting these performance-related earnings increases were inflationary cost increases of $36, higher warranty expense of $7, higher program launch costs of $4 and higher incentive compensation expense of $2.

Commercial Vehicle

	Three Months		
	Sales	Segment EBITDA	Segment EBITDA Margin
2022	$ 463	$ 10	2.2%
Volume and mix	43	7	
Performance	23	2	
Currency effects	(7)	(2)	
2023	$ 522	$ 17	3.3%

Commercial Vehicle sales in the first quarter of 2023, exclusive of currency effects, were 14% higher than 2022 reflecting improved North America and Europe markets, conversion of sales backlog and the benefit of net customer pricing and cost recovery actions. Year-over-year North America Class 8 production was up 17% while Classes 5-7 were up 8% in this year's first quarter. Year-over-year medium/heavy-truck production in Europe was up 13% while production in South America and Asia Pacific were down 34% and 10%, respectively. Net customer pricing and cost recovery actions increased year-over-year sales by $23.

Commercial Vehicle first-quarter segment EBITDA increased by $7 compared to the prior year. Higher sales volumes increased year-over-year earnings by $7 (16% incremental margin). The year-over-year performance-related earnings increase was driven by net customer pricing and cost recovery actions of $23, material cost savings of $9, lower spending on electrification initiatives of $9 and lower premium freight costs of $3. Partially offsetting these performance-related earnings increases were operational inefficiencies of $28, inflationary cost increases of $8, commodity cost increases of $2, higher program launch costs of $2, higher warranty expense of $1 and higher incentive compensation expense of $1.

Off-Highway

	Three Months		
	Sales	Segment EBITDA	Segment EBITDA Margin
2022	$ 744	$ 100	13.4%
Volume and mix	90	23	
Performance	47	1	
Currency effects	(39)	(6)	
2023	$ 842	$ 118	14.0%

Off-Highway sales in the first quarter of 2023, exclusive of currency effects, were 18% higher than 2022 reflecting improved global construction/mining equipment markets, conversion of sales backlog and the benefit of net customer pricing and cost recovery actions. Year-over-year global construction/mining equipment production increased 11% while agricultural equipment markets were relatively stable with production decreasing 2%. Net customer pricing and cost recovery actions increased year-over-year sales by $47.

Off-Highway first-quarter segment EBITDA increased by $18 compared to the prior year. Higher sales volumes increased year-over-year earnings by $23 (26% incremental margin). The year-over-year performance-related earnings increase was driven by net customer pricing and cost recovery actions of $47, material cost savings of $8 and lower premium freight costs of $3. Partially offsetting these performance-related earnings increases were inflationary cost increases of $40, commodity cost increases of $6, operational inefficiencies of $6, higher warranty expense of $4 and higher incentive compensation expense of $1.

Power Technologies

	Three Months		
	Sales	Segment EBITDA	Segment EBITDA Margin
2022	$ 288	$ 29	10.1%
Volume and mix	26	4	
Performance	13	(9)	
Currency effects	(9)	(1)	
2023	$ 318	$ 23	7.2%

Power Technologies primarily serves the light-vehicle market but also sells product to the medium/heavy-truck and off-highway markets. Power Technologies sales in the first quarter of 2023, exclusive of currency effects, were 14% higher than 2022 reflecting improved global markets, conversion of sales backlog and the benefit of net customer pricing and cost recovery actions. Year-over-year North America, Europe and South America light-vehicle engine production was up 13%, 9% and 5%, respectively. Year-over-year Asia Pacific light-vehicle engine production was down 2%. Net customer pricing and cost recovery actions increased year-over-year sales by $13.

Power Technologies first-quarter segment EBITDA decreased by $6 compared to the prior year. Higher sales volumes increased year-over-year earnings by $4 (15% incremental margin). The year-over-year performance-related earnings decrease was driven by inflationary cost increases of $10, commodity cost increases of $7, operational inefficiencies of $4, higher program launch costs of $3 and higher incentive compensation expense of $1. Partially offsetting these performance-related earnings decreases were net customer pricing and cost recovery actions of $13 and material cost savings of $3.

