

DANA INCORPORATED

Quarterly Financial Information and Reconciliations of Non-GAAP Financial Measures

Non-GAAP Financial Measures

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

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

Free cash flow is a non-GAAP financial measure which we have defined as net cash provided by (used in) operating activities less purchases of property, plant and equipment. Adjusted free cash flow is a non-GAAP financial measure which we have defined as net cash provided by (used in) operating activities excluding voluntary pension contributions less purchases of property, plant and equipment. We believe these measures are useful to investors in evaluating the operational cash flow of the company inclusive of the spending required to maintain the operations. Free cash flow and adjusted free cash flow are not intended to represent nor be an alternative to the measure of net cash provided by (used in) operating activities reported under GAAP. Free cash flow and adjusted free cash flow may not be comparable to similarly titled measures reported by other companies.

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

DANA INCORPORATED
Consolidated Statement of Operations (Unaudited)
For the Three Months Ended September 30, 2019 and 2018

(In millions, except per share amounts)

	Three Months Ended	
	September 30,	
	2019	2018
Net sales	\$ 2,164	\$ 1,978
Costs and expenses		
Cost of sales	1,882	1,692
Selling, general and administrative expenses	128	119
Amortization of intangibles	2	2
Restructuring charges, net	5	9
Pension settlement charge	(2)	
Other expense, net	(8)	(9)
Earnings before interest and income taxes	137	147
Interest income	3	3
Interest expense	31	24
Earnings before income taxes	109	126
Income tax expense	5	31
Equity in earnings of affiliates	8	1
Net income	112	96
Less: Noncontrolling interests net income	3	1
Less: Redeemable noncontrolling interests net loss	(2)	
Net income attributable to the parent company	<u>\$ 111</u>	<u>\$ 95</u>
Net income per share available to common stockholders		
Basic	\$ 0.77	\$ 0.66
Diluted	\$ 0.77	\$ 0.65
Weighted-average common shares outstanding - Basic	144.0	144.7
Weighted-average common shares outstanding - Diluted	144.8	145.9

DANA INCORPORATED
Consolidated Statement of Operations (Unaudited)
For the Nine Months Ended September 30, 2019 and 2018

(In millions, except per share amounts)

	Nine Months Ended	
	September 30,	
	2019	2018
Net sales	\$ 6,633	\$ 6,170
Costs and expenses		
Cost of sales	5,725	5,269
Selling, general and administrative expenses	404	383
Amortization of intangibles	8	6
Restructuring charges, net	23	17
Impairment of indefinite-lived intangible asset		(20)
Adjustment in fair value of disposal group held for sale		3
Pension settlement charge	(260)	
Other expense, net	(31)	(19)
Earnings before interest and income taxes	182	459
Interest income	8	8
Interest expense	92	71
Earnings before income taxes	98	396
Income tax expense (benefit)	(27)	75
Equity in earnings of affiliates	22	13
Net income	147	334
Less: Noncontrolling interests net income	9	6
Less: Redeemable noncontrolling interests net income (loss)	(3)	1
Net income attributable to the parent company	<u>\$ 141</u>	<u>\$ 327</u>
Net income per share available to common stockholders		
Basic	\$ 0.98	\$ 2.25
Diluted	\$ 0.97	\$ 2.23
Weighted-average common shares outstanding - Basic	144.0	145.1
Weighted-average common shares outstanding - Diluted	144.8	146.6

DANA INCORPORATED
Consolidated Statement of Comprehensive Income (Unaudited)
For the Three Months Ended September 30, 2019 and 2018

(In millions)

	Three Months Ended September 30,	
	2019	2018
Net income	\$ 112	\$ 96
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	(46)	(19)
Hedging gains and losses	8	3
Defined benefit plans	5	21
Other comprehensive income (loss)	(33)	5
Total comprehensive income	79	101
Less: Comprehensive loss attributable to noncontrolling interests	9	
Less: Comprehensive income attributable to redeemable noncontrolling interests	(3)	
Comprehensive income attributable to the parent company	<u>\$ 85</u>	<u>\$ 101</u>

DANA INCORPORATED
Consolidated Statement of Comprehensive Income (Unaudited)
For the Nine Months Ended September 30, 2019 and 2018

(In millions)

	Nine Months Ended	
	September 30,	
	2019	2018
Net income	\$ 147	\$ 334
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	(16)	(65)
Hedging gains and losses	15	(11)
Defined benefit plans	365	34
Other comprehensive income (loss)	364	(42)
Total comprehensive income	511	292
Less: Comprehensive loss attributable to noncontrolling interests	4	
Less: Comprehensive income attributable to redeemable noncontrolling interests	(6)	
Comprehensive income attributable to the parent company	<u>\$ 509</u>	<u>\$ 292</u>

