

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: September 30, 2022

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

(State of incorporation)

26-1531856

(IRS Employer Identification Number)

3939 Technology Drive, Maumee, OH

(Address of principal executive offices)

43537

(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

(Title of each class)

DAN

(Trading Symbol)

New York Stock Exchange

(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

Non-accelerated filer

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 143,353,465 shares of the registrant's common stock outstanding at October 14, 2022.

**DANA INCORPORATED – FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2022**

TABLE OF CONTENTS

	10-Q Pages
<u>PART I – FINANCIAL INFORMATION</u>	
Item 1	<u>Financial Statements</u> <u>3</u>
	<u>Consolidated Statement of Operations (Unaudited)</u> <u>3</u>
	<u>Consolidated Statement of Comprehensive Income (Unaudited)</u> <u>4</u>
	<u>Consolidated Balance Sheet (Unaudited)</u> <u>5</u>
	<u>Consolidated Statement of Cash Flows (Unaudited)</u> <u>6</u>
	<u>Notes to Consolidated Financial Statements (Unaudited)</u> <u>7</u>
Item 2	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> <u>25</u>
Item 3	<u>Quantitative and Qualitative Disclosures About Market Risk</u> <u>38</u>
Item 4	<u>Controls and Procedures</u> <u>38</u>
<u>PART II – OTHER INFORMATION</u>	
Item 1	<u>Legal Proceedings</u> <u>39</u>
Item 1A	<u>Risk Factors</u> <u>39</u>
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> <u>39</u>
Item 6	<u>Exhibits</u> <u>39</u>
	<u>Signatures</u> <u>40</u>

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	\$ 2,535	\$ 2,204	\$ 7,601	\$ 6,672
Costs and expenses				
Cost of sales	2,332	1,998	7,018	5,963
Selling, general and administrative expenses	114	103	374	348
Amortization of intangibles	3	4	10	11
Restructuring charges, net	(1)	1	(1)	2
Impairment of goodwill	(191)		(191)	
Other income (expense), net	3	(4)	15	(33)
Earnings (loss) before interest and income taxes	(101)	94	24	315
Loss on extinguishment of debt				(24)
Interest income	2	2	6	6
Interest expense	32	31	95	99
Earnings (loss) before income taxes	(131)	65	(65)	198
Income tax expense	31	20	67	56
Equity in earnings (loss) of affiliates	(1)	5	(1)	29
Net income (loss)	(163)	50	(133)	171
Less: Noncontrolling interests net income	4	4	11	9
Less: Redeemable noncontrolling interests net loss	(79)	(2)	(81)	(10)
Net income (loss) attributable to the parent company	<u>\$ (88)</u>	<u>\$ 48</u>	<u>\$ (63)</u>	<u>\$ 172</u>
Net income (loss) per share available to common stockholders				
Basic	\$ (0.61)	\$ 0.33	\$ (0.44)	\$ 1.19
Diluted	\$ (0.61)	\$ 0.33	\$ (0.44)	\$ 1.17
Weighted-average common shares outstanding				
Basic	143.4	144.8	143.6	145.0
Diluted	143.4	146.2	143.6	146.4

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ (163)	\$ 50	\$ (133)	\$ 171
Other comprehensive income (loss), net of tax:				
Currency translation adjustments	(82)	(25)	(134)	(11)
Hedging gains and losses	1	(9)	(2)	(10)
Defined benefit plans	1	4	5	11
Other comprehensive loss	(80)	(30)	(131)	(10)
Total comprehensive income (loss)	(243)	20	(264)	161
Less: Comprehensive (income) loss attributable to noncontrolling interests	(1)	(4)	(6)	2
Less: Comprehensive loss attributable to redeemable noncontrolling interests	89	4	97	
Comprehensive income (loss) attributable to the parent company	<u>\$ (155)</u>	<u>\$ 20</u>	<u>\$ (173)</u>	<u>\$ 163</u>

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)

	September 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 371	\$ 268
Marketable securities	13	17
Accounts receivable		
Trade, less allowance for doubtful accounts of \$11 in 2022 and \$7 in 2021	1,507	1,321
Other	252	220
Inventories	1,603	1,564
Other current assets	208	196
Total current assets	3,954	3,586
Goodwill	246	482
Intangibles	200	233
Deferred tax assets	613	580
Other noncurrent assets	181	131
Investments in affiliates	128	174
Operating lease assets	262	247
Property, plant and equipment, net	2,078	2,199
Total assets	\$ 7,662	\$ 7,632
Liabilities and equity		
Current liabilities		
Short-term debt	\$ 230	\$ 23
Current portion of long-term debt	7	8
Accounts payable	1,839	1,571
Accrued payroll and employee benefits	209	184
Taxes on income	67	41
Current portion of operating lease liabilities	37	43
Other accrued liabilities	269	304
Total current liabilities	2,658	2,174
Long-term debt, less debt issuance costs of \$22 in 2022 and \$26 in 2021	2,314	2,386
Noncurrent operating lease liabilities	229	209
Pension and postretirement obligations	350	398
Other noncurrent liabilities	244	292
Total liabilities	5,795	5,459
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	196	198
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, 143,353,224 and 144,238,660 shares outstanding	2	2
Additional paid-in capital	2,440	2,427
Retained earnings	491	662
Treasury stock, at cost (13,469,842 and 11,661,591 shares)	(216)	(184)
Accumulated other comprehensive loss	(1,095)	(985)
Total parent company stockholders' equity	1,622	1,922
Noncontrolling interests	49	53
Total equity	1,671	1,975
Total liabilities, redeemable noncontrolling interests and equity	\$ 7,662	\$ 7,632

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

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

	Nine Months Ended September 30,	
	2022	2021
Operating activities		
Net income (loss)	\$ (133)	\$ 171
Depreciation	270	272
Amortization	17	18
Amortization of deferred financing charges	4	5
Redemption premium on debt		21
Write-off of deferred financing costs		3
Earnings of affiliates, net of dividends received	29	(11)
Stock compensation expense	13	15
Deferred income taxes	(56)	8
Impairment of goodwill	191	
Change in working capital	(21)	(501)
Other, net	(7)	18
Net cash provided by operating activities	<u>307</u>	<u>19</u>
Investing activities		
Purchases of property, plant and equipment	(300)	(228)
Acquisition of businesses, net of cash acquired	(1)	(18)
Investments in affiliates		(23)
Proceeds from sale of subsidiary, net of cash disposed		(4)
Purchases of marketable securities	(15)	(25)
Proceeds from sales of marketable securities		30
Proceeds from maturities of marketable securities	18	27
Settlement of terminated fixed-to-fixed cross currency swap		(22)
Settlements of undesignated derivatives	(6)	(2)
Other, net	7	5
Net cash used in investing activities	<u>(297)</u>	<u>(260)</u>
Financing activities		
Net change in short-term debt	212	43
Proceeds from long-term debt	2	802
Repayment of long-term debt	(19)	(805)
Redemption premium on debt		(21)
Deferred financing payments		(13)
Dividends paid to common stockholders	(43)	(44)
Repurchases of common stock	(25)	(23)
Distributions to noncontrolling interests	(8)	(10)
Contributions from redeemable noncontrolling interests	30	6
Deconsolidation of non-wholly owned subsidiary		(6)
Payments to acquire noncontrolling interests	(4)	
Other, net	(7)	
Net cash provided by (used in) financing activities	<u>138</u>	<u>(71)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>148</u>	<u>(312)</u>
Cash, cash equivalents and restricted cash – beginning of period	287	567
Effect of exchange rate changes on cash balances	(45)	(16)
Cash, cash equivalents and restricted cash – end of period (Note 5)	<u>\$ 390</u>	<u>\$ 239</u>
Non-cash investing activity		
Purchases of property, plant and equipment held in accounts payable	\$ 65	\$ 75

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](#)
2. [Acquisitions](#)
3. [Goodwill and Other Intangible Assets](#)
4. [Restructuring of Operations](#)
5. [Supplemental Balance Sheet and Cash Flow Information](#)
6. [Stockholders' Equity](#)
7. [Redeemable Noncontrolling Interests](#)
8. [Earnings per Share](#)
9. [Stock Compensation](#)
10. [Pension and Postretirement Benefit Plans](#)
11. [Marketable Securities](#)
12. [Financing Agreements](#)
13. [Fair Value Measurements and Derivatives](#)
14. [Commitments and Contingencies](#)
15. [Warranty Obligations](#)
16. [Income Taxes](#)
17. [Other Income \(Expense\), Net](#)
18. [Revenue from Contracts with Customers](#)
19. [Segments](#)
20. [Equity Affiliates](#)

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, 2021 (the 2021 Form 10-K). Certain prior year amounts have been reclassified to conform to the current presentation.

During the first quarter of 2022, we identified an error related to certain intercompany inventory transfers that were not appropriately eliminated and recorded an adjustment of \$8 to cost of sales. A portion of this adjustment relates to prior periods. We concluded that the correction of this error was not material to the financial statements for the quarter ended March 31, 2022 or any prior periods.

Recently issued accounting pronouncements

In October 2021, the FASB issued Accounting Standards Update (ASU) 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The guidance is intended to provide clarification on how to account for contract assets acquired via business combination, which will generally be at the same value as recognized by the acquiree assuming the acquiree followed US GAAP. The guidance becomes effective January 1, 2023. We do not expect adoption of this guidance to have a material impact on our consolidated financial statements.

In November 2021, the FASB issued ASU 2021-10, *Disclosures by Business Entities about Government Assistance*. This guidance requires annual disclosures about the nature of certain government assistance received, the accounting policy used to account for the transactions, the location in the financial statements where such transactions were recorded and significant terms and conditions associated with such transactions. The guidance is effective for annual periods beginning after December 15, 2021, with early adoption permitted. We do not expect adoption of this guidance to have a material impact on our consolidated financial statements.

In September 2022, the FASB issued ASU 2022-04, *Supplier Finance Programs*. This guidance enhances the transparency of supplier finance programs which includes disclosing information about the key terms of the program, outstanding confirmed amounts as of the end of the period, a rollforward of such amounts during each annual period, and a description of where in the financial statements outstanding amounts are presented. The guidance becomes effective January 1, 2023. We are currently assessing the impact of the guidance on our consolidated financial statements.