Non-GAAP Financial Measures

Adjusted EBITDA

We have defined adjusted EBITDA as net income before interest, income taxes, depreciation, amortization, equity grant expense, restructuring expense, non-service cost components of pension and other postretirement benefits (OPEB) 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 earnings 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.

The following table provides a reconciliation of net income to adjusted EBITDA.

	Three Months Ended March 31,	
	2023	2022
Net income	$ 31	$ 20
Equity in earnings of affiliates	1	1
Income tax expense	30	18
Earnings before income taxes	60	37
Depreciation and amortization	97	97
Restructuring charges, net	1	(1)
Interest expense, net	30	29
Distress supplier costs	8	
Other*	8	8
Adjusted EBITDA	$ 204	$ 170

* Other includes stock compensation expense, non-service cost components of pension and OPEB costs, strategic transaction expenses and other items. See Note 17 to our consolidated financial statements in Item 1 of Part I for additional details.

Free Cash Flow

We have defined free cash flow as cash provided by (used in) operating activities less purchases of property, plant and equipment. We believe free cash flow 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 not intended to represent nor be an alternative to the measure of net cash provided by (used in) operating activities reported in accordance with GAAP. Free cash flow may not be comparable to similarly titled measures reported by other companies.

The following table reconciles net cash flows provided by (used in) operating activities to free cash flow.

	Three Months Ended March 31,	
	2023	2022
Net cash used in operating activities	$ (170)	$ (121)
Purchases of property, plant and equipment	(120)	(116)
Free cash flow	(290)	(237)

Liquidity

The following table provides a reconciliation of cash and cash equivalents to liquidity, a non-GAAP measure, at March 31, 2023:

Cash and cash equivalents	$ 401
Less: Deposits supporting obligations	(1)
Available cash	400
Additional cash availability from Revolving Facility	839
Total liquidity	$ 1,239

Cash deposits are maintained to provide credit enhancement for certain agreements and are reported as part of cash and cash equivalents. For most of these deposits, the cash may be withdrawn if a comparable security is provided in the form of letters of credit. Accordingly, these deposits are not considered to be restricted. Marketable securities are included as a component of liquidity as these investments can be readily liquidated at our discretion. We had availability of $839 at March 31, 2023 under the Revolving Facility after deducting $295 of outstanding borrowings and $16 of outstanding letters of credit.

The components of our March 31, 2023 consolidated cash balance were as follows:

	U.S.	Non-U.S.	Total
Cash and cash equivalents	$ 32	$ 255	$ 287
Cash and cash equivalents held as deposits		1	1
Cash and cash equivalents held at less than wholly-owned subsidiaries	9	104	113
Consolidated cash balance	$ 41	$ 360	$ 401

A portion of the non-U.S. cash and cash equivalents is utilized for working capital and other operating purposes. Several countries have local regulatory requirements that restrict the ability of our operations to repatriate this cash. Beyond these restrictions, there are practical limitations on repatriation of cash from certain subsidiaries because of the resulting tax withholdings and subsidiary by-law restrictions which could limit our ability to access cash and other assets.

On March 14, 2023, we amended our credit and guaranty agreement, extending its maturity to March 14, 2028.

At March 31, 2023, we were in compliance with the covenants of our financing agreements. Under the Revolving Facility and our senior notes, we are required to comply with certain incurrence-based covenants customary for facilities of these types. The incurrence-based covenants in the Revolving Facility permit us to, among other things, (i) issue foreign subsidiary indebtedness, (ii) incur general secured indebtedness subject to a pro forma first lien net leverage ratio not to exceed 1.50:1.00 in the case of first lien debt and a pro forma secured net leverage ratio of 2.50:1.00 in the case of other secured debt and (iii) incur additional unsecured debt subject to a pro forma total net leverage ratio not to exceed 3.50:1.00, tested at the time of incurrence. We may also make dividend payments in respect of our common stock as well as certain investments and acquisitions subject to a pro forma total net leverage ratio of 2.75:1.00. In addition, the Revolving Facility is subject to a financial covenant requiring us to maintain a first lien net leverage ratio not to exceed 2.00:1.00. The indentures governing the senior notes include other incurrence-based covenants that may subject us to additional specified limitations.