DANA INCORPORATED
Consolidated Balance Sheet (Unaudited)
As of September 30, 2019 and December 31, 2018

(In millions, except share and per share amounts)

	September 30, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 402	\$ 510
Marketable securities	20	21
Accounts receivable		
Trade, less allowance for doubtful accounts of \$8 in 2019 and \$9 in 2018	1,285	1,065
Other	198	178
Inventories	1,233	1,031
Other current assets	135	102
Total current assets	<u>3,273</u>	<u>2,907</u>
Goodwill	530	264
Intangibles	232	164
Deferred tax assets	539	445
Other noncurrent assets	112	80
Investments in affiliates	172	208
Operating lease assets	174	
Property, plant and equipment, net	2,199	1,850
Total assets	<u>\$ 7,231</u>	<u>\$ 5,918</u>
Liabilities and equity		
Current liabilities		
Short-term debt	\$ 109	\$ 8
Current portion of long-term debt	13	20
Accounts payable	1,285	1,217
Accrued payroll and employee benefits	208	186
Taxes on income	55	47
Current portion of operating lease liabilities	41	
Other accrued liabilities	279	269
Total current liabilities	<u>1,990</u>	<u>1,747</u>
Long-term debt, less debt issuance costs of \$27 in 2019 and \$18 in 2018	2,346	1,755
Noncurrent operating lease liabilities	136	
Pension and postretirement obligations	418	561
Other noncurrent liabilities	289	313
Total liabilities	<u>5,179</u>	<u>4,376</u>
Commitments and contingencies		
Redeemable noncontrolling interests	174	100
Parent company stockholders' equity		
Preferred stock, 50,000,000 shares authorized, \$0.01 par value, no shares outstanding	-	-
Common stock, 450,000,000 shares authorized, \$0.01 par value, 143,923,921 and 144,663,403 shares outstanding	2	2
Additional paid-in capital	2,381	2,368
Retained earnings	552	456
Treasury stock, at cost (10,103,374 and 8,342,185 shares)	(150)	(119)
Accumulated other comprehensive loss	(994)	(1,362)
Total parent company stockholders' equity	<u>1,791</u>	<u>1,345</u>
Noncontrolling interests	87	97
Total equity	<u>1,878</u>	<u>1,442</u>
Total liabilities and equity	<u>\$ 7,231</u>	<u>\$ 5,918</u>

DANA INCORPORATED
Consolidated Statement of Cash Flows (Unaudited)
For the Three Months Ended September 30, 2019 and 2018

(In millions)	Three Months Ended	
	September 30,	
	2019	2018
Operating activities		
Net income	\$ 112	\$ 96
Depreciation	82	63
Amortization	4	3
Amortization of deferred financing charges	2	1
Earnings of affiliates, net of dividends received	(6)	
Stock compensation expense	5	4
Deferred income taxes	(15)	(2)
Pension expense, net		1
Change in working capital	50	(37)
Other, net	(3)	(5)
Net cash provided by operating activities	231	124
Investing activities		
Purchases of property, plant and equipment	(108)	(90)
Acquisition of businesses, net of cash acquired	(12)	
Purchases of marketable securities	(12)	(7)
Proceeds from maturities of marketable securities	7	7
Proceeds from sale of subsidiary, net of cash disposed	1	(6)
Settlements of undesignated derivatives	(1)	
Other, net	(7)	(2)
Net cash used in investing activities	(132)	(98)
Financing activities		
Net change in short-term debt	95	(8)
Repayment of long-term debt	(102)	(6)
Deferred financing payments	(4)	
Dividends paid to common stockholders	(14)	(14)
Distributions to noncontrolling interests	(2)	(3)
Sale of interest to noncontrolling shareholder	53	
Contributions from noncontrolling interests	2	22
Payments to acquire redeemable noncontrolling interests		(43)
Net cash provided by (used in) financing activities	28	(52)
Net increase (decrease) in cash, cash equivalents and restricted cash	127	(26)
Cash, cash equivalents and restricted cash - beginning of period	298	343
Effect of exchange rate changes on cash balances	(13)	
Less: Cash contributed to disposal group		10
Cash, cash equivalents and restricted cash - end of period	\$ 412	\$ 327

DANA INCORPORATED
Consolidated Statement of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2019 and 2018