Note 2. Acquisitions

Pi Innovo Holding Limited — On March 1, 2021, we acquired the remaining 51% ownership interest in Pi Innovo Holding Limited (Pi Innovo). Pi Innovo designs, develops and manufactures electronic control units spanning a range of applications and industries. The acquisition of the remaining ownership interest provided us with a 100% ownership interest in Pi Innovo. The total purchase consideration of \$35 is comprised of \$18 of cash paid at closing and the \$17 fair value of our previously held equity method investment in Pi Innovo. The results of operations of the business are reported within our Commercial Vehicle operating segment. The pro forma effects of this acquisition would not materially impact our reported results for any period presented, and as a result no pro forma financial information is presented.

Note 3. Goodwill and Other Intangible Assets

Goodwill — Our goodwill is tested for impairment annually as of October 31 for all of our reporting units, and more frequently if events or circumstances warrant such a review. We estimate the fair value of the reporting units using discounted cash flow projections. In determining the fair value of the reporting units, we make significant assumptions and estimates about the extent and timing of future cash flows, including revenue growth rates, projected segment EBITDA, discount rates, and terminal growth rates. If the estimated fair value of the reporting unit exceeds its carrying value, the goodwill is considered not to be impaired. If the carrying value of the reporting unit exceeds its estimated fair value, a goodwill impairment charge is recorded for the difference, with the impairment loss limited to the total amount of goodwill allocated to that reporting unit.

We evaluated macro-economic conditions during the third quarter of 2022, including the impact of the Federal Reserve further increasing the risk-free interest rate, as well as the negative impact of sustained higher commodity costs, non-material cost increases and operational inefficiencies attributable to continued global supply chain disruptions. We believe that these conditions were factors in our market capitalization falling below the book value of net assets as of September 30, 2022. Accordingly, we concluded a triggering event had occurred and performed interim goodwill impairment analyses for our Commercial Vehicle and Off-Highway reporting units.

Based on the results of our interim impairment analyses, we concluded that the carrying value exceeded fair value of our Commercial Vehicle reporting unit and we recorded a goodwill impairment charge of \$191, representing a full impairment of goodwill assigned to the Commercial Vehicle reporting unit. Our analysis for the Off-Highway reporting unit indicated that the fair value continues to exceed the carrying value by a substantial amount and, accordingly, no impairment charge was required. There was no impairment of indefinite-lived intangible assets in any of the periods presented.

The remaining change in the carrying amount of goodwill in 2022 was due to currency fluctuation.

Changes in the carrying amount of goodwill by segment —

	Light Vehicle	Commercial Vehicle	Off-Highway	Power Technologies	Total
Balance, December 31, 2021	\$ —	\$ 201	\$ 281	\$ —	\$ 482
Impairment		(191)			(191)
Currency impact		(10)	(35)		(45)
Balance, September 30, 2022	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 246</u>	<u>\$ —</u>	<u>\$ 246</u>

Components of other intangible assets —

	Weighted Average Useful Life (years)	September 30, 2022			December 31, 2021		
		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	\$ 152	\$ (111)	\$ 41	\$ 161	\$ (110)	\$ 51
Trademarks and trade names	13	28	(12)	16	31	(12)	19
Customer relationships	8	489	(415)	74	519	(431)	88
Non-amortizable intangible assets							
Trademarks and trade names		69		69	75		75
		<u>\$ 738</u>	<u>\$ (538)</u>	<u>\$ 200</u>	<u>\$ 786</u>	<u>\$ (553)</u>	<u>\$ 233</u>

The net carrying amounts of intangible assets, other than goodwill, attributable to each of our operating segments at September 30, 2022 were as follows: Light Vehicle — \$17, Commercial Vehicle — \$67, Off-Highway — \$111 and Power Technologies — \$5.

Amortization expense related to amortizable intangible assets —

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Charged to cost of sales	\$ 3	\$ 2	\$ 7	\$ 7
Charged to amortization of intangibles	3	4	10	11
Total amortization	<u>\$ 6</u>	<u>\$ 6</u>	<u>\$ 17</u>	<u>\$ 18</u>

The following table provides the estimated aggregate pre-tax amortization expense related to intangible assets for each of the next five years based on September 30, 2022 exchange rates. Actual amounts may differ from these estimates due to such factors as currency translation, customer turnover, impairments, additional intangible asset acquisitions and other events.

	2022	2023	2024	2025	2026
Amortization expense	\$ 5	\$ 22	\$ 20	\$ 19	\$ 17

Note 4. 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. In recent years our focus has been primarily headcount reduction initiatives to reduce operating costs, including actions taken at acquired businesses to rationalize cost structures and achieve operating synergies. 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, June 30, 2022	\$ 7	\$ —	\$ 7
Charges to restructuring		1	1
Adjustments of accruals	(2)		(2)
Cash payments		(1)	(1)
Currency impact	(1)		(1)
Balance, September 30, 2022	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 4</u>
Balance, December 31, 2021	\$ 11	\$ —	\$ 11
Charges to restructuring	2	1	3
Adjustments of accruals	(4)		(4)
Cash payments	(4)	(1)	(5)
Currency impact	(1)		(1)
Balance, September 30, 2022	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 4</u>

At September 30, 2022, the accrued employee termination benefits include costs to reduce approximately 100 employees to be completed over the next year.

Note 5. Supplemental Balance Sheet and Cash Flow Information

Inventory components at —

	September 30, 2022	December 31, 2021
Raw materials	\$ 674	\$ 651
Work in process and finished goods	1,030	1,000
Inventory reserves	(101)	(87)
Total	<u>\$ 1,603</u>	<u>\$ 1,564</u>

Cash, cash equivalents and restricted cash at —

	September 30, 2022	December 31, 2021	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 371	\$ 268	\$ 220	\$ 559
Restricted cash included in other current assets	9	9	8	5
Restricted cash included in other noncurrent assets	10	10	11	3
Total cash, cash equivalents and restricted cash	<u>\$ 390</u>	<u>\$ 287</u>	<u>\$ 239</u>	<u>\$ 567</u>

Note 6. Stockholders' Equity

Common stock — Our Board of Directors declared a cash dividend of ten cents per share of common stock in the first, second and third quarters of 2022. 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 September 30, 2022.

Changes in equity —

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Non- controlling Interests	Total Equity
2022							
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 share repurchases				(25)			(25)
Distributions to noncontrolling interests						(1)	(1)
Purchase 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
Net income			8			3	11
Other comprehensive loss					(79)	(2)	(81)
Common stock dividends and dividend equivalents			(15)				(15)
Distributions to noncontrolling interests						(1)	(1)
Purchase of noncontrolling interests						(1)	(1)
Redeemable noncontrolling interests adjustment to redemption value			(1)				(1)
Stock compensation		4					4
Balance, June 30, 2022	2	2,435	656	(216)	(1,028)	54	1,903
Net income (loss)			(88)			4	(84)
Other comprehensive loss					(67)	(3)	(70)
Common stock dividends and dividend equivalents			(14)				(14)
Distributions to noncontrolling interests						(6)	(6)
Redeemable noncontrolling interests adjustment to redemption value			(63)				(63)
Stock compensation		5					5
Balance, September 30, 2022	\$ 2	\$ 2,440	\$ 491	\$ (216)	\$ (1,095)	\$ 49	\$ 1,671
2021							
Balance, December 31, 2020	\$ 2	\$ 2,408	\$ 530	\$ (156)	\$ (1,026)	\$ 76	\$ 1,834
Net income			71			1	72
Other comprehensive loss					(18)	(2)	(20)
Common stock dividends and dividend equivalents			(14)				(14)
Redeemable noncontrolling interests adjustment to redemption value			(4)				(4)
Stock compensation		7					7
Stock withheld for employees taxes				(5)			(5)
Balance, March 31, 2021	2	2,415	583	(161)	(1,044)	75	1,870
Net income			53			4	57
Other comprehensive income (loss)					37	(9)	28
Common stock dividends and dividend equivalents			(15)				(15)
Distributions to noncontrolling interests						(2)	(2)
Sale of noncontrolling interests						(1)	(1)
Redeemable noncontrolling interests adjustment to redemption value			(4)				(4)
Other						1	1
Stock compensation		5					5
Balance, June 30, 2021	2	2,420	617	(161)	(1,007)	68	1,939
Net income			48			4	52
Other comprehensive income (loss)					(28)		(28)
Common stock dividends and dividend equivalents			(15)				(15)
Common stock share repurchases				(23)			(23)
Distributions to noncontrolling interests						(8)	(8)
Redeemable noncontrolling interests adjustment to redemption value			(2)				(2)
Deconsolidation of non-wholly owned subsidiary						(8)	(8)
Stock compensation		5					5
Balance, September 30, 2021	\$ 2	\$ 2,425	\$ 648	\$ (184)	\$ (1,035)	\$ 56	\$ 1,912

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

2022	Parent Company Stockholders			
	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)
Currency translation adjustments	(83)			(83)
Holding gains and losses		42		42
Reclassification of amount to net income (a)		(39)		(39)
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)			4	4
Tax expense		(2)	(1)	(3)
Other comprehensive income (loss)	(83)	1	3	(79)
Balance, June 30, 2022	(853)	1	(176)	(1,028)
Currency translation adjustments	(69)			(69)
Holding gains and losses		44		44
Reclassification of amount to net income (a)		(42)		(42)
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)			2	2
Tax expense		(1)	(1)	(2)
Other comprehensive income (loss)	(69)	1	1	(67)
Balance, September 30, 2022	<u>\$ (922)</u>	<u>\$ 2</u>	<u>\$ (175)</u>	<u>\$ (1,095)</u>

2021	Parent Company Stockholders			
	Foreign Currency Translation	Hedging	Defined Benefit Plans	Accumulated Other Comprehensive Loss
Balance, December 31, 2020	\$ (802)	\$ 9	\$ (233)	\$ (1,026)
Currency translation adjustments	(4)			(4)
Holding gains and losses		32		32
Reclassification of amount to net income (a)		(50)		(50)
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)			4	4
Tax (expense) benefit		1	(1)	—
Other comprehensive income (loss)	(4)	(17)	3	(18)
Balance, March 31, 2021	(806)	(8)	(230)	(1,044)
Currency translation adjustments	17			17
Holding gains and losses		(4)		(4)
Reclassification of amount to net income (a)		23		23
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)			5	5
Tax expense		(3)	(1)	(4)
Other comprehensive income	17	16	4	37
Balance, June 30, 2021	(789)	8	(226)	(1,007)
Currency translation adjustments	(23)			(23)
Holding gains and losses		15		15
Reclassification of amount to net income (a)		(24)		(24)
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)			5	5
Tax expense			(1)	(1)
Other comprehensive income (loss)	(23)	(9)	4	(28)
Balance, September 30, 2021	<u>\$ (812)</u>	<u>\$ (1)</u>	<u>\$ (222)</u>	<u>\$ (1,035)</u>

(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 13 for additional details.