From time to time, depending upon market, pricing and other conditions, as well as our cash balances and liquidity, we may seek to acquire our senior notes or other indebtedness or our common stock through open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise, upon such terms and at such prices as we may determine (or as may be provided for in the indentures governing the notes), for cash, securities or other consideration. In addition, we may enter into sale-leaseback transactions related to certain of our real estate holdings and factor receivables. There can be no assurance that we will pursue any such transactions in the future, as the pursuit of any alternative will depend upon numerous factors such as market conditions, our financial performance and the limitations applicable to such transactions under our financing and governance documents.

The principal sources of liquidity available for our future cash requirements are expected to be (i) cash flows from operations, (ii) cash and cash equivalents on hand and (iii) borrowings from our Revolving Facility. We believe that our overall liquidity and operating cash flow will be sufficient to meet our anticipated cash requirements for capital expenditures, working capital, debt obligations and other commitments during the next twelve months. While uncertainty surrounding the current economic environment could adversely impact our business, based on our current financial position, we believe it is unlikely that any such effects would preclude us from maintaining sufficient liquidity.

Cash Flow

The following table summarizes our consolidated statement of cash flows:

	Three Months Ended March 31,	
	2023	2022
Cash used for changes in working capital	$ (304)	$ (211)
Other cash provided by operations	134	90
Net cash used in operating activities	(170)	(121)
Net cash used in investing activities	(118)	(117)
Net cash provided by financing activities	255	229
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (33)	$ (9)

Operating activities — Exclusive of working capital, other cash provided by operations was $134 in 2023 and $90 in 2022. The year-over-year increase is primarily attributable to higher operating earnings.

Working capital used cash of $304 and $211 in 2023 and 2022. Cash of $270 and $325 was used to finance receivables in 2023 and 2022, respectively. The use of cash to finance receivables in both periods is primarily driven by normal seasonality, with first quarter sales exceeding prior year fourth quarter sales due to the impact of annual fourth quarter holidays. Cash of $104 and $63 was used to fund higher inventory levels in 2023 and 2022, respectively. Increases in accounts payable and other net liabilities provided cash of $70 and $177 in 2023 and 2022, respectively.

Investing activities — Expenditures for property, plant and equipment were $120 and $116 during 2023 and 2022. The increase in capital spending during 2023 is in support of awarded next generation programs and new business. During 2022, purchases of marketable securities were largely funded by proceeds from sales and maturities of marketable securities.

Financing activities — During 2023 and 2022, we had net borrowings of $270 and $265 on our Revolving Facility. During 2023, we paid financing costs of $2 to amend our credit and guaranty agreement, extending the Revolving Facility maturity to March 14, 2028. We used cash of $15 and $14 for dividend payments to common stockholders during 2023 and 2022. We used cash of $25 to repurchase common shares under our share repurchase program during 2022. Distributions to noncontrolling interests totaled $1 in both 2023 and 2022. Hydro-Québec made cash contributions to Dana TM4 of $10 in 2023 and $2 in 2022.

Off-Balance Sheet Arrangements

There have been no material changes at March 31, 2023 in our off-balance sheet arrangements from those reported or estimated in the disclosures in Item 7 of our 2022 Form 10-K.

Contractual Obligations

There have been no other material changes in our contractual obligations from those disclosed in Item 7 of our 2022 Form 10-K.

Contingencies

For a summary of litigation and other contingencies, see Note 12 to our consolidated financial statements in Item 1 of Part I. Based on information available to us at the present time, we do not believe that any liabilities beyond the amounts already accrued that may result from these contingencies will have a material adverse effect on our liquidity, financial condition or results of operations.