(In millions)	Nine Months Ended	
	September 30,	
	2019	2018
Operating activities		
Net income	\$ 147	\$ 334
Depreciation	235	187
Amortization	12	8
Amortization of deferred financing charges	5	3
Earnings of affiliates, net of dividends received	(3)	5
Stock compensation expense	15	13
Deferred income taxes	(120)	(47)
Pension expense, net	207	2
Impairment of indefinite-lived intangible asset		20
Adjustment in fair value of disposal group held for sale		(2)
Change in working capital	(197)	(269)
Other, net	(13)	(17)
Net cash provided by operating activities	288	237
Investing activities		
Purchases of property, plant and equipment	(298)	(235)
Acquisition of businesses, net of cash acquired	(666)	(151)
Proceeds from previous acquisition		9
Purchases of marketable securities	(24)	(36)
Proceeds from sales of marketable securities	6	6
Proceeds from maturities of marketable securities	19	30
Proceeds from sale of subsidiary, net of cash disposed	1	(6)
Settlements of undesignated derivatives	(20)	
Other, net	(13)	(2)
Net cash used in investing activities	(995)	(385)
Financing activities		
Net change in short-term debt	92	(13)
Proceeds from long-term debt	675	
Repayment of long-term debt	(121)	(8)
Deferred financing payments	(16)	
Dividends paid to common stockholders	(43)	(43)
Distributions to noncontrolling interests	(14)	(7)
Sale of interest to noncontrolling shareholder	53	
Contributions from noncontrolling interests	4	22
Payments to acquire redeemable noncontrolling interests		(43)
Repurchases of common stock	(25)	(25)
Other, net		(5)
Net cash provided by (used in) financing activities	605	(122)
Net decrease in cash, cash equivalents and restricted cash	(102)	(270)
Cash, cash equivalents and restricted cash - beginning of period	520	610
Effect of exchange rate changes on cash balances	(6)	(13)
Cash, cash equivalents and restricted cash - end of period	\$ 412	\$ 327

DANA INCORPORATED**Reconciliation of Net Cash Provided by Operating Activities to
Free Cash Flow and Adjusted Free Cash Flow (Unaudited)**

(In millions)	Three Months Ended	
	September 30,	
	2019	2018
Net cash provided by operating activities	\$ 231	\$ 124
Purchase of property, plant and equipment	(108)	(90)
Free cash flow	123	34
Discretionary pension contributions	2	-
Adjusted free cash flow	<u>\$ 125</u>	<u>\$ 34</u>

(In millions)	Nine Months Ended	
	September 30,	
	2019	2018
Net cash provided by operating activities	\$ 288	\$ 237
Purchase of property, plant and equipment	(298)	(235)
Free cash flow	(10)	2
Discretionary pension contributions	64	-
Adjusted free cash flow	<u>\$ 54</u>	<u>\$ 2</u>

(In millions)	2019
	Guidance
Net cash provided by operating activities	~ \$ 620
Purchase of property, plant and equipment	~ (425)
Free cash flow	195
Discretionary pension contributions	~ 65
Adjusted free cash flow	<u>~ \$ 260</u>

DANA INCORPORATED
Segment Sales and Segment EBITDA (Unaudited)
For the Three Months Ended September 30, 2019 and 2018

(In millions)	Three Months Ended	
	September 30,	
	2019	2018
Sales		
Light Vehicle	\$ 930	\$ 879
Commercial Vehicle	398	406
Off-Highway	582	425
Power Technologies	254	268
Total Sales	<u>\$ 2,164</u>	<u>\$ 1,978</u>
Segment EBITDA		
Light Vehicle	\$ 113	\$ 102
Commercial Vehicle	33	39
Off-Highway	79	69
Power Technologies	28	33
Total Segment EBITDA	<u>253</u>	<u>243</u>
Corporate expense and other items, net	<u>(3)</u>	<u>(3)</u>
Adjusted EBITDA	<u>\$ 250</u>	<u>\$ 240</u>

DANA INCORPORATED
Segment Sales and Segment EBITDA (Unaudited)
For the Nine Months Ended September 30, 2019 and 2018

(In millions)	Nine Months Ended	
	September 30,	
	2019	2018
Sales		
Light Vehicle	\$ 2,763	\$ 2,702
Commercial Vehicle	1,266	1,217
Off-Highway	1,808	1,402
Power Technologies	796	849
Total Sales	<u>\$ 6,633</u>	<u>\$ 6,170</u>
Segment EBITDA		
Light Vehicle	\$ 333	\$ 297
Commercial Vehicle	115	114
Off-Highway	264	220
Power Technologies	90	117
Total Segment EBITDA	<u>802</u>	<u>748</u>
Corporate expense and other items, net	(9)	(14)
Adjusted EBITDA	<u>\$ 793</u>	<u>\$ 734</u>