(b) See Note 10 for additional details.

Note 7. Redeemable Noncontrolling Interests

Hydro-Québec holds 45% redeemable noncontrolling interest in Dana TM4 Inc., Dana TM4 USA, LLC, Dana (Beijing) Electric Motor Co., Ltd., Dana TM4 Italia S.r.l., Ashwoods Innovations Ltd., Dana TM4 India Private Limited and Dana TM4 (Sweden) AB (together Dana TM4). Hydro-Québec may put all, and not less than all, of its ownership interests in Dana TM4 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 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance, beginning of period	\$ 199	\$ 194	\$ 198	\$ 180
Capital contribution from redeemable noncontrolling interest	23	3	30	6
Adjustment to redemption value	63	2	65	10
Other				(1)
Comprehensive income (loss) adjustments:				
Net loss attributable to redeemable noncontrolling interests	(79)	(2)	(81)	(10)
Other comprehensive income (loss) attributable to redeemable noncontrolling interests	(10)	(2)	(16)	10
Balance, end of period	<u>\$ 196</u>	<u>\$ 195</u>	<u>\$ 196</u>	<u>\$ 195</u>

Note 8. Earnings per Share
Reconciliation of the numerators and denominators of the earnings per share calculations —

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss) available to common stockholders - Numerator basic and diluted	<u>\$ (88)</u>	<u>\$ 48</u>	<u>\$ (63)</u>	<u>\$ 172</u>
Denominator:				
Weighted-average common shares outstanding - Basic	143.4	144.8	143.6	145.0
Employee compensation-related shares, including stock options	—	1.4	—	1.4
Weighted-average common shares outstanding - Diluted	<u>143.4</u>	<u>146.2</u>	<u>143.6</u>	<u>146.4</u>

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 0.4 million and 0.6 million CSEs from the calculation of diluted earnings per share for the third quarters of 2022 and 2021 and excluded 0.2 million and 0.8 million of CSEs for the respective year-to-date periods as the effect of including them would have been anti-dilutive. In addition, we excluded CSEs that satisfied the definition of potentially dilutive shares of 0.5 million and 0.7 million for the third quarter and year-to-date periods of 2022 because the net loss position made these anti-dilutive.

Note 9. 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 2022.

	Granted (In millions)	Grant Date Fair Value*
RSUs	0.9	\$ 22.23
PSUs	0.3	\$ 24.69

* 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 1.78% was based on U.S. Treasury constant maturity rates at the grant date. The dividend yield of 1.67% 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 63.9% was based on observed historical volatility of daily stock returns for the 3-year period preceding the grant date.

During 2022, we paid \$4 of cash to settle RSUs and issued 0.8 million and 0.1 million shares of common stock based on the vesting of RSUs and PSUs, respectively. We recognized stock compensation expense of \$5 and \$6 during the third quarters of 2022 and 2021 and expense of \$13 and \$15 during the respective year-to-date periods. At September 30, 2022, the total unrecognized compensation cost related to the nonvested awards granted and expected to vest was \$26. This cost is expected to be recognized over a weighted-average period of 1.8 years.

Note 10. 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	
	2022		2021		2022	2021
	U.S.	Non-U.S.	U.S.	Non-U.S.	Non-U.S.	Non-U.S.
Three Months Ended September 30,						
Interest cost	\$ 4	\$ 2	\$ 3	\$ 1	\$ —	\$ 1
Expected return on plan assets	(7)	(1)	(7)	(1)		
Service cost		2		3		
Amortization of net actuarial loss	2	1	3	2	(1)	
Net periodic benefit cost (credit)	<u>\$ (1)</u>	<u>\$ 4</u>	<u>\$ (1)</u>	<u>\$ 5</u>	<u>\$ (1)</u>	<u>\$ 1</u>
Nine Months Ended September 30,						
Interest cost	\$ 12	\$ 5	\$ 10	\$ 3	\$ 1	\$ 2
Expected return on plan assets	(21)	(2)	(20)	(2)		
Service cost		6		7		
Amortization of net actuarial loss	6	4	7	7	(2)	
Net periodic benefit cost (credit)	<u>\$ (3)</u>	<u>\$ 13</u>	<u>\$ (3)</u>	<u>\$ 15</u>	<u>\$ (1)</u>	<u>\$ 2</u>

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 11. Marketable Securities

	September 30, 2022			December 31, 2021		
	Cost	Unrealized Gains (Losses)	Fair Value	Cost	Unrealized Gains (Losses)	Fair Value
Certificates of deposit - Current marketable securities	\$ 13	\$ —	\$ 13	\$ 17	\$ —	\$ 17

Certificates of deposit maturing in one year or less total \$13 at September 30, 2022.

Note 12. Financing Agreements

Long-term debt at —

	Interest Rate	September 30, 2022	December 31, 2021
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%	319	370
Senior Notes due September 1, 2030	4.250%	400	400
Senior Notes due February 15, 2032	4.500%	350	350
Other indebtedness		74	100
Debt issuance costs		(22)	(26)
		2,321	2,394
Less: Current portion of long-term debt		7	8
Long-term debt, less debt issuance costs		\$ 2,314	\$ 2,386

* 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%. On April 25, 2022, we settled existing fixed-to-fixed cross-currency swaps on \$100 of the April 2025 Notes. See Note 13 for additional information.

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

Senior notes activity — On May 13, 2021, we redeemed \$254 of our December 2024 Notes pursuant to a tender offer at a weighted average price equal to 102.000% plus accrued and unpaid interest. On May 17, 2021, we called the remaining \$171 of our December 2024 Notes at a price equal to 101.833% plus accrued and unpaid interest. The \$8 loss on extinguishment of debt recorded in May 2021 includes the redemption premium of \$8 and the write-off of \$3 of previously deferred financing costs associated with the December 2024 Notes. These charges were partially offset by the recognition of \$3 related to an unamortized fair value adjustment associated with a fixed-to-floating interest rate swap that was terminated in 2015.

On May 13, 2021, we completed the sale of \$400 in senior unsecured notes (the September 2030 Notes) at 4.25%. The September 2030 Notes rank equally with Dana's other unsecured senior notes. Interest on the notes is payable on March 1 and September 1 of each year, beginning on September 1, 2021. The September 2030 Notes will mature on September 1, 2030. Net proceeds of the offering totaled \$395. Financing costs of \$5 were recorded as deferred costs and are being amortized to interest expense over the life of the notes. Proceeds from the offering will be used to finance or refinance, in whole or in part, recently completed or future eligible green projects related to clean transportation, renewable energy, sustainable water and wastewater management, and green buildings.

On May 28, 2021, Dana Financing Luxembourg S.à r.l. (Dana Financing), a wholly-owned subsidiary of Dana, completed the sale of €325 (\$396 as of May 28, 2021) in senior unsecured notes (July 2029 Notes) at 3.000%. The July 2029 Notes are fully and unconditionally guaranteed by Dana. The July 2029 Notes rank equally with Dana's other unsecured senior notes. Interest on the notes is payable on January 15 and July 15 of each year, beginning on January 15, 2022. The July 2029 Notes will mature on July 15, 2029. Net proceeds of the offering totaled €320 (\$391 as of May 28, 2021). Financing costs of €5 (\$6 as of May 28, 2021) were recorded as deferred costs and are being amortized to interest expense over the life of the notes. The proceeds from the offering were used to redeem all of our June 2026 Notes. On June 10, 2021 we redeemed all of our June 2026 Notes at a price equal to 103.25% plus accrued and unpaid interest. The \$16 loss on extinguishment of debt includes the \$12 redemption premium and the \$4 write-off of previously deferred financing costs associated with the June 2026 Notes.

On November 24, 2021, we completed the sale of \$350 in senior unsecured notes (the February 2032 Notes) at 4.5%. The February 2032 Notes rank equally with Dana's other unsecured senior notes. Interest on the notes is payable on February 15 and August 15 of each year, beginning on August 15, 2022. The February 2032 Notes will mature on February 15, 2032. Net proceeds of the offering totaled \$345. Financing costs of \$5 were recorded as deferred costs and are being amortized to interest expense over the life of the notes. Proceeds from the offering, along with cash on hand, were used to fully pay down the Term B Facility. See credit agreement discussion below.

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:

Year	Redemption Price					
	April 2025 Notes	November 2027 Notes	June 2028 Notes	July 2029 Notes	September 2030 Notes	February 2032 Notes
2022	101.438%	102.688%				
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 November 15, 2022, we may redeem up to 35% of the aggregate principal amount of the November 2027 Notes in an amount not to exceed the amount of proceeds of one or more equity offerings, at a price equal to 105.375% 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 November 2027 Notes remains outstanding after the redemption. Prior to November 15, 2022, we may redeem some or all of the November 2027 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 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 25, 2021, we amended our credit and guaranty agreement, increasing the Revolving Facility to \$1,150 and extending the maturity to March 25, 2026. We recorded deferred fees of \$2 related to the amendment. The deferred fees are being amortized over the life of the Revolving Facility. On November 30, 2021, we fully paid down the Term B 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 Eurodollar rate (each as described in the credit agreement) plus a margin as set forth below:

Total Net Leverage Ratio	Margin	
	Base Rate	Eurodollar 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 Eurodollar 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 September 30, 2022, we had \$195 of outstanding borrowings under the Revolving Facility and had utilized \$21 for letters of credit. We had availability at September 30, 2022 under the Revolving Facility of \$934 after deducting outstanding borrowings and the letters of credit.

Debt covenants — At September 30, 2022, 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 13. 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:

Category	Balance Sheet Location	Fair Value Level	Fair Value	
			September 30, 2022	December 31, 2021
Certificates of deposit	Marketable securities	2	\$ 13	\$ 17
Currency forward contracts				
Cash flow hedges	Accounts receivable - Other	2	5	7
Cash flow hedges	Other accrued liabilities	2	2	1
Undesignated	Accounts receivable - Other	2	14	2
Undesignated	Other accrued liabilities	2	4	
Currency swaps				
Cash flow hedges	Other noncurrent assets	2	60	
Cash flow hedges	Other noncurrent liabilities	2		34
Undesignated	Other noncurrent liabilities	2	12	17

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:

	Fair Value Level	September 30, 2022		December 31, 2021	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	2	\$ 2,276	\$ 1,835	\$ 2,338	\$ 2,412

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 September 30, 2022:

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 12 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.

