



2020 Fourth-quarter and Full-year Earnings Conference Call

February 18, 2021

People Finding A Better Way[®]

Empowering People

employee development
health and wellness workplace safety
inclusion and diversity

Innovating Products

product safety and quality
advanced technology

Protecting the Planet

environment
supply chain community



Safe Harbor Statement

Certain statements and projections contained in this presentation are, by their nature, forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on our current expectations, estimates and projections about our industry and business, management's beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by words such as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "should," "would," "could," "potential," "continue," "ongoing," similar expressions, and variations or negatives of these words. These forward-looking statements are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause our actual results to differ materially and adversely from those expressed in any forward-looking statement. Dana's Annual Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q, recent Current Reports on Form 8-K, and other Securities and Exchange Commission filings discuss important risk factors that could affect our business, results of operations and financial condition. The forward-looking statements in this presentation speak only as of this date. Dana does not undertake any obligation to revise or update publicly any forward-looking statement for any reason.

Agenda



- **Introduction**

Craig Barber

*Senior Director, Investor Relations
and Strategic Planning*

- **Business Review**

James Kamsickas

*Chairman and
Chief Executive Officer*

- **Financial Review**

Jonathan Collins

*Executive Vice President
and Chief Financial Officer*



2020 Business Highlights

Financial Results

sales

\$7.1

billion

adjusted free cash flow

\$60

million

adjusted EBITDA

\$0.6

billion

diluted adjusted EPS

\$0.39

Key Highlights

- 1 Demonstrated resiliency
- 2 Secured sales backlog
- 3 Expanded EV business
- 4 Achieved recognition
- 5 Accelerated sustainability

POWERING INTO
e-DRIVE



1 Demonstrated Resiliency

1

Initial Pandemic Response

Decisive actions to protect employees and customers



2

Successful Restart of Operations

Leveraged business model to respond to rapid market recovery



3

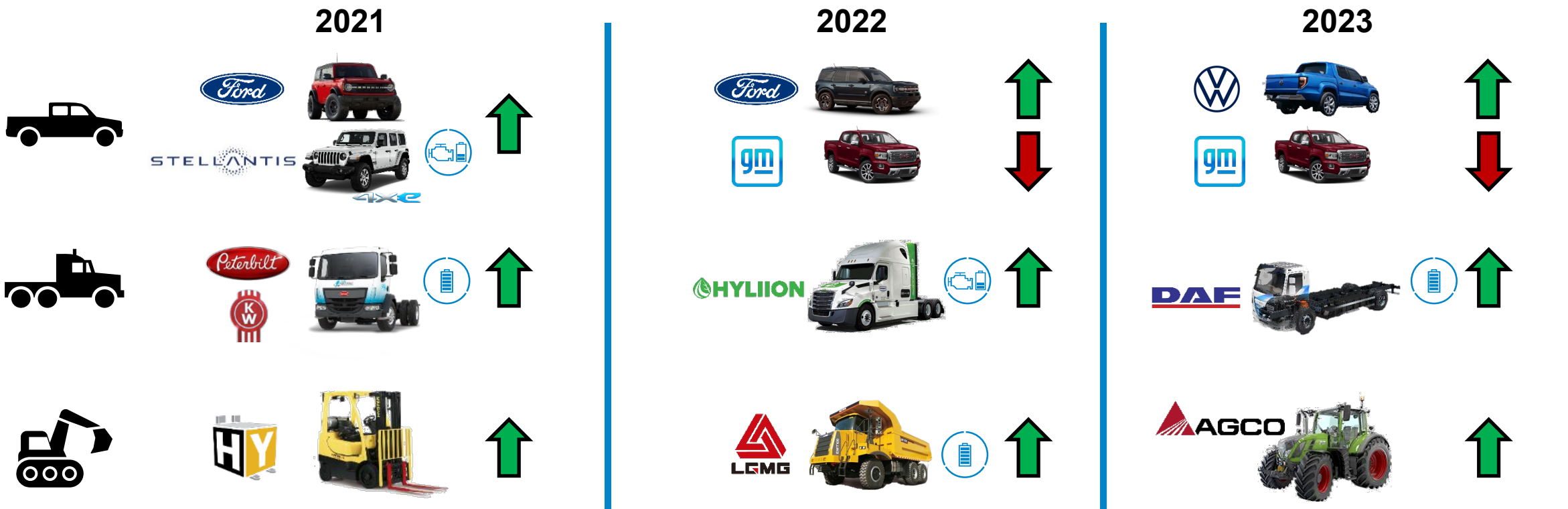
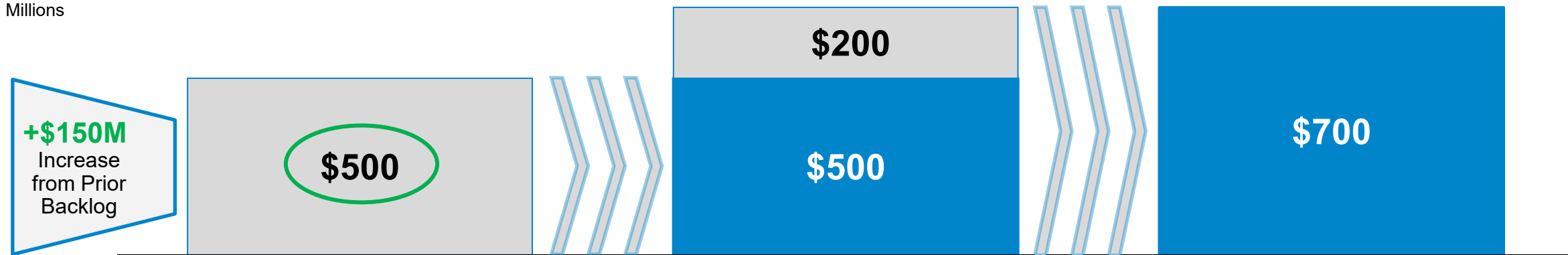
Spring Forward Momentum for Growth



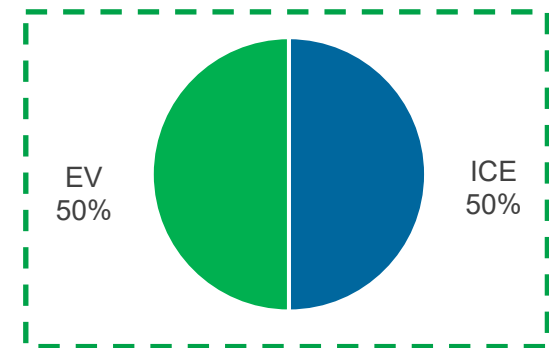
② 2021 – 2023 Sales Backlog: \$700 Million

Balanced Electric-Vehicle and ICE Content

\$ in Millions



Electric vs. Internal Combustion Vehicles



EV Growth resulting from ~\$400M investment over 3 years



3 Hybrid Propulsion




Light Vehicle: 2021 Jeep® Wrangler 4xe

THE 2021 **WRANGLER**
4xe
VENTURE QUIETLY



 Dana Driveline System

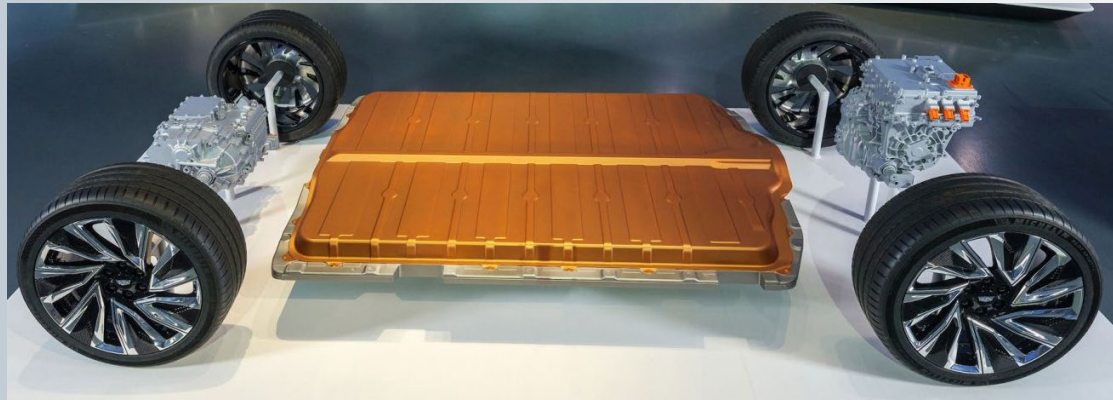
 Jeep Hybrid Propulsion



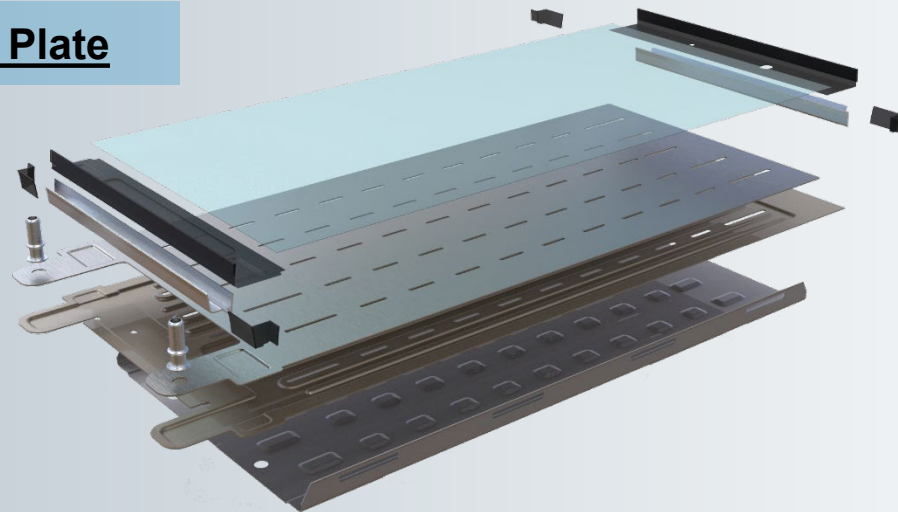
3 e-Thermal Systems



Light Vehicle: GM Ultium Battery Platform



Battery Cold Plate



LONG

e-ThermaTEK



- Hummer first electric vehicle on platform
- Multi-year program beginning 2021
- Highest Dana e-thermal CPV product