DANA INCORPORATED
Reconciliation of Segment and Adjusted EBITDA to Net Income (Unaudited)
For the Three Months Ended September 30, 2019 and 2018

(In millions)	Three Months Ended	
	September 30,	
	2019	2018
Segment EBITDA	\$ 253	\$ 243
Corporate expense and other items, net	(3)	(3)
Adjusted EBITDA	250	240
Depreciation	(82)	(63)
Amortization	(4)	(3)
Non-service cost components of pension and OPEB costs	(4)	(3)
Pension settlement charge	(2)	
Restructuring charges, net	(5)	(9)
Stock compensation expense	(5)	(4)
Strategic transaction expenses	(8)	(6)
Acquisition related inventory adjustments	(3)	
Other items		(5)
Earnings before interest and income taxes	137	147
Interest expense	31	24
Interest income	3	3
Earnings before income taxes	109	126
Income tax expense	5	31
Equity in earnings of affiliates	8	1
Net income	\$ 112	\$ 96

DANA INCORPORATED
Reconciliation of Segment and Adjusted EBITDA to Net Income (Unaudited)
For the Nine Months Ended September 30, 2019 and 2018

(In millions)	Nine Months Ended	
	September 30,	
	2019	2018
Segment EBITDA	\$ 802	\$ 748
Corporate expense and other items, net	(9)	(14)
Adjusted EBITDA	793	734
Depreciation	(235)	(187)
Amortization	(12)	(8)
Non-service cost components of pension and OPEB costs	(19)	(10)
Pension settlement charge	(260)	
Restructuring charges, net	(23)	(17)
Stock compensation expense	(15)	(13)
Strategic transaction expenses, net of transaction breakup fee income	(32)	(13)
Acquisition related inventory adjustments	(12)	
Non-income tax legal judgment	6	
Other items	(9)	(10)
Impairment of indefinite-lived intangible asset		(20)
Adjustment in fair value of disposal group held for sale		3
Earnings before interest and income taxes	182	459
Interest expense	92	71
Interest income	8	8
Earnings before income taxes	98	396
Income tax expense (benefit)	(27)	75
Equity in earnings of affiliates	22	13
Net income	\$ 147	\$ 334

DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Three Months Ended September 30, 2019 and 2018

(In millions, except per share amounts)

	Three Months Ended September 30,	
	2019	2018
Net income attributable to parent company	\$ 111	\$ 95
Items impacting income before income taxes:		
Restructuring charges	5	9
Amortization of intangibles	4	3
Strategic transaction expenses	8	6
Acquisition related inventory adjustments	3	
Pension settlement charge	2	
Other items	2	5
Items impacting income taxes:		
Net income tax expense on items above	(5)	(5)
Net tax benefit attributable to valuation allowance adjustments, federal tax credit adjustments and state tax law changes	(22)	
Adjusted net income	<u>\$ 108</u>	<u>\$ 113</u>
Diluted shares - as reported	<u>144.8</u>	<u>145.9</u>
Adjusted diluted shares	<u>144.8</u>	<u>145.9</u>
Diluted adjusted EPS	\$ 0.74	\$ 0.77

DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Nine Months Ended September 30, 2019 and 2018

(In millions, except per share amounts)

	Nine Months Ended September 30,	
	2019	2018
Net income attributable to parent company	\$ 141	\$ 327
Items impacting income before income taxes:		
Restructuring charges	23	17
Amortization of intangibles	12	8
Strategic transaction expenses, net of transaction breakup fee income	32	13
Loss on deal contingent forward	13	
Acquisition related inventory adjustments	12	
Non-income tax legal judgment	(6)	
Pension settlement charge	260	
Impairment of indefinite-lived intangible asset		20
Other items		3
Items impacting income taxes:		
Net income tax expense on items above	(24)	(15)
Net tax benefit attributable to valuation allowance adjustments, federal tax credit adjustments and state tax law changes	(116)	(41)
Adjusted net income	<u>\$ 347</u>	<u>\$ 332</u>
Diluted shares - as reported	<u>144.8</u>	<u>146.6</u>
Adjusted diluted shares	<u>144.8</u>	<u>146.6</u>
Diluted adjusted EPS	\$ 2.40	\$ 2.26