We had previously entered into fixed-to-fixed cross currency swaps as a hedge against our June 2026 Notes. In June 2021, we elected to redeem all of the June 2026 Notes and de-designated the fixed-to-fixed cross currency swaps. See Note 12 for additional information about the extinguishment of the June 2026 Notes. As the forecasted payments subject to the hedge will no longer occur in the forecasted periods, we reclassified \$9 of previously deferred losses from AOCI into other income (expense), net. We settled \$187 of the \$375 notional value resulting in a net cash outflow of \$22. The remaining \$188 continues to remain outstanding and we have entered into an offsetting swap to hedge against future fair value adjustments which will be included in earnings. The fair value of the remaining \$188 will be settled with the counterparty over the life of the swap through the difference in the euro denominated inflow and outflow rates which are settled on June 15 and December 15 each year through June 2026.

The total notional amount of outstanding foreign currency forward contracts, involving the exchange of various currencies, was \$505 at September 30, 2022 and \$449 at December 31, 2021. The total notional amount of outstanding foreign currency swaps, including the fixed-to-fixed cross-currency swaps, was \$926 at September 30, 2022 and \$1,096 at December 31, 2021.

The following currency derivatives were outstanding at September 30, 2022:

Functional Currency	Traded Currency	Notional Amount (U.S. Dollar Equivalent)			Maturity
		Designated	Undesignated	Total	
U.S. dollar	Mexican peso	\$ 136	\$ —	\$ 136	Sep-2023
Euro	U.S. dollar, Australian dollar, Brazilian real, Canadian dollar, Swiss franc, Chinese renminbi, British pound, Hungarian forint, Indian rupee, Japanese yen, Mexican peso, Norwegian krone, New Zealand dollar, Swedish krona, South African rand	67	108	175	Jan-2024
British pound	U.S. dollar, euro		1	1	Oct-2022
South African rand	U.S. dollar, euro, Thai baht		10	10	Nov-2022
Brazilian real	U.S. dollar, euro	60	12	72	Jul-2023
Indian rupee	U.S. dollar, euro, British pound		102	102	Sep-2023
Chinese renminbi	U.S. dollar, Canadian dollar		8	8	Oct-2022
Australian dollar	U.S. dollar, euro		1	1	Oct-2022
Total forward contracts		263	242	505	
U.S. dollar	euro	272	166	438	Nov-2027
Euro	U.S. dollar	300	188	488	Jun-2026
Total currency swaps		572	354	926	
Total currency derivatives		\$ 835	\$ 596	\$ 1,431	

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		
	September 30, 2022	December 31, 2021	Gain (loss) expected to be reclassified into income in one year or less
Forward Contracts	\$ 3	\$ (1)	\$ 3
Cross-Currency Swaps	1	2	
Total	\$ 4	\$ 1	\$ 3

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Derivatives Designated as Cash Flow Hedges				
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	\$ 2,535	\$ 2,204	\$ 7,601	\$ 6,672
Cost of sales	2,332	1,998	7,018	5,963
Other income (expense), net	3	(4)	15	(33)
(Gain) or loss on cash flow hedging relationships				
Foreign currency forwards				
Amount of (gain) loss reclassified from AOCI into income				
Cost of sales	(2)	(3)	(4)	(8)
Other income (expense), net	(2)	(1)	(6)	(3)
Cross-currency swaps				
Amount of (gain) loss reclassified from AOCI into income				
Other income (expense), net	(38)	(21)	(93)	(40)

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Derivatives Not Designated as Hedging Instruments				
Gain or (loss) recognized in income				
Foreign currency forward contracts				
Cost of sales	\$ —	\$ 1	\$ 1	\$ 1
Other income (expense), net	\$ (1)	\$ 2	\$ (10)	\$ (14)

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 14. Commitments and Contingencies

Product liabilities — Accrued product liability costs were \$1 at September 30, 2022 and \$2 at December 31, 2021. We had also recognized amounts recoverable from third parties of \$17 at September 30, 2022 and \$13 at December 31, 2021. 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 \$8 at September 30, 2022 and \$10 at December 31, 2021. 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 15. 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance, beginning of period	\$ 100	\$ 95	\$ 107	\$ 98
Amounts accrued for current period sales	11	9	31	28
Adjustments of prior estimates		(2)	(4)	
Settlements of warranty claims	(13)	(7)	(33)	(20)
Divestitures				(10)
Currency impact	(3)		(6)	(1)
Balance, end of period	\$ 95	\$ 95	\$ 95	\$ 95

Note 16. 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 believe it is reasonably possible that valuation allowances of up to approximately \$200 related to U.S. federal credits and attributes will be recorded in the next twelve months.

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 \$31 and \$20 for the third quarters of 2022 and 2021 and income tax expense of \$67 and \$56 for the respective year-to-date periods. Our effective tax rates were (103)% and 28% for the first nine months of 2022 and 2021. During the third quarter of 2022, we recorded a pre-tax goodwill impairment charge of \$191 with an associated income tax benefit of \$2. In addition, we recorded a tax benefit of \$32 for U.S. tax credits generated. Also, during the third quarter of 2022, we recorded tax expense of \$31 for valuation allowances related to U.S. states driven by differences between our federal and state tax profile. 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, 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 17. Other Income (Expense), Net

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Non-service cost components of pension and OPEB costs	\$ —	\$ (2)	\$ (3)	\$ (7)
Foreign exchange gain		1	4	2
Strategic transaction expenses	(1)	(3)	(6)	(11)
Loss on investment in Hyliion		(6)		(20)
Loss on disposal group held for sale				(7)
Loss on de-designation of fixed-to-fixed cross currency swaps				(9)
Other, net	4	6	20	19
Other income (expense), net	\$ 3	\$ (4)	\$ 15	\$ (33)

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 2022 were primarily attributable to investigating potential acquisitions and business ventures and other strategic initiatives. Strategic transaction expenses in 2021 were primarily attributable to our pursuit of the acquisition of a portion of the thermal-management business of Modine Manufacturing Company and certain other strategic initiatives.

We held convertible notes receivable from our investment in Hyliion Inc. On October 1, 2020, Hyliion Inc. completed its merger with Tortoise Acquisition Corp. The business combination resulted in the combined company being renamed Hyliion Holdings Corp. (Hyliion), with its common stock being listed on the New York Stock Exchange under the ticker symbol HYLN. Effective with the completed merger, our notes receivable were converted into 2,988,229 common shares of HYLN. Our investment in Hyliion was included in marketable securities and carried at fair value with changes in fair value included in net income. During the third quarter of 2021, we sold all of our Hyliion shares.

In conjunction with our acquisition of Oerlikon Drive Systems, we acquired a controlling financial interest in a joint venture in China. We were required to divest our interest in this joint venture as it violates competitive restrictions of another of our China joint venture shareholder agreements. During the first quarter of 2021, we recorded an impairment charge of \$7, as we determined the carrying value of the disposal group exceeded its fair value less costs to sell. We completed the disposal of this business in April 2021.

We had previously entered into fixed-to-fixed cross currency swaps as a hedge against our June 2026 Notes. In June 2021, we redeemed all of the June 2026 Notes and de-designated the fixed-to-fixed cross currency swaps. See Note 13 for additional information.

Note 18. 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 \$9 and \$8 recorded in other current assets and \$30 and \$38 recorded in other noncurrent assets at September 30, 2022 and December 31, 2021.

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 15 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 \$37 and \$34 at September 30, 2022 and December 31, 2021. 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		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Light Vehicle				
North America	\$ 756	\$ 667	\$ 2,245	\$ 1,999
Europe	95	83	292	324
South America	64	47	158	122
Asia Pacific	132	121	365	354
Total	\$ 1,047	\$ 918	\$ 3,060	\$ 2,799
Commercial Vehicle				
North America	\$ 248	\$ 181	\$ 729	\$ 564
Europe	62	59	203	192
South America	143	116	391	286
Asia Pacific	52	40	152	90
Total	\$ 505	\$ 396	\$ 1,475	\$ 1,132
Off-Highway				
North America	\$ 90	\$ 80	\$ 268	\$ 218
Europe	435	391	1,452	1,248
South America	4	4	13	10
Asia Pacific	165	152	473	455
Total	\$ 694	\$ 627	\$ 2,206	\$ 1,931
Power Technologies				
North America	\$ 156	\$ 122	\$ 447	\$ 376
Europe	106	118	339	372
South America	8	7	22	16
Asia Pacific	19	16	52	46
Total	\$ 289	\$ 263	\$ 860	\$ 810
Total				
North America	\$ 1,250	\$ 1,050	\$ 3,689	\$ 3,157
Europe	698	651	2,286	2,136
South America	219	174	584	434
Asia Pacific	368	329	1,042	945
Total	\$ 2,535	\$ 2,204	\$ 7,601	\$ 6,672

Note 19. 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 —

Three Months Ended September 30,	2022			2021		
	External Sales	Inter-Segment Sales	Segment EBITDA	External Sales	Inter-Segment Sales	Segment EBITDA
Light Vehicle	\$ 1,047	\$ 38	\$ 60	\$ 918	\$ 39	\$ 54
Commercial Vehicle	505	26	18	396	25	20
Off-Highway	694	12	91	627	16	100
Power Technologies	289	8	21	263	6	38
Eliminations and other		(84)			(86)	
Total	\$ 2,535	\$ —	\$ 190	\$ 2,204	\$ —	\$ 212
Nine Months Ended September 30,						
Light Vehicle	\$ 3,060	\$ 126	\$ 124	\$ 2,799	\$ 126	\$ 241
Commercial Vehicle	1,475	84	38	1,132	73	53
Off-Highway	2,206	49	291	1,931	52	276
Power Technologies	860	21	71	810	18	111
Eliminations and other		(280)			(269)	
Total	\$ 7,601	\$ —	\$ 524	\$ 6,672	\$ —	\$ 681

Reconciliation of segment EBITDA to consolidated net income —

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Segment EBITDA	\$ 190	\$ 212	\$ 524	\$ 681
Corporate expense and other items, net	2	(2)		(4)
Depreciation	(88)	(92)	(270)	(272)
Amortization	(6)	(6)	(17)	(18)
Non-service cost components of pension and OPEB costs		(2)	(3)	(7)
Restructuring charges, net	1	(1)	1	(2)
Stock compensation expense	(5)	(6)	(13)	(15)
Strategic transaction expenses	(1)	(3)	(6)	(11)
Loss on investment in Hylion		(6)		(20)
Impairment of goodwill	(191)		(191)	
Loss on disposal group held for sale				(7)
Loss on de-designation of fixed-to-fixed cross currency swaps				(9)
Other items	(3)		(1)	(1)
Earnings (loss) before interest and income taxes	(101)	94	24	315
Loss on extinguishment of debt				(24)
Interest income	2	2	6	6
Interest expense	32	31	95	99
Earnings (loss) before income taxes	(131)	65	(65)	198
Income tax expense	31	20	67	56
Equity in earnings (loss) of affiliates	(1)	5	(1)	29
Net income (loss)	\$ (163)	\$ 50	\$ (133)	\$ 171

Note 20. 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 September 30, 2022 —

	Ownership Percentage	Investment
Dongfeng Dana Axle Co., Ltd.	50%	\$ 65
ROC-Spicer, Ltd.	50%	19
Axles India Limited	48%	10
Tai Ya Investment (HK) Co., Limited	50%	4
All others as a group		6
Investments in equity affiliates		104
Investments in affiliates carried at cost		24
Investments in affiliates		\$ 128

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 is headquartered in Maumee, Ohio, and was incorporated in Delaware in 2007. 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 September 30, 2022, we employed approximately 42,300 people, operated in 32 countries and had 140 major facilities housing manufacturing and distribution operations, service and assembly operations, technical and engineering centers and administrative offices.