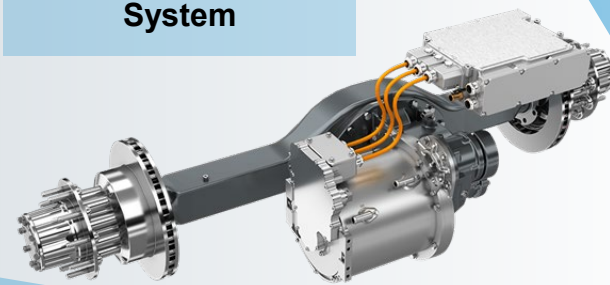
3 e-Propulsion System



Medium-Duty Truck: Daimler Electric Truck Program

DAIMLER

e-Drive Axle
Electric Motor,
Inverter, & Gears
**e-Propulsion
System**



MT50e

- Full electric propulsion system design
- Production beginning in Q3 2021
- Increased content on vehicle by 4x

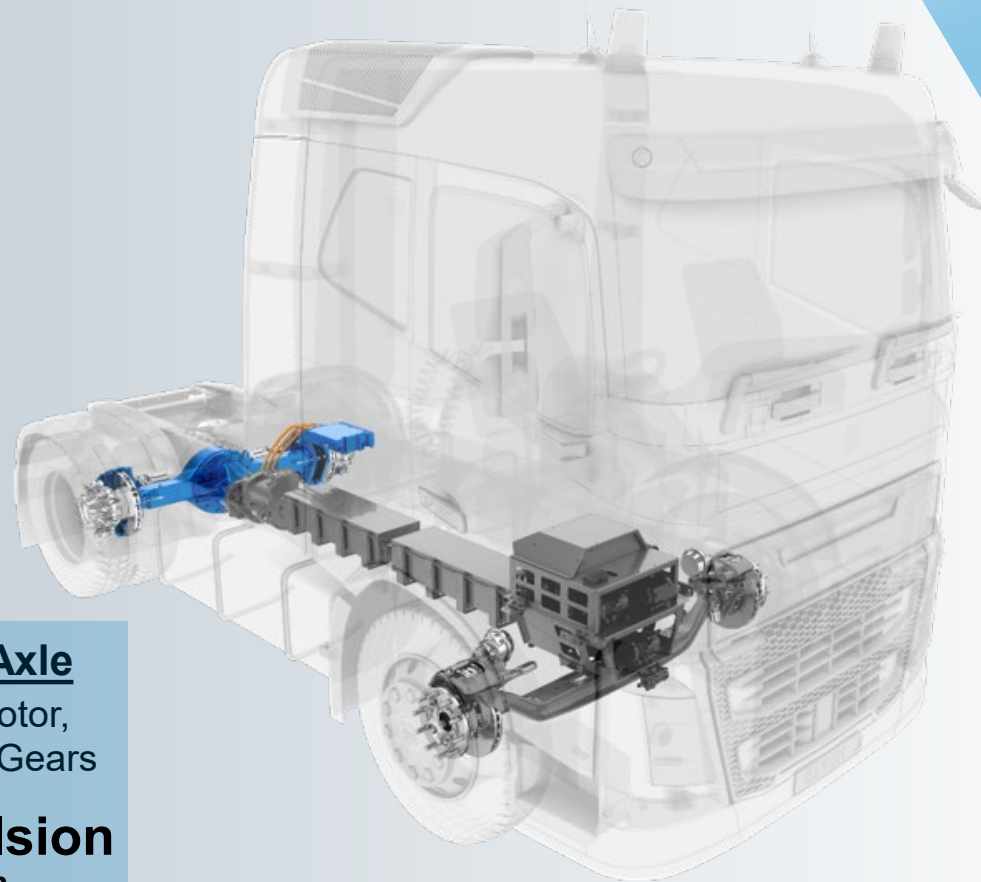
SPECIFICATIONS	
CVWR	23,000 lbs. (Class 6)
Body	Walk-in Van Body
Wheel Base	178"
Brakes	Walther 4-wheel hydraulic brakes
Drive System	Dana eS9000r e-Axle
Battery Capacity	226 kW total battery capacity
Driving Range	Up to 120 miles Equivalent MPC: 30 to 36 MPCe
Power	226 kW (303 HP)
Curb Weight	We
Charging	Fu Co
Startability	28% grade
Gradeability	4% @ 45 MPH @ CVWR
Regenerative Braking	Yes
Operating Temperature	-40°F to 120°F



3 e-Propulsion System



Heavy-Duty Truck: Global Electric Program



e-Drive Axle
Electric Motor,
Inverter, & Gears

**e-Propulsion
System**



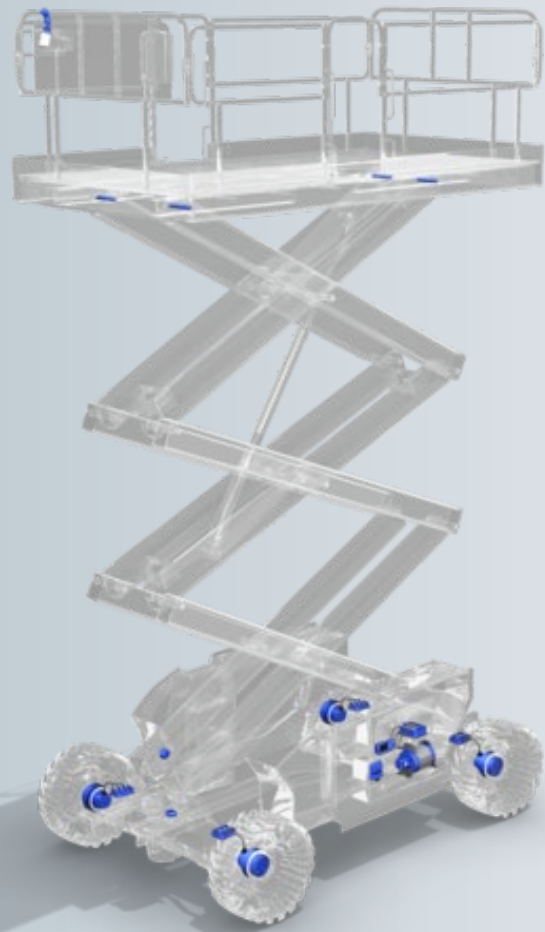
- Full electric propulsion system design
- Program beginning in 2024
- Increased content on vehicle by 4x



3 e-Propulsion System



Off-Highway: Electric Access Equipment Program



e-Hub Drives
Electric Motor,
Inverter, & Gears



- Multi-year program in NA & EU
- Production ramping early 2021
- Increased content on vehicle by 2x



4 Industry Recognition



20+ customer and industry honors in 2020



DAIMLER

Masters of Quality Award



Supplier of the Year - Americas



Drivetrain Component of the Year



Consistent Best Performer – Quality Award



Platinum Award - Quality



Supplier of the Year



Supplier Performance Management Achiever (North America)

5 Sustainability Leadership



Strategically Leveraging Renewable Energy Sources



~300,000 MWh*

of renewable electricity generated annually over the term beginning in 2022



~90%

reduction of the Company's current U.S. annual electricity greenhouse gas emissions



Wind electricity agreement



~150,000

metric tons of greenhouse gas emissions removed annually



Supports continued progress toward our target of reducing total annual GHG emissions by

>50% by 2035



*MWh = Megawatt hours



Financial Review

People Finding A Better Way[®]

DAN

LISTED

NYSE

55.01

11.08

+8.76

65.32

12.11

2020 Financial Results



- Sales and profit declines due to production shutdowns associated with the global COVID-19 pandemic
- Lower diluted adjusted EPS primarily due to lower earnings
- Net loss entirely attributed to goodwill impairment charge recorded at the onset of pandemic
- Capital expenditures flexed down by \$100 million while protecting new program launches
- Delivered positive adj. free cash flow during the midst of the global pandemic

Changes from Prior Year						
	<u>Q4 '20</u>	<u>Q4 '19</u>	<u>Change</u>	<u>FY '20</u>	<u>FY '19</u>	<u>Change</u>
(\$ in millions except EPS)						
Sales	\$ 2,108	\$ 1,987	\$ 121	\$ 7,106	\$ 8,620	\$ (1,514)
Adjusted EBITDA	192	226	(34)	593	1,019	(426)
Margin	9.1%	11.4%	(230) bps	8.3%	11.8%	(350) bps
EBIT	100	110	(10)	124	292	(168)
Interest Expense, Net	37	28	9	129	112	17
Income Tax Expense (Benefit)	24	(5)	29	58	(32)	90
Net Income (Loss) (attributable to Dana)	40	85	(45)	(31)	226	(257)
Diluted Adjusted EPS	\$ 0.24	\$ 0.67	\$ (0.43)	\$ 0.39	\$ 3.06	\$ (2.67)
Operating Cash Flow	191	349	(158)	386	637	(251)
Capital Spending	(145)	(128)	(17)	(326)	(426)	100
Adjusted Free Cash Flow	46	218	(172)	60	272	(212)

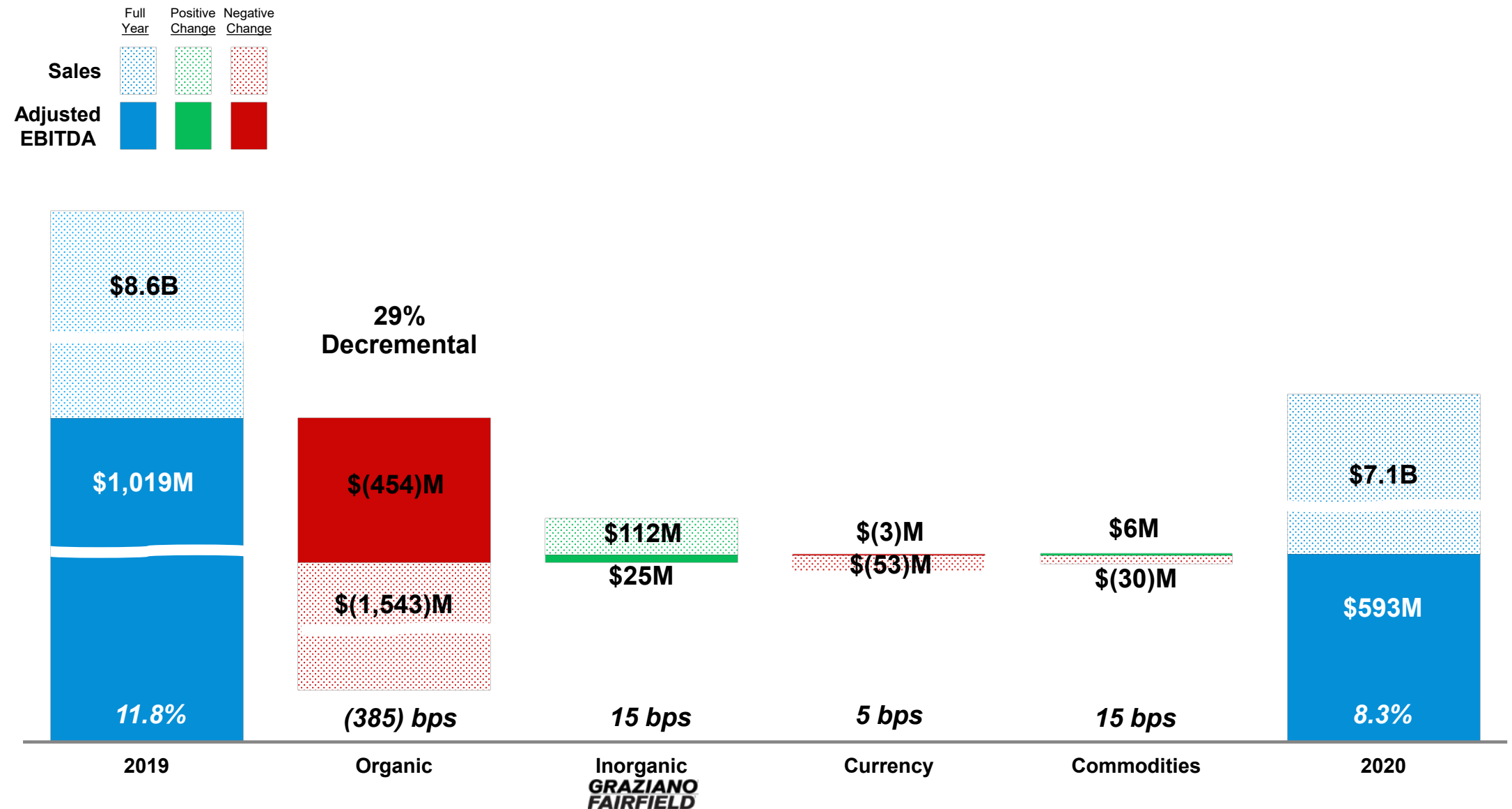
See appendix for comments regarding the presentation of non-GAAP measures