Critical Accounting Estimates

The preparation of our consolidated financial statements in accordance with GAAP requires us to use estimates and make judgments and assumptions about future events that affect the reported amounts of assets, liabilities, revenue and expenses and the related disclosures. See Item 7 in our 2022 Form 10-K for a description of our critical accounting estimates and Note 1 to our consolidated financial statements in Item 8 of our 2022 Form 10-K for our significant accounting policies. There were no changes to our critical accounting estimates in the three months ended March 31, 2023. See Note 1 to our consolidated financial statements in this Form 10-Q for a discussion of new accounting guidance adopted during the first three months of 2023.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

There have been no material changes to market risk exposures related to changes in currency exchange rates, interest rates or commodity costs from those discussed in Item 7A of our 2022 Form 10-K.

Item 4. *Controls and Procedures*

Disclosure controls and procedures — We maintain disclosure controls and procedures that are designed to ensure that the information disclosed in the reports we file with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Our CEO and CFO have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective.

Changes in internal control over financial reporting — There was no change in our internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

CEO and CFO certifications — The certifications of our CEO and CFO that are attached to this report as Exhibits 31.1 and 31.2 include information about our disclosure controls and procedures and internal control over financial reporting. These certifications should be read in conjunction with the information contained in this Item 4 and in Item 9A of Part II of our 2022 Form 10-K for a more complete understanding of the matters covered by the certifications.

PART II – OTHER INFORMATION

Item 1. *Legal Proceedings*

We are a party to various pending judicial and administrative proceedings that arose in the ordinary course of business. After reviewing the currently pending lawsuits and proceedings (including the probable outcomes, reasonably anticipated costs and expenses and our established reserves for uninsured liabilities), we do not believe that any liabilities that may result from these proceedings are reasonably likely to have a material adverse effect on our liquidity, financial condition or results of operations. Legal proceedings are also discussed in Note 12 to our consolidated financial statements in Item 1 of Part I of this Form 10-Q.

Item 1A. *Risk Factors*

There have been no material changes in our risk factors disclosed in Item 1A of our 2022 Form 10-K.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

Issuer's purchases of equity securities — On February 16, 2021 our Board of Directors approved an extension of our existing common stock share repurchase program through December 31, 2023. Approximately $102 remained available under the program for future share repurchases as of March 31, 2023. We repurchase shares utilizing available excess cash either in the open market or through privately negotiated transactions. Stock repurchases are subject to prevailing market conditions and other considerations. No shares of our common stock were repurchased under the program during the first quarter of 2023.

Item 6. *Exhibits*

Exhibit No.	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. Filed with this Report.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. Filed with this Report.
32	Section 1350 Certifications (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002). Filed with this Report.
101	The following materials from Dana Incorporated’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Consolidated Statement of Operations, (ii) the Consolidated Statement of Comprehensive Income, (iii) the Consolidated Balance Sheet, (iv) the Consolidated Statement of Cash Flows and (v) Notes to the Consolidated Financial Statements. Filed with this Report.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

	DANA INCORPORATED
Date: April 28, 2023	By: /s/ Timothy R. Kraus
	Timothy R. Kraus Senior Vice President and Chief Financial Officer

EXHIBIT 31.1

Certification of Chief Executive Officer

I, James K. Kamsickas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dana Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2023

/s/ James K. Kamsickas
James K. Kamsickas
Chairman and Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer

I, Timothy R. Kraus, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dana Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2023

/s/ Timothy R. Kraus
Timothy R. Kraus
Senior Vice President and Chief Financial Officer

EXHIBIT 32

Certifications Pursuant to 18 U.S.C. Section 1350

In connection with the Quarterly Report of Dana Incorporated (Dana) on Form 10-Q for the three months ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned officers of Dana certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Dana as of the dates and for the periods expressed in the Report.

Date: April 28, 2023

/s/ James K. Kamsickas
James K. Kamsickas
Chairman and Chief Executive Officer

/s/ Timothy R. Kraus
Timothy R. Kraus
Senior Vice President and Chief Financial Officer