External sales by operating segment for the periods ended September 30, 2022 and 2021 are as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022		2021		2022		2021	
	Dollars	% of Total	Dollars	% of Total	Dollars	% of Total	Dollars	% of Total
Light Vehicle	\$ 1,047	41.3%	\$ 918	41.7%	\$ 3,060	40.3%	\$ 2,799	42.0%
Commercial Vehicle	505	19.9%	396	18.0%	1,475	19.4%	1,132	17.0%
Off-Highway	694	27.4%	627	28.4%	2,206	29.0%	1,931	28.9%
Power Technologies	289	11.4%	263	11.9%	860	11.3%	810	12.1%
Total	\$ 2,535		\$ 2,204		\$ 7,601		\$ 6,672	

See Note 19 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 \$23 and \$25 of cash to repurchase common shares under the program in 2021 and 2022, respectively. The share repurchase program expires on December 31, 2023, and \$102 remains available for future share repurchases as of September 30, 2022.

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. In addition, we increased our revolving credit facility in 2021 to \$1,150 and extended its maturity to March 25, 2026. See Note 12 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 like the GKN plc driveline business transaction that we pursued in 2018 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 Dana TM4 Inc. (formerly TM4 Inc.), Dana TM4 Italia S.r.l. (formerly S.M.E. S.p.A.), Dana (Beijing) Electric Motor Co., Ltd. (formerly Prestolite E-Propulsion Systems (Beijing) Limited), Ashwoods Innovations Ltd., 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 Dana TM4 Inc., Dana TM4 Italia S.r.l., Dana (Beijing) Electric Motor Co., Ltd., and Ashwoods Innovations Ltd. See Note 7 to our consolidated financial statements in Item 1 of Part I 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; 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.

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. The impact of the COVID pandemic in 2020 saw the global light-truck market contract by 13% from 2019 levels. During 2021, light-truck markets improved across all regions and were up 5% on a global basis compared to 2020. The outlook for the full year of 2022 reflects global light-truck production to be up 8%, with growth across all regions, exhibiting a moderate rebound as production constraints continue to ease, inventory begins to 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. The Class-8 truck market in North America peaked at 345,000 trucks produced in 2019. Production of Class-8 trucks in 2020 was 38% below the record production in 2019 due to normal cycle dynamics and the impact of COVID. During 2021, production of Class-8 trucks increased 20% over 2020 as the impacts of COVID lessened and the economy exhibited improvement. The outlook for 2022 is for stronger demand with production up 21% over the prior year driven by continued improving economic outlook and cyclical growth.

Medium-duty truck production in North America experienced a 20% year-over-year decline from 2019 to 2020, primarily due to COVID. During 2021, production increased a modest 3% over 2020. The outlook for 2022 is for production to be flat with the prior year. Outside of North America, production of medium- and heavy-duty trucks in South America declined 22% in 2020 due to COVID and deteriorating economic conditions. During 2021, production increased 76% over 2020 as the region recovered from the impact of the pandemic and the age of existing vehicles drove a replacement cycle for new trucks. The outlook for South America is for a modest 1% increase in production from the prior year as local economic conditions remain relatively stable. In contrast to the rest of the world, Asia Pacific, driven by China, did not experience lower truck production in 2020, but output slowed by 8% in 2021 as production matched lower demand, primarily driven by India where the recovery from the pandemic has been slower than in China. The 2022 outlook for Asia Pacific is for a 26% reduction in production from the prior year as China experiences COVID lockdowns and the Indian market recovery continues to lag.

Off-highway markets — Our off-highway business has a large presence outside of North America, with 65% of its 2021 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. This segment has experienced a 5% market contraction, which began in late 2018 and further accelerated due to COVID, with 2020 production ending down an additional 10%. The global construction market began to rebound in 2021 with production up 12% over 2020. The 2022 outlook has production demand in the global construction market showing continued strength with production increasing by 10% over the prior year. 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 2022. 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. Continued low farm commodity prices drove a 7% reduction in production in 2020. Farm subsidies in response to the global pandemic drove a 10% increase in production during 2021. The outlook for 2022 is for end-market demand to improve by 6% compared to the prior year, as farm subsidies are expected to continue to bolster the commodity market and drive the replacement of aging equipment.

Foreign currency — With 54% of our year-to-date 2022 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 49% of our year-to-date 2022 non-U.S. sales, while Brazil, India and China accounted for 11%, 10% and 9%, 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 weakened against the U.S. dollar in the first nine months of 2022, decreasing sales by \$292. A weaker euro, Thai baht and Indian rupee were partially offset by a stronger Brazilian real.

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 nine months of 2022 of approximately \$109 are 1% of our consolidated sales and our net asset exposure related to Argentina was approximately \$42, including \$18 of net fixed assets, at September 30, 2022. 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 third-quarter and first-nine-months earnings in 2022 by \$113 and \$396. Material recovery pricing actions increased year-over-year third-quarter and first-nine-months earnings in 2022 by \$134 and \$398.

Sales, Earnings and Cash Flow Outlook

	2022 Outlook	2021	2020
Sales	\$10,000 - \$10,200	\$ 8,945	\$ 7,106
Adjusted EBITDA	\$700 - \$740	\$ 795	\$ 593
Net cash provided by operating activities	~6% of sales	\$ 158	\$ 386
Purchases of property, plant and equipment	~4% of sales	\$ 369	\$ 326
Adjusted Free Cash Flow	~2% of sales	\$ (211)	\$ 60

Adjusted EBITDA and adjusted 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 full year 2022 adjusted EBITDA range of \$700 - \$740 remains unchanged from our July 2022 outlook and reflects our expectation for continued commodity and non-material cost inflation through the balance of the year. The midpoint of our sales range remains unchanged from our July 2022 outlook at \$10,100. Adjusted EBITDA Margin is expected to be 7.1%, 180 basis-points lower than 2021, reflecting higher margin net new business and a modest benefit from material recovery and other pricing actions being more than offset by continued commodity cost increases and non-material inflation, including higher labor, energy, and transportation rates. We expect to generate adjusted free cash flow of approximately \$200, or 2% of sales for 2022, reflecting lower year-over-year use of cash for working capital, partially offset by lower year-over-year adjusted EBITDA, at the midpoint of the range. We expect capital spending will be higher than 2021, as we make investments to support awarded programs and continue to invest in electrification.

Summary Consolidated Results of Operations (Third Quarter, 2022 versus 2021)

	Three Months Ended September 30,				Increase/ (Decrease)
	2022		2021		
	Dollars	% of Net Sales	Dollars	% of Net Sales	
Net sales	\$ 2,535		\$ 2,204		\$ 331
Cost of sales	2,332	92.0%	1,998	90.7%	334
Gross margin	203	8.0%	206	9.3%	(3)
Selling, general and administrative expenses	114	4.5%	103	4.7%	11
Amortization of intangibles	3		4		(1)
Restructuring charges, net	(1)		1		(2)
Impairment of goodwill	(191)				(191)
Other income (expense), net	3		(4)		7
Earnings (loss) before interest and income taxes	(101)		94		(195)
Interest income	2		2		—
Interest expense	32		31		1
Earnings (loss) before income taxes	(131)		65		(196)
Income tax expense	31		20		11
Equity in earnings (loss) of affiliates	(1)		5		(6)
Net income (loss)	(163)		50		(213)
Less: Noncontrolling interests net income	4		4		—
Less: Redeemable noncontrolling interests net loss	(79)		(2)		(77)
Net income (loss) attributable to the parent company	\$ (88)		\$ 48		\$ (136)

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

	Three Months Ended September 30,		Increase/ (Decrease)	Amount of Change Due To		
	2022	2021		Currency Effects	Acquisitions (Divestitures)	Organic Change
	North America	\$ 1,250		\$ 1,050	\$ 200	\$ (1)
Europe	698	651	47	(107)		154
South America	219	174	45	(3)		48
Asia Pacific	368	329	39	(28)		67
Total	\$ 2,535	\$ 2,204	\$ 331	\$ (139)	\$ —	\$ 470

Sales in 2022 were \$331 higher than in 2021. Weaker international currencies decreased sales by \$139, principally due to a weaker euro, Indian rupee, Thai baht, Chinese renminbi and South African rand. The organic sales increase of \$470, or 21%, resulted from improved global construction/mining and agricultural markets, improved North America full-frame light-truck and commercial-vehicle demand, improved South America commercial-vehicle demand and the conversion of sales backlog. Pricing actions and recoveries, including material commodity price and inflationary cost adjustments, increased sales by \$229.

The North America organic sales increase of 19% 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. Third quarter 2022 full-frame light-truck production was up 20% while light-vehicle engine production was up 30% compared with the third quarter of 2021. Year-over-year Class 8 truck production was up 35% while Classes 5-7 truck production was up 6%. Excluding currency effects, sales in Europe were up 24% compared with 2021. With our significant Off-Highway presence in the region, stronger construction/mining and agricultural markets were a major factor. Organic sales in this operating segment were up 23% compared with the third quarter of 2021. Excluding currency effects, third quarter 2022 sales in South America increased 28% compared to 2021 due primarily to improved light- and medium/heavy-duty truck production. Third quarter light-duty truck production was up 36% and medium/heavy-duty truck production was up 5% compared with the third quarter of 2021. Excluding currency effects, sales in Asia Pacific increased 20% compared to 2021 due to stronger construction/mining and agricultural markets and higher medium/heavy-duty truck related sales despite overall medium/heavy-duty truck production volumes declining 9% compared to 2021.