Full-year results adversely affected by global pandemic



2020 Sales and Profit Changes

- Organic decline driven by global production shutdowns due to the COVID-19 pandemic
- Targeted cost management actions and a successful restart of operations mitigated margin impact to <30% decremental
- Graziano and Fairfield businesses acquired on Feb 28th of 2019 drove inorganic sales increase, cost synergies benefited profit
- Currency translation was a headwind to sales due to the weakening of the real, rupee, and rand to the U.S. dollar, partially offset by a stronger euro
- Lower commodity costs modestly increased profit margins



See appendix for comments regarding the presentation of non-GAAP measures

Decremental margin of less than 30% during the global pandemic





2020 Adjusted Free Cash Flow

- Adj. FCF lower compared with prior year as lower profit was partially offset by lower one-time costs, taxes, working capital requirements, and capital spending
- Higher interest costs due to augmented liquidity during early stages of pandemic

Changes from Prior Year

(\$ in millions)

	<u>FY '20</u>	<u>FY '19</u>	<u>Change</u>
Adjusted EBITDA	\$ 593	\$ 1,019	\$ (426)
One-time Costs¹	(39)	(81)	42
Interest, net	(120)	(107)	(13)
Taxes	(98)	(125)	27
Working Capital / Other²	50	(8)	58
Capital Spending	(326)	(426)	100
Adj. Free Cash Flow	\$ 60	\$ 272	\$ (212)
Margin	1%	3%	(2)% pts

¹ Includes costs associated with business acquisitions and divestitures and restructuring. ² Changes in working capital relating to interest, taxes, restructuring, and transaction costs are included in those respective categories. See appendix for comments regarding the presentation of non-GAAP measures.

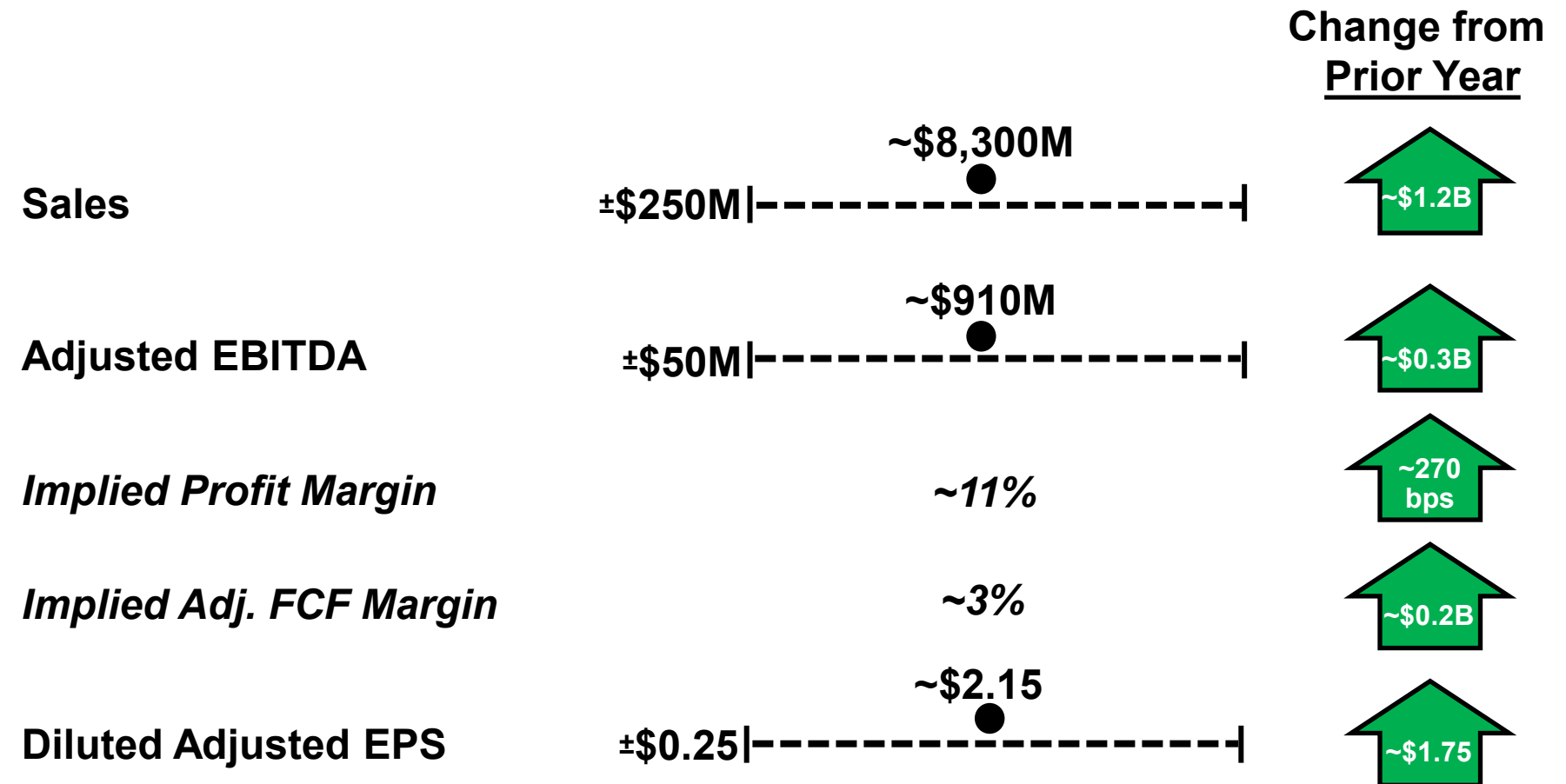
Generated adj. FCF in the midst of global pandemic shutdown and restart



2021 Financial Guidance

Guidance Ranges

- Guidance contemplates continued stability of end market demand and does not assume production shutdowns to contain pandemic
- Pending acquisition of Modine's liquid cooling automotive business, which is expected to close in H1, is excluded from guidance



See appendix for comments regarding the presentation of non-GAAP measures

--- Guidance range

Continued end market stability leading to improved earnings and cash flow



2021 Market Demand Outlook



<u>Mobility Market</u>	<u>3rd Party Sources</u>	<u>Core Segments</u>	<u>Sales Dist.</u> →	<u>North America</u>	<u>Europe & Africa</u>	<u>South America</u>	<u>Asia Pacific</u>	<u>Dana Impact</u>
		Full Frame		↑	↑	↑	↗	↗
		Medium Duty		↗	↑	↑	↓	↗
		Heavy Duty		↑	↑	↑	↓	
		Agriculture		↗	→	↗	↗	↗
		Construction		↗	↗	↗	↗	
		Mining		↗	↑	→	→	
Dana Impact				↑	↑	↑	↗	