Cost of sales and gross margin — Cost of sales for the third quarter of 2022 increased \$334, or 17%, when compared to 2021. Cost of sales as a percent of sales was 130 basis points higher than in the previous year. Incremental margins provided by increased sales volumes were more than offset by higher year-over-year commodity costs of \$113, non-material inflationary cost impacts of \$104 and operational inefficiencies primarily attributable to continued global supply chain disruptions and frequent customer order changes made with little to no advance notification. Commodity cost increases are being driven by higher prices for certain grades of steel and aluminum. Non-material inflation includes higher labor, energy and transportation rates. Continued material cost savings and supplier recoveries provided a partial offset, reducing costs of sales by approximately \$21.

Gross margin of \$203 for the third quarter of 2022 decreased \$3 from 2021. Gross margin as a percent of sales was 8.0% in the third quarter of 2022, 130 basis points lower than in 2021. The degradation 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 third quarter of 2022, 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 2022 were \$114 (4.5% of sales) as compared to \$103 (4.7% of sales) in 2021. SG&A expenses were \$11 higher in 2022 primarily due to higher incentive compensation, travel expenses and professional fees.

Amortization of intangibles — Amortization expense was \$3 in 2022 and \$4 in 2021.

Restructuring charges, net — Net restructuring charges were (\$1) in the third quarter of 2022 and \$1 in the third quarter of 2021. See Note 4 for additional information.

Impairment of goodwill — During the third quarter of 2022, we recorded a \$191 goodwill impairment charge. See Note 3 of our consolidated financial statements in Item 1 of Part I for additional information.

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

	Three Months Ended	
	September 30,	
	2022	2021
Non-service cost components of pension and OPEB costs	\$ —	\$ (2)
Foreign exchange gain		1
Strategic transaction expenses	(1)	(3)
Loss on investment in Hyliion		(6)
Other, net	4	6
Other income (expense), net	\$ 3	\$ (4)

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 2022 were primarily attributable to investigating potential acquisitions and business ventures and other strategic initiatives. Strategic transaction expenses in 2021 were primarily attributable to our pursuit of the acquisition of a portion of the thermal-management business of Modine Manufacturing Company and certain other strategic initiatives.

We held convertible notes receivable from our investment in Hyliion Inc. On October 1, 2020, Hyliion Inc. completed its merger with Tortoise Acquisition Corp. The business combination resulted in the combined company being renamed Hyliion Holdings Corp. (Hyliion), with its common stock being listed on the New York Stock Exchange under the ticker symbol HYLN. Effective with the completed merger, our notes receivable were converted into 2,988,229 common shares of HYLN. Our investment in Hyliion was included in marketable securities and carried at fair value with changes in fair value included in net income. During the third quarter of 2021, we sold all of our Hyliion shares.

Interest income and interest expense — Interest income was \$2 in both 2022 and 2021. Interest expense increased from \$31 in 2021 to \$32 in 2022, primarily due to higher debt levels, partially offset by lower interest rates on outstanding borrowings. Average effective interest rates, inclusive of amortization of debt issuance costs, approximated 4.8% in 2022 and 4.9% in 2021.

Income tax expense — We reported income tax expense of \$31 and \$20 for 2022 and 2021, respectively. Our effective tax rates were (24)% and 31% for the third quarter of 2022 and 2021. During the third quarter of 2022, we recorded a pre-tax goodwill impairment charge of \$191 with an associated income tax benefit of \$2. In addition, we recorded a tax benefit of \$32 for U.S. tax credits generated. Also, during the third quarter of 2022, we recorded tax expense of \$31 for valuation allowances related to U.S. states driven by differences between our federal and state tax profile. 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, 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.

Equity in earnings (loss) of affiliates — Net earnings (loss) from equity investments was a loss of \$1 in 2022 and earnings of \$5 in 2021. Net earnings (loss) from DDAC was a loss of \$3 in 2022 and earnings of \$3 in 2021. The decrease in DDAC's earnings is due to lower year-over-year sales driven by significant 2021 medium- and heavy-duty vehicle pre-buy activity in advance of new emission standards going into effect in China and Chinese government incentives driving new construction and infrastructure projects in 2021, increasing the demand for medium- and heavy-duty vehicles.

Summary Consolidated Results of Operations (Year-to-Date, 2022 versus 2021)

	Nine Months Ended September 30,				Increase/ (Decrease)
	2022		2021		
	Dollars	% of Net Sales	Dollars	% of Net Sales	
Net sales	\$ 7,601		\$ 6,672		\$ 929
Cost of sales	7,018	92.3%	5,963	89.4%	1,055
Gross margin	583	7.7%	709	10.6%	(126)
Selling, general and administrative expenses	374	4.9%	348	5.2%	26
Amortization of intangibles	10		11		(1)
Restructuring charges, net	(1)		2		(3)
Impairment of goodwill	(191)				(191)
Other income (expense), net	15		(33)		48
Earnings before interest and income taxes	24		315		(291)
Loss on extinguishment of debt			(24)		24
Interest income	6		6		—
Interest expense	95		99		(4)
Earnings (loss) before income taxes	(65)		198		(263)
Income tax expense	67		56		11
Equity in earnings (loss) of affiliates	(1)		29		(30)
Net income (loss)	(133)		171		(304)
Less: Noncontrolling interests net income	11		9		2
Less: Redeemable noncontrolling interests net loss	(81)		(10)		(71)
Net income (loss) attributable to the parent company	\$ (63)		\$ 172		\$ (235)

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

	Nine Months Ended September 30,		Increase/ (Decrease)	Amount of Change Due To		
	2022	2021		Currency Effects	Acquisitions (Divestitures)	Organic Change
	North America	\$ 3,689		\$ 3,157	\$ 532	\$ (2)
Europe	2,286	2,136	150	(250)		400
South America	584	434	150	12		138
Asia Pacific	1,042	945	97	(52)	(9)	158
Total	\$ 7,601	\$ 6,672	\$ 929	\$ (292)	\$ (8)	\$ 1,229

Sales in 2022 were \$929 higher than in 2021. Weaker international currencies decreased sales by \$292, principally due to a weaker euro, Indian rupee and Thai baht, partially offset by a stronger Brazilian real. The organic sales increase of \$1,229, or 18%, resulted from improved global construction/mining and agricultural markets, improved North America full-frame light-truck and commercial-vehicle demand, improved South America commercial-vehicle demand and the conversion of sales backlog. Pricing actions and recoveries, including material commodity price and inflationary cost adjustments, increased sales by \$569.

The North America organic sale increase of 17% was driven principally by stronger light- and heavy-duty truck production volumes, higher light-vehicle engine production levels and the conversion of sales backlog. First nine months 2022 full-frame light-truck production was up 9% while light-vehicle engine production was up 13% compared with the first nine months of 2021. Year-over-year Class 8 truck production was up 19% while Classes 5-7 truck production was up 1% compared with the first nine months of 2021. Excluding currency effects, sales in Europe were up 19% compared with 2021. With our significant Off-Highway presence in the region, stronger construction/mining and agricultural markets were a major factor. Organic sales in this operating segment were up 23% compared with the first nine months of 2021. Excluding currency effects, first nine months 2022 sales in South America increased 32% compared to 2021 due primarily to improved light-duty truck production and continued strengthening of medium/heavy-duty truck related sales despite overall medium/heavy-duty truck production volumes moderating. First nine months light-duty truck production was up 15% while medium/heavy-duty truck production was up 1% compared with the first nine months of 2021. Excluding currency effects and the impact of divestitures, sales in Asia Pacific increased 17% compared to 2021 due to stronger construction/mining and agricultural markets and higher medium/heavy-duty truck related sales despite overall medium/heavy-duty production volumes declining 34% compared to the first nine months of 2021.

Cost of sales and gross margin — Cost of sales for the first nine months of 2022 increased \$1,055, or 18%, when compared to 2021. Cost of sales as a percent of sales was 290 basis points higher than in the previous year. Incremental margins provided by increased sales volumes were more than offset by higher year-over-year commodity costs of \$396, non-material inflationary cost impacts of \$250 and operational inefficiencies primarily attributable to continued global supply chain disruptions and frequent customer order changes made with little to no advance notification. Commodity cost increases are being driven by higher prices for certain grades of steel and aluminum. Non-material inflation includes higher labor, energy and transportation rates. Continued material cost savings and supplier recoveries provided a partial offset, reducing costs of sales by approximately \$37.

Gross margin of \$583 for the first nine months of 2022 decreased \$126 from 2021. Gross margin as a percent of sales was 7.7% in the first nine months of 2022, 290 basis points lower than in 2021. The degradation in gross margin as a percent of sales was driven principally by the cost of sales factors referenced above along with recovery of non-material inflation typically not being specifically provided for in our current contracts with customers resulting in prolonged negotiations and indeterminate recoveries. 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 third quarter of 2022, gross margin experienced a modest benefit from net material recoveries on a dollar basis.

Selling, general and administrative expenses (SG&A) — SG&A expenses in 2022 were \$374 (4.9% of sales) as compared to \$348 (5.2% of sales) in 2021. SG&A expenses were \$26 higher in 2022 primarily due to higher salaried employee wages and incentive compensation, travel expenses and professional fees.

Amortization of intangibles — Amortization expense was \$10 in 2022 and \$11 in 2021.

Restructuring charges, net — Net restructuring charges were (\$1) in the first nine months of 2022 and \$2 in the first nine months of 2021. See Note 4 for additional information.

Impairment of goodwill — During the third quarter of 2022, we recorded a \$191 goodwill impairment charge. See Note 3 of our consolidated financial statements in Item 1 of Part I for additional information.

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

	Nine Months Ended September 30,	
	2022	2021
Non-service cost components of pension and OPEB costs	\$ (3)	\$ (7)
Foreign exchange gain	4	2
Strategic transaction expenses	(6)	(11)
Loss on investment in Hyliion		(20)
Loss on disposal group held for sale		(7)
Loss on de-designation of fixed-to-fixed cross currency swaps		(9)
Other, net	20	19
Other income (expense), net	<u>\$ 15</u>	<u>\$ (33)</u>

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 2022 were primarily attributable to investigating potential acquisitions and business ventures and other strategic initiatives. Strategic transaction expenses in 2021 were primarily attributable to our pursuit of the acquisition of a portion of the thermal-management business of Modine Manufacturing Company and certain other strategic initiatives.