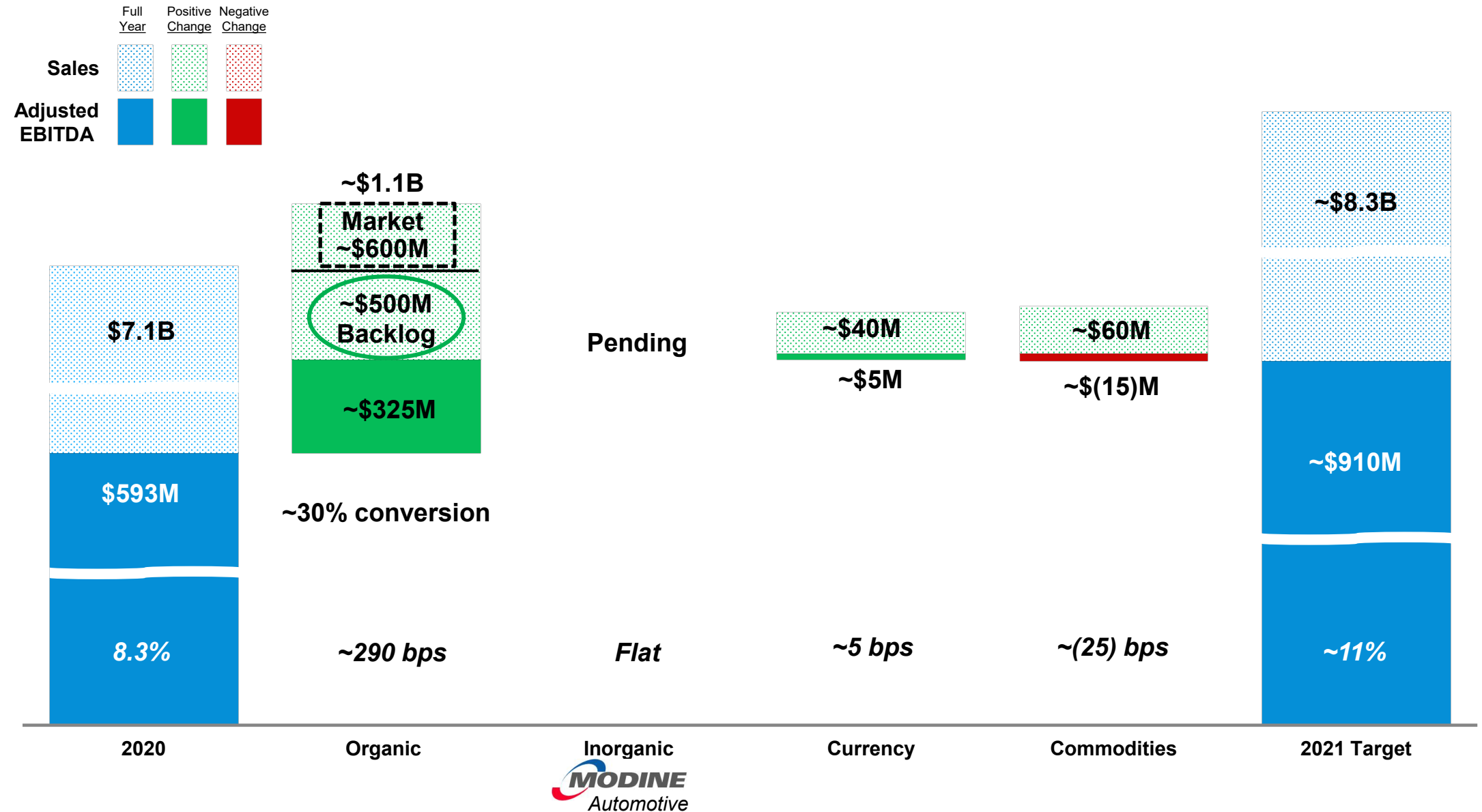
Legend: YoY Δ

- >+10%
- 3% -10%
- Flat
- (3%) - (10%)
- <(10%)

Sales distribution based on 2020 results

2021 Sales and Profit Changes

- Organic growth conversion of 30% on higher sales from increased backlog and stronger end-market demand
- Pending Modine acquisition is not included in current target
- Currency expected to be modest tailwind to sales and profit
- Commodity costs expected to be modest margin headwind driven by rising steel prices



See appendix for comments regarding the presentation of non-GAAP measures

Sales backlog and market rebound driving sales and profit growth

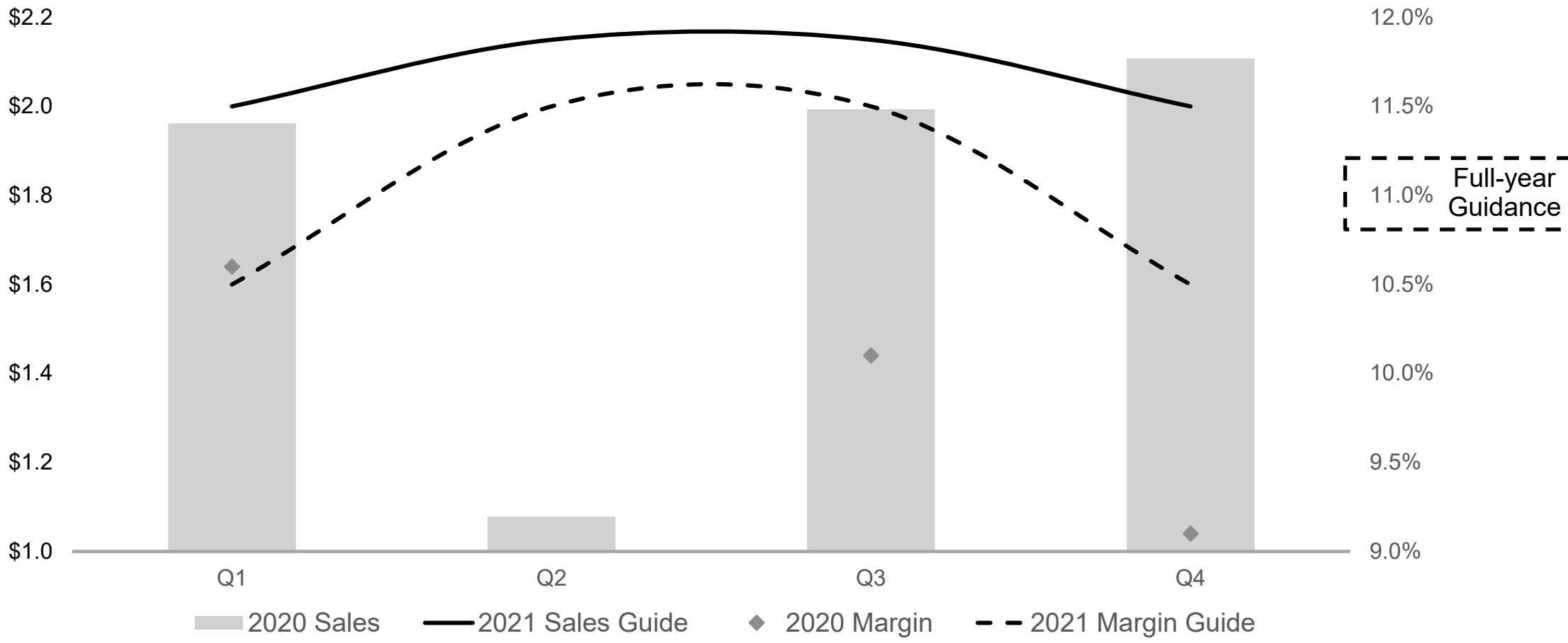




2021 Quarterly Progression

Sales and Profit Margin Phasing

(\$ in billions)



See appendix for comments regarding the presentation of non-GAAP measures

Anticipate normal seasonality of sales and profit margin



- Expect normal seasonality
- Expecting Q1 sales and profit to be comparable with 2020
- Considerable sales and profit increase in Q2 as a result of pandemic shutdown in 2020
- H2 margin expansion due to efficiency improvements as a result of non-recurrence of restart costs



2021 Adjusted Free Cash Flow

- Adj. FCF expected to increase compared with prior year as higher profit will be partially offset by higher working capital requirements and capital spending
- Capital spending of ~4.5% of sales fueling profitable new business growth

Changes from Prior Year

(\$ in millions)

	<u>2021T</u>	<u>2020A</u>	<u>Change</u>
Adjusted EBITDA	\$ ~910	\$ 593	\$ ~315
One-time Costs¹	~(40)	(39)	-
Interest, net	~(115)	(120)	~5
Taxes	~(110)	(98)	~(10)
Working Capital / Other²	~(25)	50	~(75)
Capital Spending	~(370)	(326)	~(45)
Adj. Free Cash Flow	\$ ~250	\$ 60	\$ ~190
Margin	~3%	1%	+2% pts

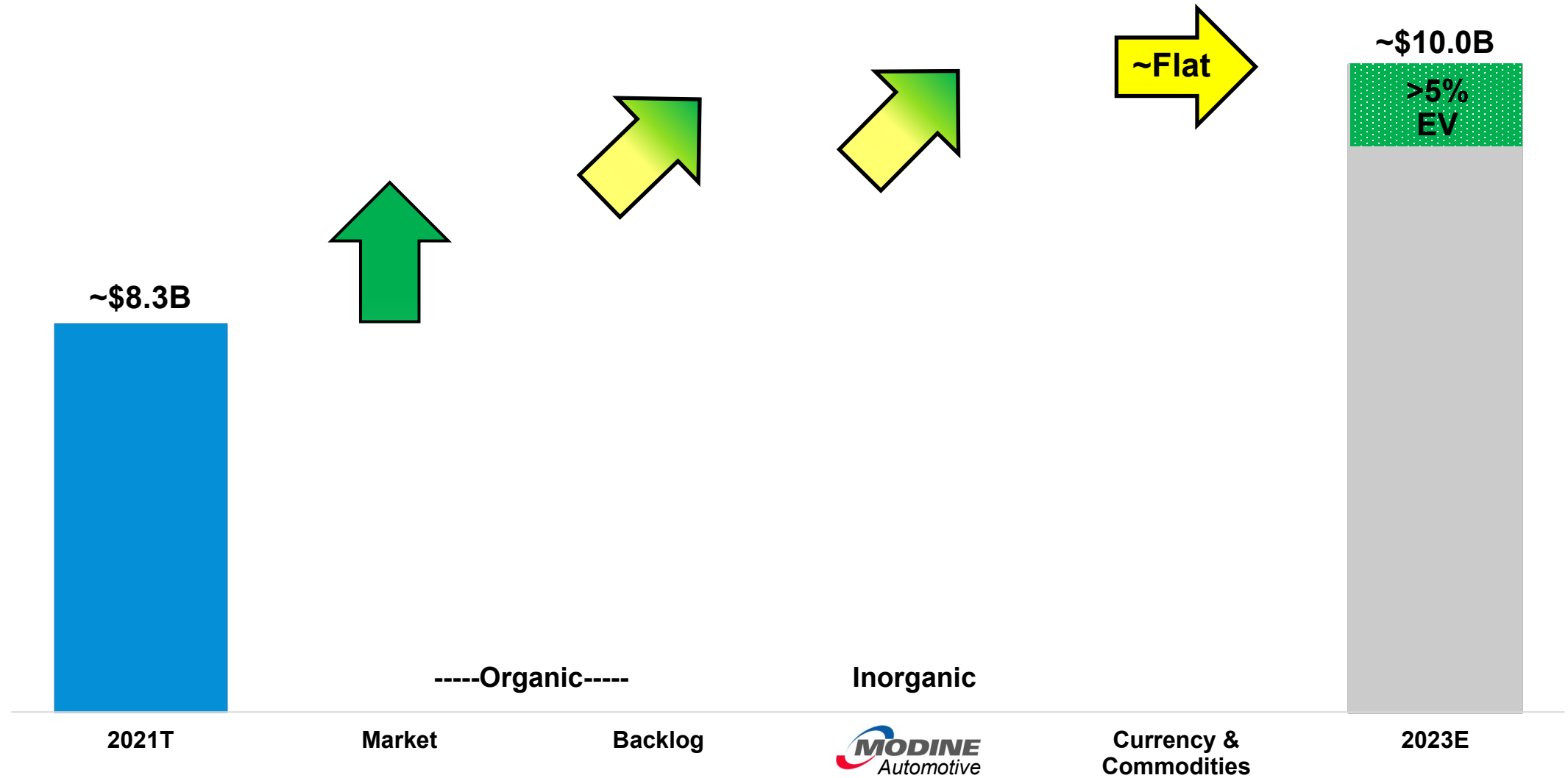
¹ Includes costs associated with business acquisitions and divestitures and restructuring. ² Changes in working capital relating to interest, taxes, restructuring, and transaction costs are included in those respective categories. See appendix for comments regarding the presentation of non-GAAP measures.

Anticipate delivering nearly \$200M of adj. FCF growth this year



2023 Sales Potential

- Sales growth potential of ~\$1.7B beyond 2021 as end markets continue to grow, backlog is recognized, and acquisition is integrated
- Assumes Fx rates and commodities remain relatively flat
- On track to exceed EV sales target of 5% or \$500M



Cyclical upswing potential of more than \$1B beyond 2021 guidance

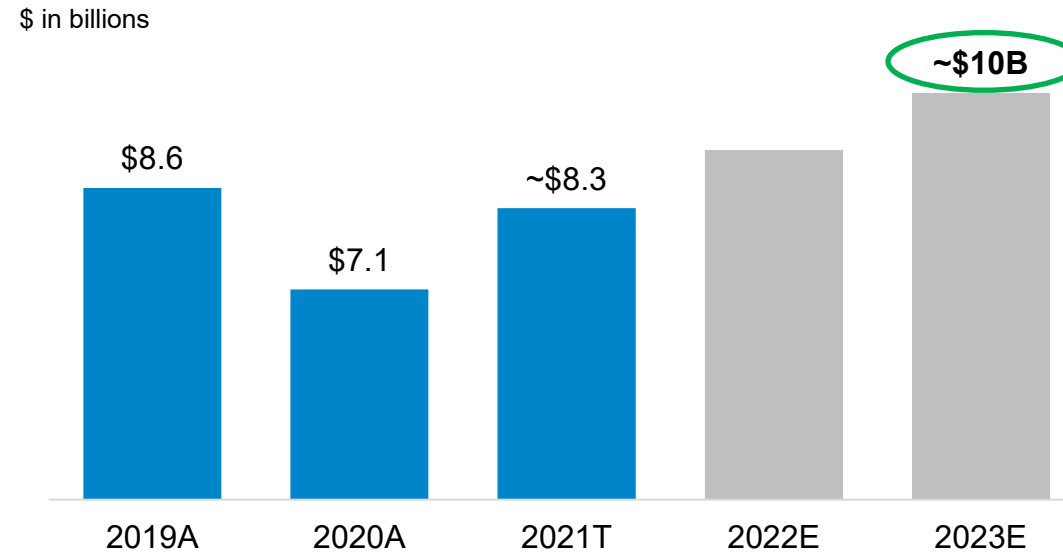




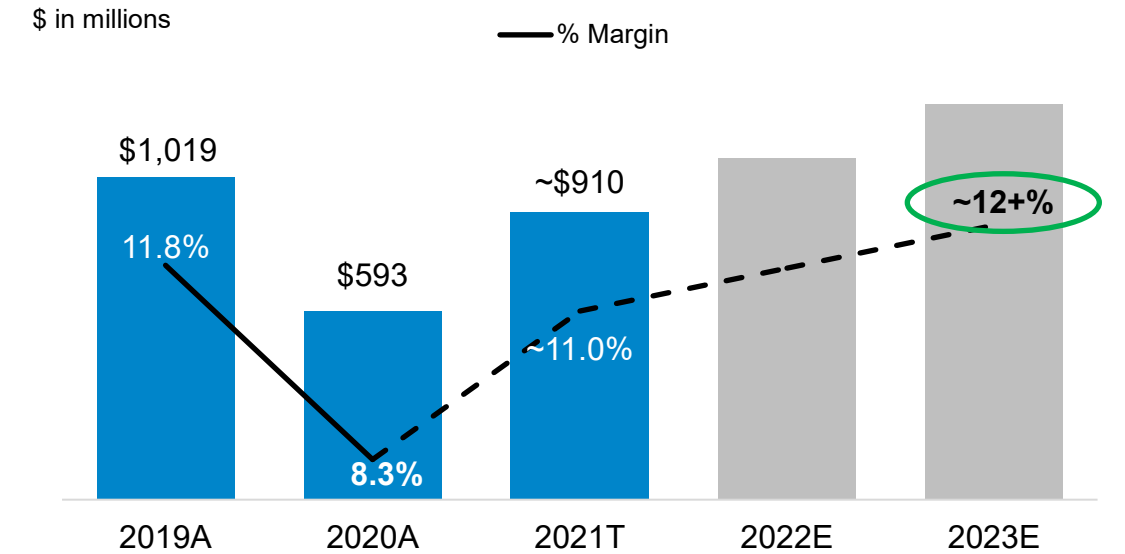
Key Financial Metrics

- Growth factors, both organic and inorganic, capable of driving sales to ~\$10B by 2023
- At ~\$10B sales level, profit margins anticipated in excess of ~12% with cash flow margins of ~5%, leading to 3-year cumulative adj. FCF of >\$1B