We held convertible notes receivable from our investment in Hyliion Inc. On October 1, 2020, Hyliion Inc. completed its merger with Tortoise Acquisition Corp. The business combination resulted in the combined company being renamed Hyliion Holdings Corp. (Hyliion), with its common stock being listed on the New York Stock Exchange under the ticker symbol HYLN. Effective with the completed merger, our notes receivable were converted into 2,988,229 common shares of HYLN. Our investment in Hyliion was included in marketable securities and carried at fair value with changes in fair value included in net income. During the third quarter of 2021, we sold all of our Hyliion shares.

In conjunction with our acquisition of Oerlikon Drive Systems, we acquired a controlling financial interest in a joint venture in China. We were required to divest our interest in this joint venture as it violates competitive restrictions of another of our China joint venture shareholder agreements. During the first quarter of 2021, we recorded an impairment charge of \$7, as we determined the carrying value of the disposal group exceeded its fair value less costs to sell. We completed the disposal of this business in April 2021.

We had previously entered into fixed-to-fixed cross currency swaps as a hedge against our June 2026 Notes. In June 2021, we redeemed all of the June 2026 Notes and de-designated the fixed-to-fixed cross currency swaps. See Note 13 for additional information.

Interest income and interest expense — Interest income was \$6 in both 2022 and 2021. Interest expense decreased from \$99 in 2021 to \$95 in 2022, primarily due to lower interest rates on outstanding borrowings, partially offset by higher debt levels. Average effective interest rates, inclusive of amortization of debt issuance costs, approximated 4.7% in 2022 and 5.3% in 2021.

Income tax expense — We reported income tax expense of \$67 and \$56 for the first nine months of 2022 and 2021, respectively. Our effective tax rates were (103)% and 28% for the first nine months of 2022 and 2021. During the third quarter of 2022, we recorded a pre-tax goodwill impairment charge of \$191 with an associated income tax benefit of \$2. In addition, we recorded a tax benefit of \$32 for U.S. tax credits generated. Also, during the third quarter of 2022, we recorded tax expense of \$31 for valuation allowances related to U.S. states driven by differences between our federal and state tax profile. 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, 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.

Equity in earnings (loss) of affiliates — Net earnings (loss) from equity investments was a loss of \$1 in 2022 and earnings of \$29 in 2021. Equity in earnings from DDAC was a loss of \$5 in 2022 and earnings of \$24 in 2021. The decrease in DDAC's earnings is due to lower year-over-year sales driven by significant 2021 medium- and heavy-duty vehicle pre-buy activity in advance of new emission standards going into effect in China and Chinese government incentives driving new construction and infrastructure projects in 2021, increasing the demand for medium- and heavy-duty vehicles.

Segment Results of Operations (2022 versus 2021)
Light Vehicle

	Three Months			Nine Months		
	Sales	Segment EBITDA	Segment EBITDA Margin	Sales	Segment EBITDA	Segment EBITDA Margin
2021	\$ 918	\$ 54	5.9%	\$ 2,799	\$ 241	8.6%
Volume and mix	90	20		199	34	
Divestitures				(8)		
Product line transfer	(20)	(2)		(59)	(6)	
Performance	88	(9)		185	(141)	
Currency effects	(29)	(3)		(56)	(4)	
2022	\$ 1,047	\$ 60	5.7%	\$ 3,060	\$ 124	4.1%

Light Vehicle sales in the third quarter 2022, exclusive of currency effects and the product line transfer to Commercial Vehicle, were 19% higher than 2021 reflecting generally stronger global markets, cost recovery actions and the conversion of sales backlog. Year-over-year North America full-frame light-truck production increased 20% in this year's third quarter while light-truck production in Europe, South America and Asia Pacific increased 23%, 36% and 24%, respectively. Light Vehicle sales in the first nine months of 2022, exclusive of currency effects, the impact of divestitures and the product line transfer to Commercial Vehicle, were 14% higher than 2021 reflecting stronger markets in all regions, cost recovery actions and the conversion of sales backlog. Year-over-year North America full-frame light-truck increased 9% while light-truck production in Europe, South America and Asia Pacific increased 2%, 15% and 7%, respectively. Net customer pricing and cost recovery actions increased year-over-year sales by \$88 and \$185 in this year's third quarter and first nine months, respectively.

Light Vehicle third-quarter 2022 segment EBITDA increased by \$6 from last year, with first-nine-months earnings lower by \$117. Higher sales volumes provided a year-over-year benefit of \$20 (22% incremental margin) and \$34 (17% incremental margin) in the third quarter and first nine months of 2022. Year-over-year performance-related earnings decreases in the third quarter were driven by inflationary cost increases of \$41, operational inefficiencies of \$27, commodity cost increases of \$27, higher program launch costs of \$5, higher incentive compensation of \$3 and higher warranty costs of \$2. Partially offsetting these performance-related decreases were net customer pricing and cost recovery actions of \$88, higher material cost savings and supplier recoveries of \$7 and lower premium freight costs of \$1. The year-over-year performance-related earnings decrease in the first nine months was driven by commodity cost increases of \$135, operational inefficiencies of \$88, inflationary cost increases of \$89, higher program launch costs of \$9, higher incentive compensation of \$3, lower material cost savings and supplier recoveries of \$3 and higher premium freight costs of \$1. Partially offsetting these performance-related decreases were net customer pricing and cost recovery actions of \$185 and lower warranty costs of \$2.

Commercial Vehicle

	Three Months			Nine Months		
	Sales	Segment EBITDA	Segment EBITDA Margin	Sales	Segment EBITDA	Segment EBITDA Margin
2021	\$ 396	\$ 20	5.1%	\$ 1,132	\$ 53	4.7%
Volume and mix	57	8		163	28	
Product line transfer	20	2		59	6	
Performance	46	(11)		138	(48)	
Currency effects	(14)	(1)		(17)	(1)	
2022	\$ 505	\$ 18	3.6%	\$ 1,475	\$ 38	2.6%

Commercial Vehicles sales in the third quarter and first nine months of 2022, exclusive of currency effects and the production line transfer from Light Vehicle, were 26% higher than the same periods of 2021 reflecting continued strengthening of medium/heavy-duty truck production volumes, cost recovery actions and the conversion of sales backlog. Year-over-year North America Class 8 production was up 35% while Classes 5-7 were up 6% in this year's third quarter. Year-over-year medium/heavy-truck production in Europe and South America were up 30% and 5%, respectively, while production in Asia Pacific was down 9% in this year's third quarter. Year-over-year North America Class 8 production was up 19% while Classes 5-7 were flat in this year's first nine months. Year-over-year medium/heavy-truck production in Europe and South America were up 4% and 1%, respectively, while production in Asia Pacific was down 34% in this year's first nine months. Net customer pricing and cost recovery actions increased year-over-year sales by \$46 and \$138 in this year's third quarter and first nine months, respectively.

Commercial Vehicle third-quarter 2022 segment EBITDA decreased by \$2 from last year, with first-nine-months earnings lower by \$15. Higher sales volumes provided a year-over-year benefit of \$8 (14% incremental margin) and \$28 (17% incremental margin) in the third quarter and first nine months of 2022. Year-over-year performance-related earnings decreases in the third quarter were driven by commodity cost increases of \$32, inflationary cost increases of \$19, operational inefficiencies of \$6, higher premium freight costs of \$3, higher incentive compensation of \$2 and higher program launch costs of \$1. Partially offsetting these performance-related decreases were net customer pricing and cost recovery actions of \$46 and material cost savings of \$6. The year-over-year performance-related earnings decrease in the first nine months was driven by commodity cost increases of \$97, inflationary cost increases of \$51, operational inefficiencies of \$51, higher incentive compensation of \$3 and higher program launch costs of \$1. Partially offsetting these performance-related decreases were net customer pricing and cost recovery actions of \$138, material cost savings of \$15 and lower premium freight costs of \$2.

Off-Highway

	Three Months			Nine Months		
	Sales	Segment EBITDA	Segment EBITDA Margin	Sales	Segment EBITDA	Segment EBITDA Margin
2021	\$ 627	\$ 100	15.9%	\$ 1,931	\$ 276	14.3%
Volume and mix	66	12		252	59	
Performance	78	(11)		200	(21)	
Currency effects	(77)	(10)		(177)	(23)	
2022	\$ 694	\$ 91	13.1%	\$ 2,206	\$ 291	13.2%

Off-Highway sales in the third quarter and first nine months of 2022, exclusive of currency effects, were 23% higher than the same periods of 2021 reflecting improved global markets, cost recovery actions and the conversion of sales backlog. Year-over-year global construction/mining and agricultural equipment markets reflected marked improvement. Net customer pricing and cost recovery actions further increased year-over-year sales by \$78 and \$200 in this year's third quarter and first nine months, respectively.

Off-Highway third-quarter 2022 segment EBITDA decreased by \$9 from last year, with first-nine-months earnings higher by \$15. Higher sales volumes provided a year-over-year benefit of \$12 (18% incremental margin) and \$59 (23% incremental margin) in the third quarter and first nine months of 2022. Year-over-year performance-related earnings decreases in the third quarter were driven by commodity cost increases of \$37, inflationary cost increases of \$36, operational inefficiencies of \$18, higher incentive compensation of \$3 and higher warranty costs of \$1. Partially offsetting these performance-related decreases were net customer pricing and cost recovery actions of \$78 and material cost savings of \$6. The year-over-year performance-related earnings decrease in the first nine months was driven by commodity cost increases of \$109, inflationary cost increases of \$90, operational inefficiencies of \$33, higher premium freight costs of \$6 and higher incentive compensation of \$3. Partially offsetting these performance-related decreases were net customer pricing and cost recovery actions of \$200 and material cost savings of \$20.

Power Technologies

	Three Months			Nine Months		
	Sales	Segment EBITDA	Segment EBITDA Margin	Sales	Segment EBITDA	Segment EBITDA Margin
2021	\$ 263	\$ 38	14.4%	\$ 810	\$ 111	13.7%
Volume and mix	28	5		46	9	
Performance	17	(20)		46	(45)	
Currency effects	(19)	(2)		(42)	(4)	
2022	\$ 289	\$ 21	7.3%	\$ 860	\$ 71	8.3%

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 third quarter and first nine months of 2022, exclusive of currency effects, were 17% and 11% higher than the same period of 2021 reflecting an improved North American market, cost recovery actions and the conversion of sale backlog. Year-over-year North American light-vehicle engine production was up 30% and 13% compared to the third quarter and first nine months of 2021, respectively. Year-over-year Europe light-vehicle engine production was up 24% and down 1% compared to the third quarter and first nine months of 2021, respectively. Net customer pricing and cost recovery actions further increased year-over-year sales by \$17 and \$46 in this year's third quarter and first nine months, respectively.