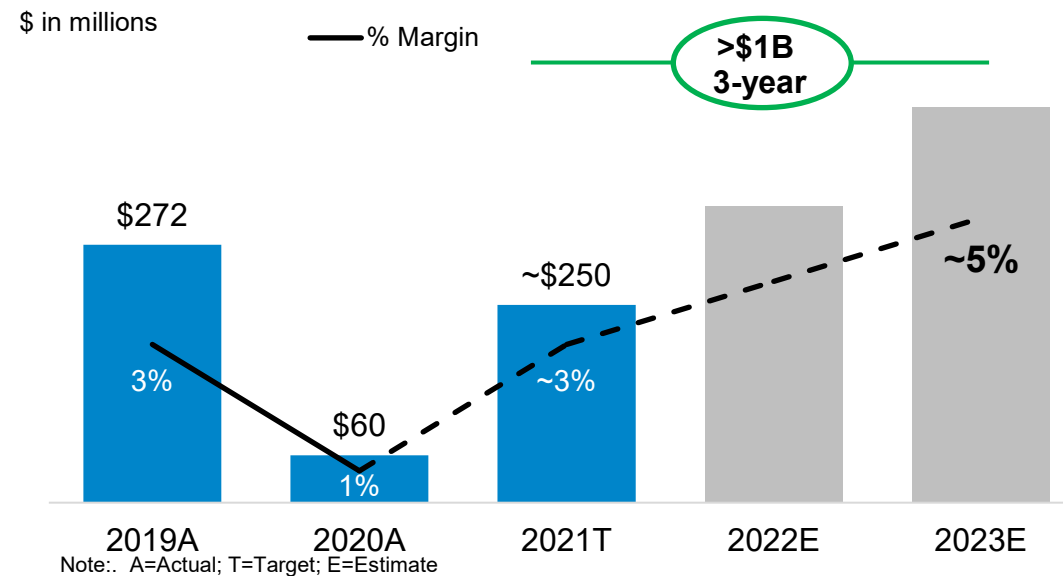
Sales



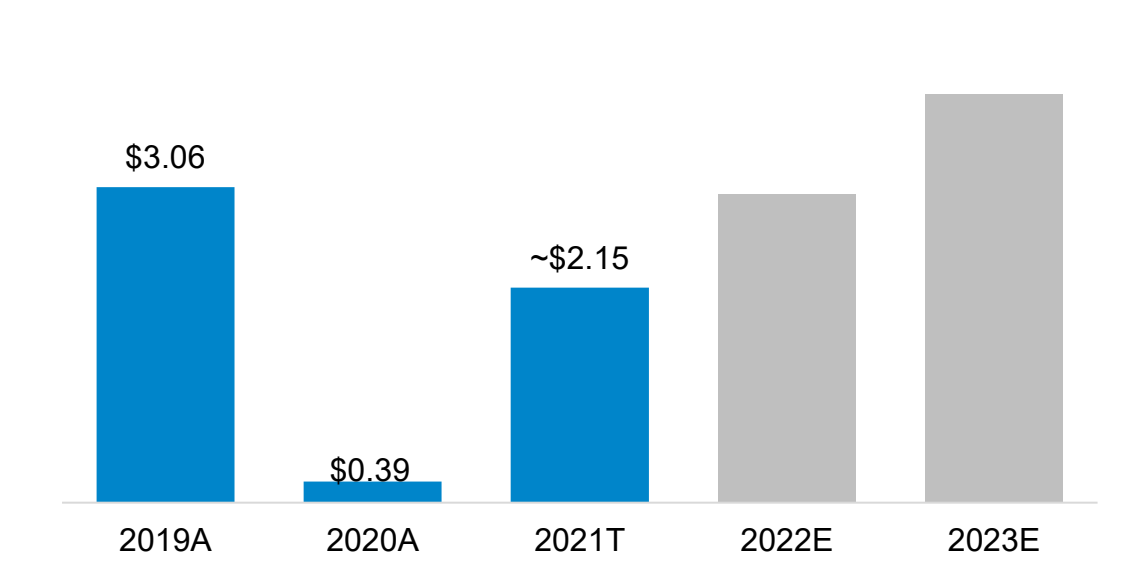
Adjusted EBITDA



Adjusted Free Cash Flow



Diluted Adjusted EPS



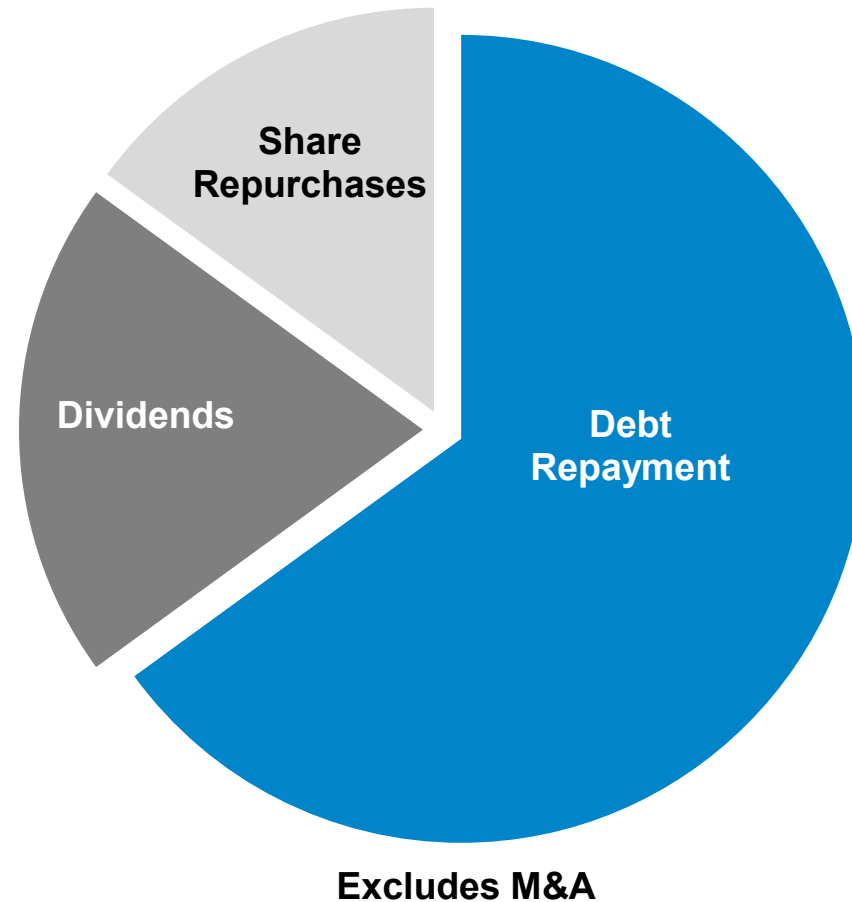
Note: A=Actual; T=Target; E=Estimate



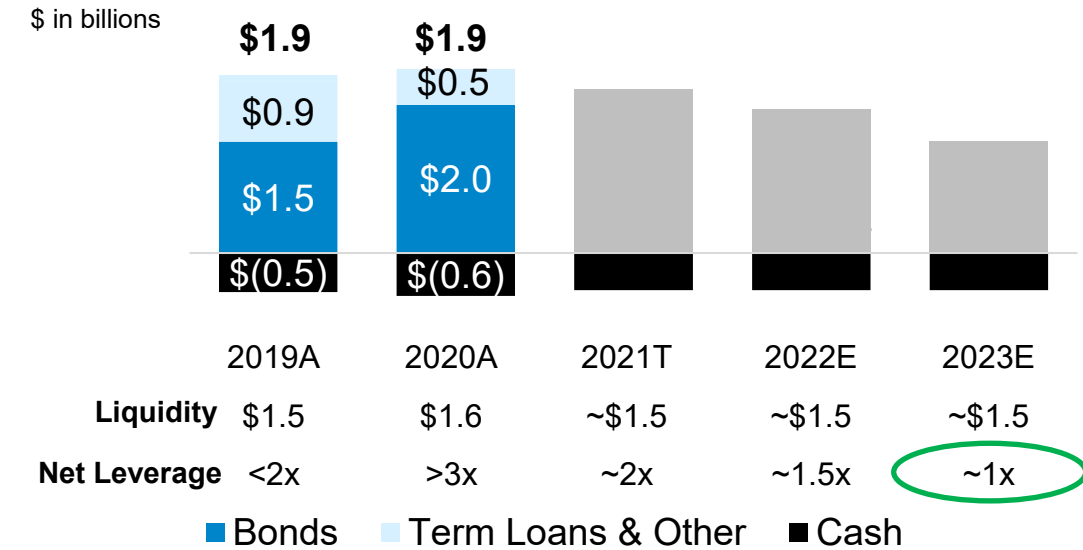
Capital Structure and Allocation

- Improved adj. FCF generation and consistent de-leveraging will drive toward investment grade credit metrics
- Reinstated quarterly dividend at 10¢ per share
- Extended share repurchase authorization through 2023
- No debt maturing in the next 3 years

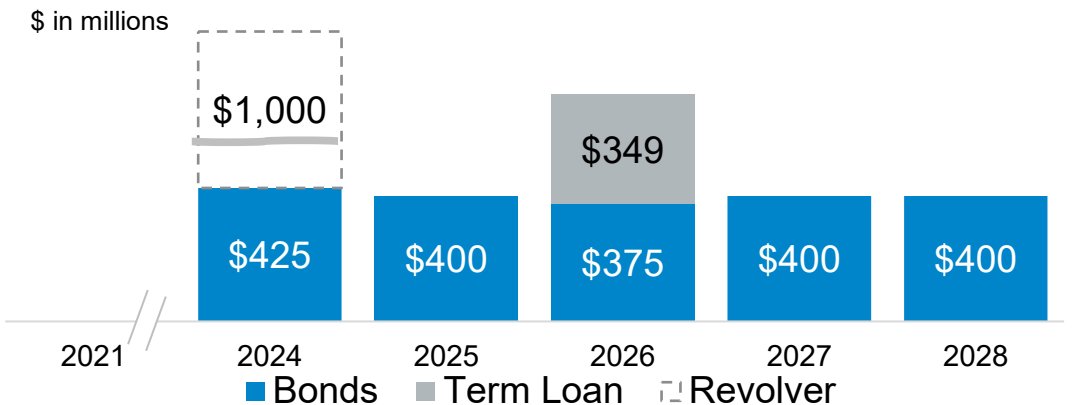
3-yr Illustrative Capital Allocation



Net Debt and Leverage



Debt Maturity Profile



Disciplined capital allocation focused on growth and shareholder value creation



People Finding A Better Way[®]

A stylized globe of the Earth in shades of blue, showing the continents.

**Global Scale &
Financial Strength**

A close-up view of a complex automotive drivetrain or transmission assembly with various shafts and gears.

**Technologies for
Tomorrow**

A dark-colored SUV driving through water.A white commercial truck with a large grille.

**Balanced End-
Market Presence**

A collection of various blue and white electrical components and connectors.

**Complete Electric
Product Portfolio**



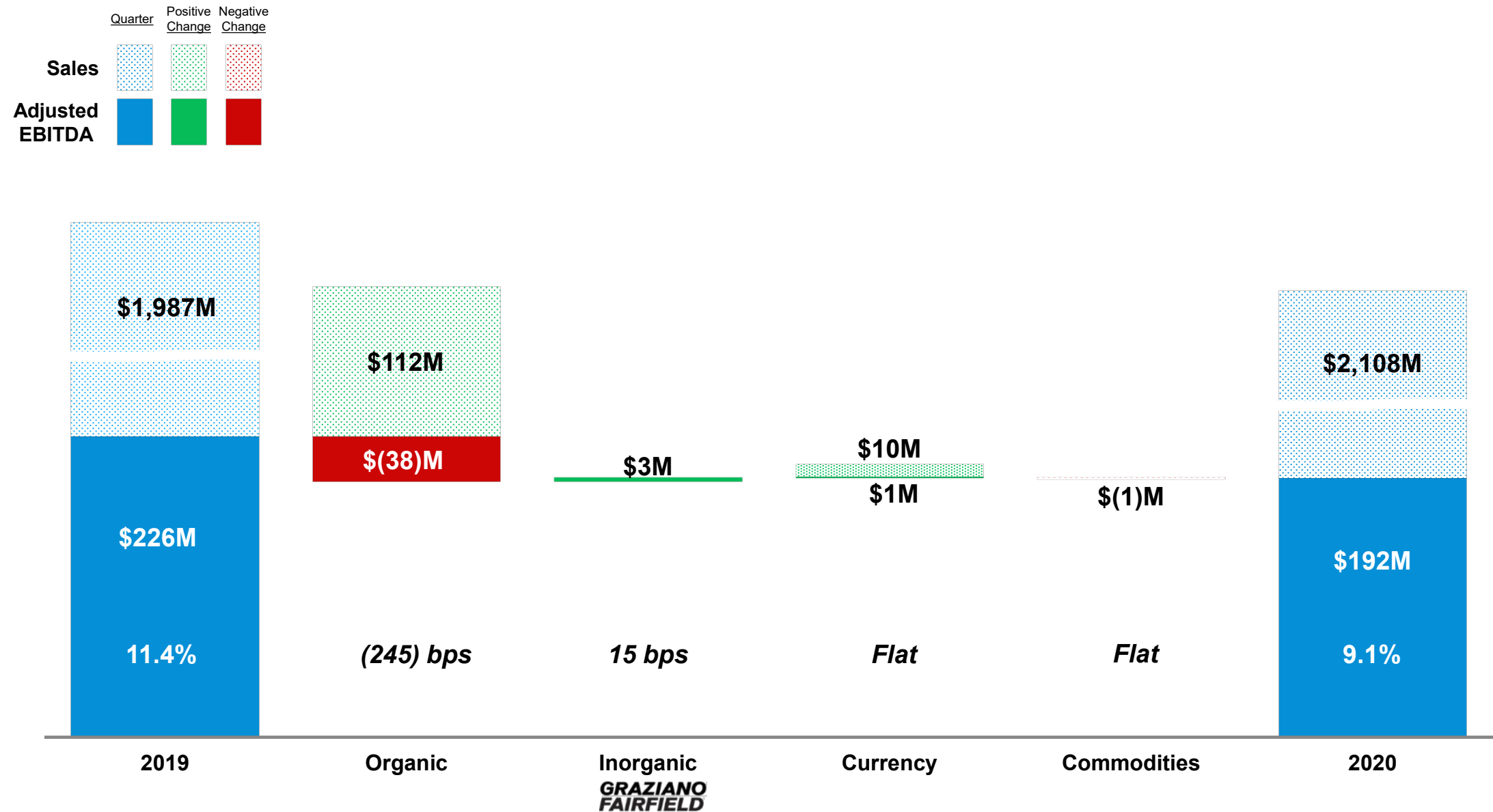


Appendix



2020 Q4 Sales and Profit Changes

- Strong demand for light vehicles drove organic sales growth
- Lower profit despite higher sales driven by:
 - 1) nonrecurrence of \$17M indirect tax settlement in Brazil in 2019
 - 2) higher premium costs, primarily premium freight to support surge in demand on key NA full-frame trucks.
 - 3) EV investment acceleration to support new business
- Currency translation was a slight benefit to sales primarily due to a stronger euro compared with the U.S. dollar



See appendix for comments regarding the presentation of non-GAAP measures

Managed continued strong demand for light vehicles





2020 Q4 Adjusted Free Cash Flow

- Interest expense higher in 2020 due to timing of interest payments driven by refinancing activities
- Cash taxes higher in Q4 2020 due to timing of payments in foreign jurisdictions
- Seasonality of working capital impacted by pandemic shutdown in Q2

Changes from Prior Year

(\$ in millions)

	<u>Q4 '20</u>	<u>Q4 '19</u>	<u>Change</u>
Adjusted EBITDA	\$ 192	\$ 226	\$ (34)
One-time Costs¹	(10)	(14)	4
Interest, net	(59)	(41)	(18)
Taxes	(61)	(37)	(24)
Working Capital / Other²	129	212	(83)
Capital Spending	(145)	(128)	(17)
Adj. Free Cash Flow	\$ 46	\$ 218	\$ (172)

¹ Includes costs associated with business acquisitions and divestitures and restructuring. ² Changes in working capital relating to interest, taxes, restructuring, and transaction costs are included in those respective categories. See appendix for comments regarding the presentation of non-GAAP measures.

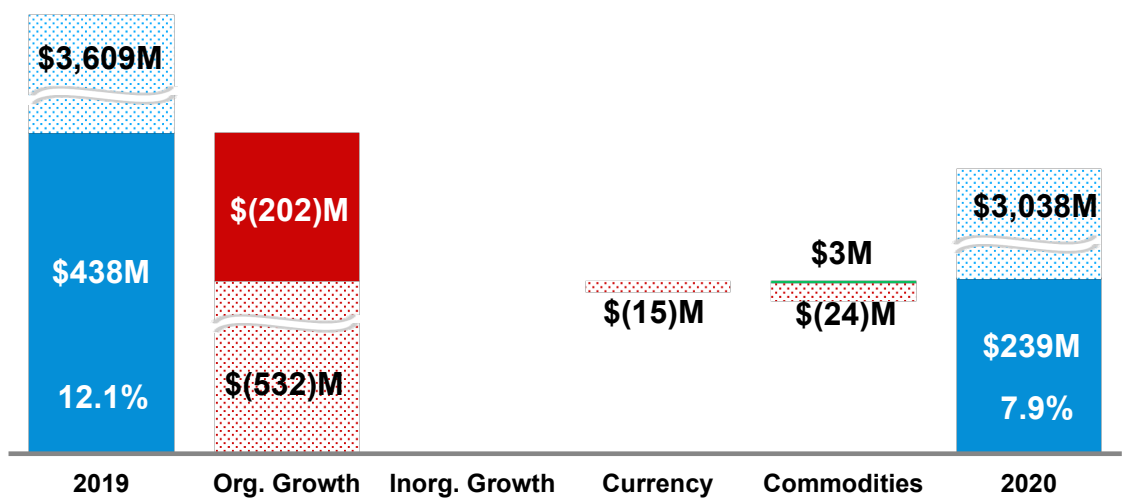
Generated adj. FCF in the midst of global pandemic shutdown and restart



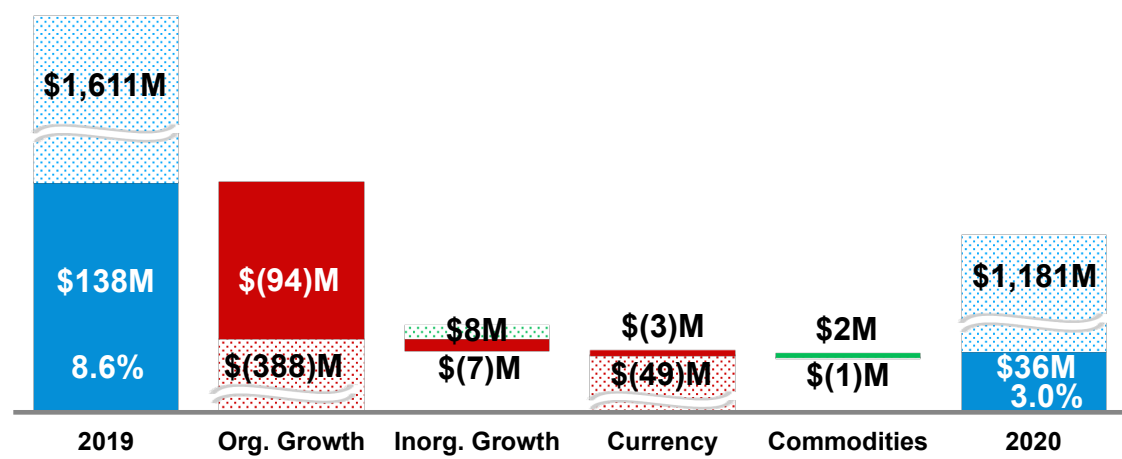
2020 Sales and Profit Change by Segment



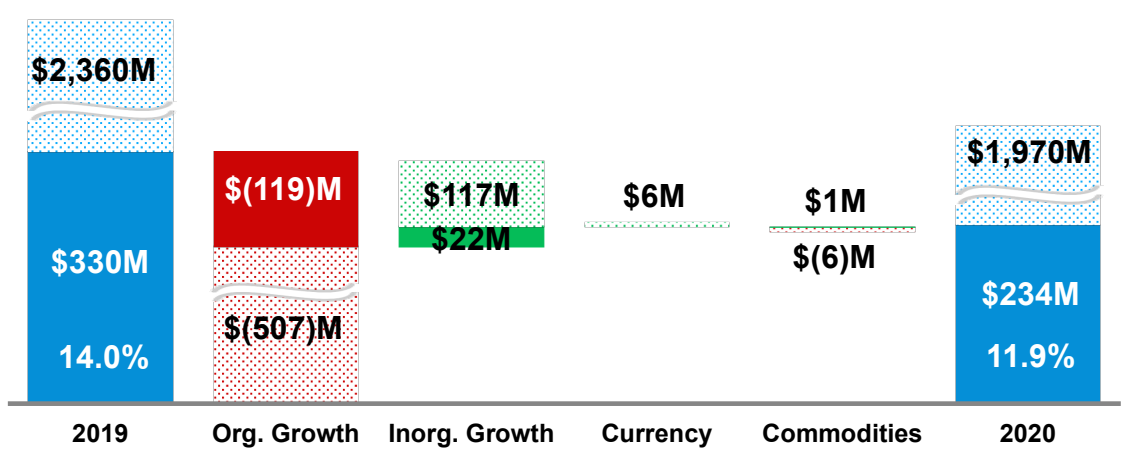
Light Vehicle Drive Systems



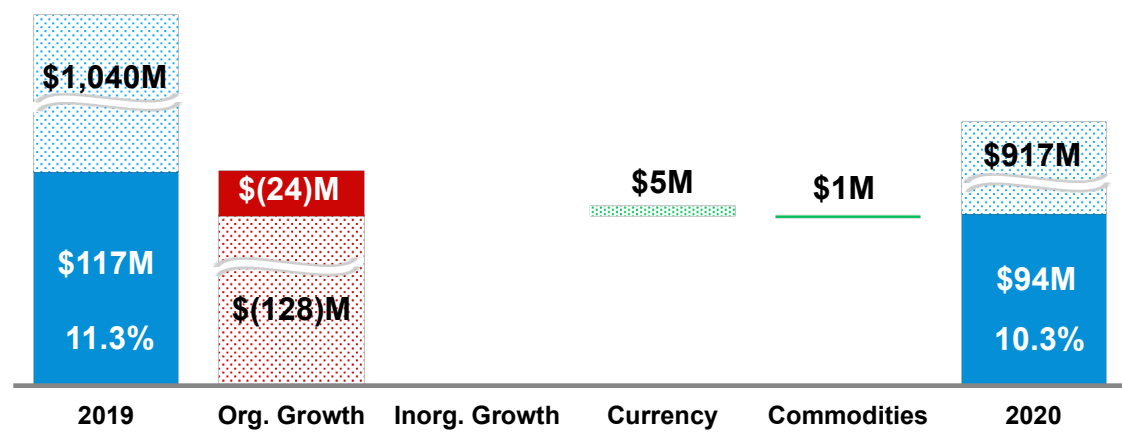
Commercial Vehicle Drive and Motion Systems



Off-Highway Drive and Motion Systems



Power Technologies



See appendix for comments regarding the presentation of non-GAAP measures

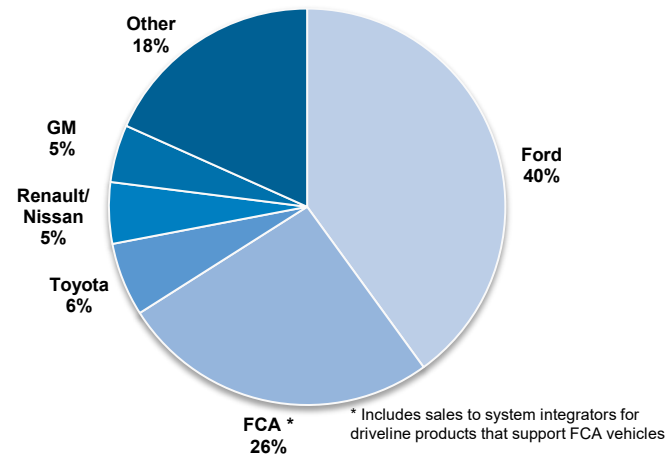
Segment Profiles



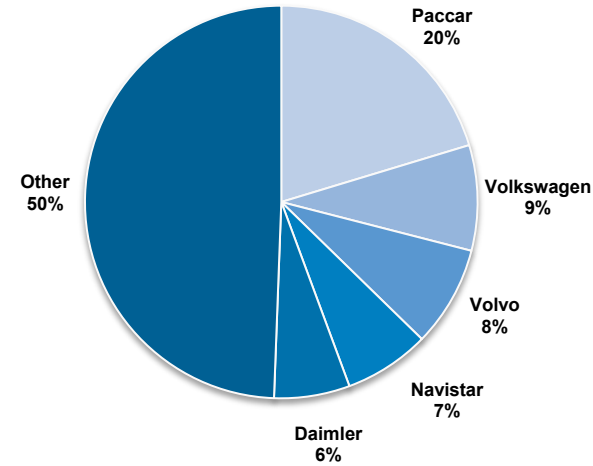
Customer Sales

Regional Sales

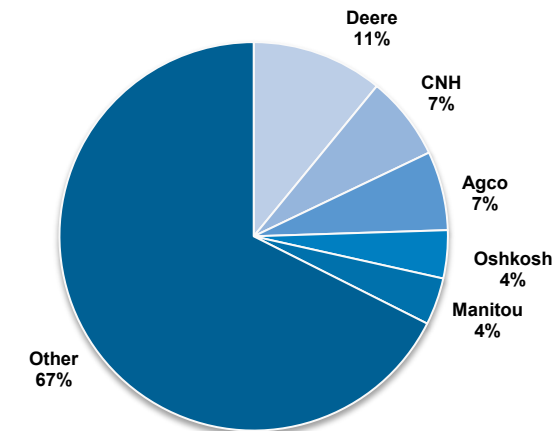
Light Vehicle Drive Systems
Year to Date 12/31/2020