Power Technologies third-quarter 2022 segment EBITDA decreased by \$17 from last year, with first-nine-months earnings lower by \$40. Higher sales volumes provided a year-over-year benefit of \$5 (18% incremental margin) and \$9 (20% incremental margin) in the third quarter and first nine months of 2022. Year-over-year performance-related earnings decreases in the third quarter were driven by commodity cost increases of \$17, operational inefficiencies of \$9, inflationary cost increases of \$8, higher program launch costs of \$2, higher incentive compensation of \$2 and higher warranty costs of \$1. Partially offsetting these performance-related decreases were net customer pricing and cost recovery actions of \$17 and material cost savings of \$2. The year-over-year performance-related earnings decrease in the first nine months was driven by commodity cost increases of \$55, inflationary cost increases of \$20, operational inefficiencies of \$12, higher program launch costs of \$4, higher warranty costs of \$2, higher incentive compensation of \$2 and higher premium freight costs of \$1. Partially offsetting these performance-related decreases were net customer pricing and cost recovery actions of \$46 and material cost savings of \$5.

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ (163)	\$ 50	\$ (133)	\$ 171
Equity in earnings (loss) of affiliates	(1)	5	(1)	29
Income tax expense	31	20	67	56
Earnings (loss) before income taxes	(131)	65	(65)	198
Depreciation and amortization	94	98	287	290
Restructuring charges, net	(1)	1	(1)	2
Interest expense, net	30	29	89	93
Loss on extinguishment of debt				24
Loss on investment in Hylion		6		20
Loss on disposal group held for sale				7
Loss on de-designation of fixed-to-fixed cross currency swaps				9
Impairment of goodwill	191		191	
Other*	9	11	23	34
Adjusted EBITDA	\$ 192	\$ 210	\$ 524	\$ 677

* Other includes stock compensation expense, non-service cost components of pension and OPEB costs, strategic transaction expenses and other items. See Note 19 to our consolidated financial statements in Item 1 of Part I for additional details.

Free Cash Flow and Adjusted 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 have defined adjusted free cash flow as 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 following table reconciles net cash flows provided by (used in) operating activities to adjusted free cash flow.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 171	\$ (75)	\$ 307	\$ 19
Purchases of property, plant and equipment	(94)	(95)	(300)	(228)
Free cash flow	77	(170)	7	(209)
Discretionary pension contribution	—	—	—	—
Adjusted free cash flow	\$ 77	\$ (170)	\$ 7	\$ (209)

Liquidity

The following table provides a reconciliation of cash and cash equivalents to liquidity, a non-GAAP measure, at September 30, 2022:

Cash and cash equivalents	\$	371
Less: Deposits supporting obligations		(1)
Available cash		370
Additional cash availability from Revolving Facility		934
Marketable securities		13
Total liquidity	\$	1,317

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 \$934 at September 30, 2022 under the Revolving Facility after deducting \$195 of outstanding borrowings and \$21 of outstanding letters of credit.

The components of our September 30, 2022 consolidated cash balance were as follows:

	U.S.	Non-U.S.	Total
Cash and cash equivalents	\$ —	\$ 297	\$ 297
Cash and cash equivalents held as deposits		1	1
Cash and cash equivalents held at less than wholly-owned subsidiaries	2	71	73
Consolidated cash balance	\$ 2	\$ 369	\$ 371

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.

At September 30, 2022, 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:

	Nine Months Ended September 30,	
	2022	2021
Cash used for changes in working capital	\$ (21)	\$ (501)
Other cash provided by operations	328	520
Net cash provided by operating activities	307	19
Net cash used in investing activities	(297)	(260)
Net cash provided by (used in) financing activities	138	(71)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 148	\$ (312)

Operating activities — Exclusive of working capital, other cash provided by operations was \$328 in 2022 and \$520 in 2021. The year-over-year decrease is primarily attributable to lower operating earnings.

Working capital used cash of \$21 and \$501 in 2022 and 2021. Cash of \$345 and \$253 was used to finance receivables in 2022 and 2021, respectively. The higher level of cash used to finance receivables in 2022 is due to higher year-over-year third quarter sales driven by improved global construction/mining and agricultural markets, improved North America full-frame light-truck and commercial-vehicle demand and improved South America commercial-vehicle demand. Cash of \$152 and \$441 was used to fund higher inventory levels in 2022 and 2021, respectively. We are carrying higher levels of inventory to mitigate continued global-supply-chain disruptions, ensuring continuous supply for our customers. Increases in accounts payable and other net liabilities provided cash of \$476 and \$193 in 2022 and 2021, respectively.

Investing activities — Expenditures for property, plant and equipment were \$300 and \$228 during 2022 and 2021. The increase in capital spending during 2022 is in support of awarded next generation programs and new business. During 2021, we paid \$17, net of cash acquired, to acquire an additional 51% interest in Pi Innovo. The acquisition of the additional ownership interest provided us with a 100% ownership interest in Pi Innovo. During 2021, we acquired a 1% ownership interest in Switch Mobility Limited for \$18. During 2022, purchases of marketable securities were largely funded by proceeds from sales and maturities of marketable securities. During 2021, we sold all of our Hyliion shares for \$29. In 2021 we de-designated the fixed-to-fixed cross currency swaps associated with our June 2026 Notes and settled certain of the fixed-to-fixed cross currency swaps resulting in a net cash outflow of \$22.

Financing activities — During 2022 and 2021, we had net borrowings of \$195 and \$52 on our Revolving Facility. During 2021, we completed the issuance of €325 of our July 2029 Notes and \$400 of our September 2030 Notes, paying financing costs of \$11. Also during 2021, we redeemed all \$375 of our June 2026 Notes and all \$425 of our December 2024 Notes, paying redemption premiums of \$21. During 2021, we paid financing costs of \$2 to amend our credit and guaranty agreement, increasing the Revolving Facility to \$1,150 and extending its maturity to March 25, 2026. We used cash of \$43 and \$44 for dividend payments to common stockholders during 2022 and 2021. We used cash of \$25 and \$23 to repurchase common shares under our share repurchase program during 2022 and 2021. Distributions to noncontrolling interests totaled \$8 and 2022 and \$10 in 2021. Hydro-Québec made cash contributions to Dana TM4 of \$30 in 2022 and \$6 in 2021. During 2021, we sold a portion of our ownership interest in Tai Ya Investment (HK) Co., Limited (Tai Ya) to China Motor Corporation, reducing our ownership interest in Tai Ya to 50%. In conjunction with the decrease in our ownership interest, the Tai Ya shareholders agreement was amended, eliminating our controlling financial interest in Tai Ya. Upon our loss of control, we deconsolidated Tai Ya, including \$6 of cash and cash equivalents.

Off-Balance Sheet Arrangements

There have been no material changes at September 30, 2022 in our off-balance sheet arrangements from those reported or estimated in the disclosures in Item 7 of our 2021 Form 10-K.

Contractual Obligations

During the second quarter of 2022, we commenced two operating leases with minimum lease payments totaling \$56 over their respective noncancelable lease terms which expire in September 2035 and January 2037. There have been no other material changes in our contractual obligations from those disclosed in Item 7 of our 2021 Form 10-K.

Contingencies

For a summary of litigation and other contingencies, see Note 14 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 2021 Form 10-K for a description of our critical accounting estimates and Note 1 to our consolidated financial statements in Item 8 of our 2021 Form 10-K for our significant accounting policies. There were no changes to our critical accounting estimates in the nine months ended September 30, 2022. See Note 1 to our consolidated financial statements in this Form 10-Q for a discussion of new accounting guidance adopted during the first nine months of 2022.

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 2021 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 September 30, 2022 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 2021 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 14 to our consolidated financial statements in Item 1 of Part I of this Form 10-Q.

Item 1A. Risk Factors

The risk factors disclosed in Item 1A of our 2021 Form 10-K have been updated to include the following additional risk factor:

Our business, financial condition and results of operations could be adversely affected by disruptions in the global economy caused by Russia's invasion of Ukraine.

In February 2022, Russia invaded Ukraine. In response, the U.S. and certain other countries imposed significant sanctions and export controls against Russia, Belarus and certain individuals and entities connected to Russian or Belarusian political, business, and financial organizations, and the U.S. and certain other countries could impose further sanctions, trade restrictions, and other retaliatory actions should the conflict continue or worsen. It is not possible to predict the broader consequences of the conflict, including related geopolitical tensions, and the measures and retaliatory actions taken by the U.S. and other countries in respect thereof as well as any counter measures or retaliatory actions by Russia or Belarus in response, including, for example, potential cyberattacks or the disruption of energy exports, is likely to cause regional instability, geopolitical shifts, and could materially adversely affect regional economies and the global economy. The situation remains uncertain, and while it is difficult to predict the impact of any of the foregoing, the conflict and actions taken in response to the conflict could increase our costs, disrupt our supply chain, reduce our sales and earnings, or otherwise adversely affect our business, financial condition, and results of operations. Our 2021 revenue from customers located in these countries was approximately \$75. Our physical presence in Russia is limited to a leased sales office with two employees.

The risk factors disclosed in Item 1A of our 2021 Form 10-K have been updated to remove the following risk factor:

The proposed phase out of the London Interbank Offer Rate (LIBOR) could have an adverse effect on our business

Our revolving credit facility (the "Revolving Facility") utilizes Libor to set the interest rate on any outstanding borrowings. In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of Libor by the end of 2021. On March 5, 2021, the ICE Benchmark Administration Limited (IBA) confirmed that it will cease publication of the one week and two-month USD Libor settings at the end of 2021 and the remaining USD Libor settings at the end of June 2023. The potential effect on our cost of borrowing utilizing a replacement rate cannot yet be determined. In addition, any further changes or reforms to the determination of Libor or its successor rate may result in a sudden or prolonged increase or decrease on our borrowing rate, which could have an adverse impact on extension of credit held by us and could have a material adverse effect on our business, financial condition and results of operations.

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 September 30, 2022. 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 third quarter of 2022.

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 September 30, 2022, 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: October 27, 2022

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

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: October 27, 2022

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

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: October 27, 2022

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

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 September 30, 2022, 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: October 27, 2022

/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