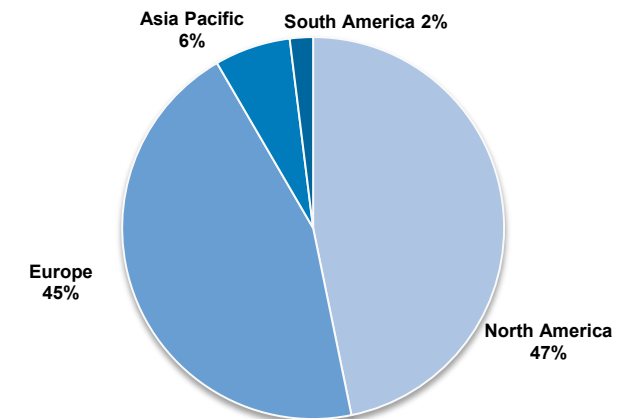
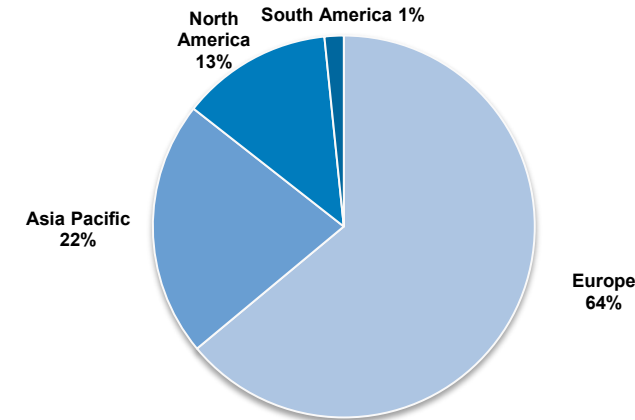
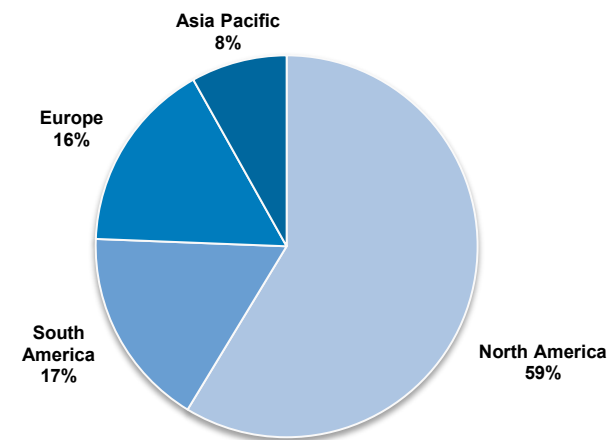
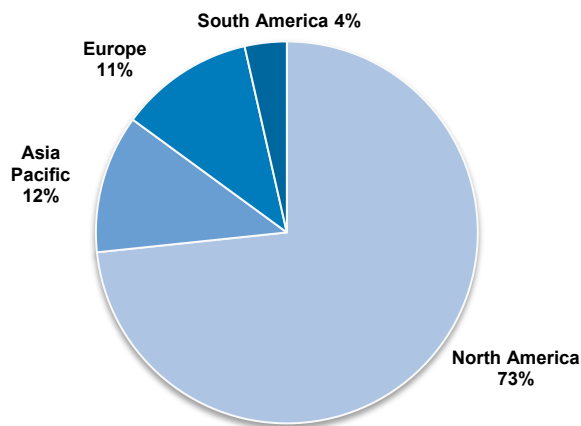
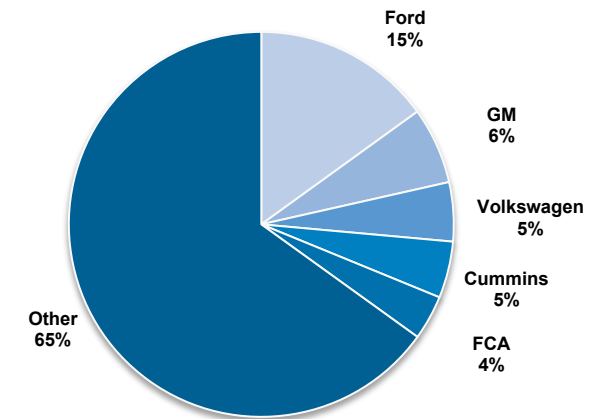
Commercial Vehicle Drive and Motion Systems
Year to Date 12/31/2020



Off-Highway Drive and Motion Systems
Year to Date 12/31/2020



Power Technologies
Year to Date 12/31/2020



Diluted Adjusted EPS



DANA INCORPORATED

Diluted Adjusted EPS (Unaudited)

For the Three Months Ended December 31, 2020 and 2019

(In millions, except per share amounts)

	Three Months Ended December 31,	
	2020	2019
Net income attributable to parent company	\$ 40	\$ 85
Items impacting income before income taxes:		
Amortization	4	5
Restructuring charges, net	12	6
Strategic transaction expenses	6	9
Amounts attributable to previously divested/closed operations	1	5
Impairment of goodwill		6
Gain on investment in Hylion	(33)	
Acquisition related inventory adjustments		1
Pension settlement charges		(1)
Gain on liquidation of foreign subsidiary		(12)
Loss on extinguishment of debt	3	9
Other items	(1)	(2)
Items impacting income taxes:		
Net income tax expense (benefit) on items above	7	(3)
Tax benefit attributable to various discrete tax matters	(4)	(11)
Adjusted net income	<u>\$ 35</u>	<u>\$ 97</u>
Diluted shares - as reported	145.7	145.3
Adjusted diluted shares	145.7	145.3
Diluted adjusted EPS	\$ 0.24	\$ 0.67

DANA INCORPORATED

Diluted Adjusted EPS (Unaudited)

For the Year Ended December 31, 2020 and 2019

(In millions, except per share amounts)

	Year Ended December 31,	
	2020	2019
Net income (loss) attributable to parent company	\$ (31)	\$ 226
Items impacting income before income taxes:		
Amortization	17	17
Restructuring charges, net	33	29
Strategic transaction expenses	21	41
Amounts attributable to previously divested/closed operations	1	5
Impairment of goodwill	31	6
Gain on investment in Hylion	(33)	
Acquisition related inventory adjustments		13
Non-income tax legal judgment		(6)
Pension settlement charges		259
Gain on liquidation of foreign subsidiary		(12)
Loss on extinguishment of debt	8	9
Loss on deal contingent forward		13
Other items	(1)	(2)
Items impacting income taxes:		
Net income tax expense on items above	(7)	(27)
Tax expense (benefit) attributable to various discrete tax matters	18	(127)
Adjusted net income	<u>\$ 57</u>	<u>\$ 444</u>
Diluted shares - as reported	144.5	145.1
Adjusted diluted shares	145.1	145.1
Diluted adjusted EPS	\$ 0.39	\$ 3.06

Segment Data



DANA INCORPORATED

Segment Sales and Segment EBITDA (Unaudited) For the Three Months Ended December 31, 2020 and 2019

(In millions)	Three Months Ended December 31,	
	2020	2019
Sales		
Light Vehicle	\$ 980	\$ 846
Commercial Vehicle	334	345
Off-Highway	530	552
Power Technologies	264	244
Total Sales	<u>\$ 2,108</u>	<u>\$ 1,987</u>
Segment EBITDA		
Light Vehicle	\$ 99	\$ 105
Commercial Vehicle	7	23
Off-Highway	59	66
Power Technologies	31	27
Total Segment EBITDA	<u>196</u>	<u>221</u>
Corporate expense and other items, net	(4)	5
Adjusted EBITDA	<u>\$ 192</u>	<u>\$ 226</u>

DANA INCORPORATED

Segment Sales and Segment EBITDA For the Year Ended December 31, 2020 and 2019

(In millions)	Year Ended December 31,	
	2020	2019
Sales		
Light Vehicle	\$ 3,038	\$ 3,609
Commercial Vehicle	1,181	1,611
Off-Highway	1,970	2,360
Power Technologies	917	1,040
Total Sales	<u>\$ 7,106</u>	<u>\$ 8,620</u>
Segment EBITDA		
Light Vehicle	\$ 239	\$ 438
Commercial Vehicle	36	138
Off-Highway	234	330
Power Technologies	94	117
Total Segment EBITDA	<u>603</u>	<u>1,023</u>
Corporate expense and other items, net	(10)	(4)
Adjusted EBITDA	<u>\$ 593</u>	<u>\$ 1,019</u>

Segment Data Continued



DANA INCORPORATED

Reconciliation of Segment and Adjusted EBITDA to Net Income (Unaudited) For the Three Months Ended December 31, 2020 and 2019

(In millions)	Three Months Ended	
	December 31,	
	2020	2019
Segment EBITDA	\$ 196	\$ 221
Corporate expense and other items, net	(4)	5
Adjusted EBITDA	192	226
Depreciation	(88)	(87)
Amortization	(5)	(5)
Non-service cost components of pension and OPEB costs	(2)	(4)
Restructuring charges, net	(13)	(6)
Stock compensation expense	(9)	(4)
Strategic transaction expenses	(5)	(9)
Impairment of goodwill		(6)
Amounts attributable to previously divested/closed operations	(1)	(5)
Gain on investment in Hylion	33	
Acquisition related inventory adjustments		(1)
Pension settlement charges		1
Gain on liquidation of foreign subsidiary		12
Other items	(2)	(2)
Earnings before interest and income taxes	100	110
Loss on extinguishment of debt	(3)	(9)
Interest income	2	2
Interest expense	39	30
Earnings before income taxes	60	73
Income tax expense (benefit)	24	(5)
Equity in earnings of affiliates	3	8
Net income	\$ 39	\$ 86

DANA INCORPORATED

Reconciliation of Segment and Adjusted EBITDA to Net Income (Loss) For the Year Ended December 31, 2020 and 2019

(In millions)	Year Ended	
	December 31,	
	2020	2019
Segment EBITDA	\$ 603	\$ 1,023
Corporate expense and other items, net	(10)	(4)
Adjusted EBITDA	593	1,019
Depreciation	(345)	(322)
Amortization	(20)	(17)
Non-service cost components of pension and OPEB costs	(10)	(23)
Restructuring charges, net	(34)	(29)
Stock compensation expense	(14)	(19)
Strategic transaction expenses	(20)	(41)
Impairment of goodwill	(51)	(6)
Amounts attributable to previously divested/closed operations	(1)	(5)
Gain on investment in Hylion	33	
Acquisition related inventory adjustments		(13)
Non-income tax legal judgment		6
Pension settlement charges		(259)
Gain on liquidation of foreign subsidiary		12
Other items	(7)	(11)
Earnings before interest and income taxes	124	292
Loss on extinguishment of debt	(8)	(9)
Interest income	9	10
Interest expense	138	122
Earnings (loss) before income taxes	(13)	171
Income tax expense (benefit)	58	(32)
Equity in earnings of affiliates	20	30
Net income (loss)	\$ (51)	\$ 233

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	
	December 31,	
	2020	2019
Net cash provided by operating activities	\$ 191	\$ 349
Purchase of property, plant and equipment	(145)	(128)
Free cash flow	46	221
Discretionary pension contributions		(3)
Adjusted free cash flow	<u>\$ 46</u>	<u>\$ 218</u>

(In millions)	Year Ended	
	December 31,	
	2020	2019
Net cash provided by operating activities	\$ 386	\$ 637
Purchase of property, plant and equipment	(326)	(426)
Free cash flow	60	211
Discretionary pension contributions		61
Adjusted free cash flow	<u>\$ 60</u>	<u>\$ 272</u>



Non-GAAP Financial Information

Adjusted EBITDA is a non-GAAP financial measure which we have defined as net income 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 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.

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