

DANA INCORPORATED

Quarterly Financial Information and Reconciliations of Non-GAAP Financial Measures

Non-GAAP Financial Measures

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

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

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

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

DANA INCORPORATED
Consolidated Statement of Operations (Unaudited)
For the Three Months Ended December 31, 2018 and 2017

(In millions, except per share amounts)	Three Months Ended	
	December 31,	
	2018	2017
Net sales	\$ 1,973	\$ 1,837
Costs and expenses		
Cost of sales	1,717	1,581
Selling, general and administrative expenses	116	131
Amortization of intangibles	2	2
Restructuring charges, net	8	
Loss on disposal group held for sale		(27)
Other expense, net	(10)	(4)
Earnings before interest and income taxes	120	92
Interest income	3	3
Interest expense	25	23
Earnings before income taxes	98	72
Income tax expense	3	189
Equity in earnings of affiliates	11	7
Net income (loss)	106	(110)
Less: Noncontrolling interests net income (loss)	7	(3)
Less: Redeemable noncontrolling interests net loss	(1)	(3)
Net income (loss) attributable to the parent company	\$ 100	\$ (104)
Net income (loss) per share available to common stockholders		
Basic	\$ 0.69	\$ (0.74)
Diluted	\$ 0.69	\$ (0.74)
Weighted-average shares outstanding - Basic	144.8	145.4
Weighted-average shares outstanding - Diluted	145.8	145.4

DANA INCORPORATED
Consolidated Statement of Operations
For the Year Ended December 31, 2018 and 2017

(In millions, except per share amounts)

	Year Ended	
	December 31,	
	2018	2017
Net sales	\$ 8,143	\$ 7,209
Costs and expenses		
Cost of sales	6,986	6,143
Selling, general and administrative expenses	499	508
Amortization of intangibles	8	11
Restructuring charges, net	25	14
Impairment of indefinite-lived intangible asset	(20)	
Gain (loss) on disposal group held for sale	3	(27)
Other expense, net	(29)	(16)
Earnings before interest and income taxes	579	490
Loss on extinguishment of debt		(19)
Interest income	11	11
Interest expense	96	102
Earnings before income taxes	494	380
Income tax expense	78	283
Equity in earnings of affiliates	24	19
Net income	440	116
Less: Noncontrolling interests net income	13	10
Less: Redeemable noncontrolling interests net loss		(5)
Net income attributable to the parent company	<u>\$ 427</u>	<u>\$ 111</u>
Net income per share available to common stockholders		
Basic	\$ 2.94	\$ 0.72
Diluted	\$ 2.91	\$ 0.71
Weighted-average shares outstanding - Basic	145.0	145.1
Weighted-average shares outstanding - Diluted	146.5	146.9

DANA INCORPORATED
Consolidated Statement of Comprehensive Income (Unaudited)
For the Three Months Ended December 31, 2018 and 2017

(In millions)

	Three Months Ended	
	December 31,	
	2018	2017
Net income (loss)	\$ 106	\$ (110)
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	2	(12)
Hedging gains and losses	21	(17)
Investment and other gains and losses		2
Defined benefit plans	(11)	(35)
Other comprehensive income (loss)	12	(62)
Total comprehensive income (loss)	118	(172)
Less: Comprehensive (income) loss attributable to noncontrolling interests	(7)	1
Less: Comprehensive loss attributable to redeemable noncontrolling interests	6	2
Comprehensive income (loss) attributable to the parent company	<u>\$ 117</u>	<u>\$ (169)</u>

DANA INCORPORATED
Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2018 and 2017

(In millions)

	Year Ended December 31,	
	2018	2017
Net income	\$ 440	\$ 116
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	(63)	(14)
Hedging gains and losses	10	(30)
Investment and other gains and losses		2
Defined benefit plans	23	(6)
Other comprehensive loss	(30)	(48)
Total comprehensive income	410	68
Less: Comprehensive income attributable to noncontrolling interests	(7)	(17)
Less: Comprehensive loss attributable to redeemable noncontrolling interests	6	2
Comprehensive income attributable to the parent company	<u>\$ 409</u>	<u>\$ 53</u>

DANA INCORPORATED
Consolidated Balance Sheet
As of December 31, 2018 and December 31, 2017

(In millions, except share and per share amounts)

	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 510	\$ 603
Marketable securities	21	40
Accounts receivable		
Trade, less allowance for doubtful accounts of \$9 in 2018 and \$8 in 2017	1,065	994
Other	178	172
Inventories	1,031	969
Other current assets	102	97
Current assets of disposal group held for sale		7
Total current assets	2,907	2,882
Goodwill	264	127
Intangibles	164	174
Deferred tax assets	445	420
Other noncurrent assets	80	71
Investments in affiliates	208	163
Property, plant and equipment, net	1,850	1,807
Total assets	\$ 5,918	\$ 5,644
Liabilities and equity		
Current liabilities		
Short-term debt	\$ 8	\$ 17
Current portion of long-term debt	20	23
Accounts payable	1,217	1,165
Accrued payroll and employee benefits	186	219
Taxes on income	47	53
Other accrued liabilities	269	220
Current liabilities of disposal group held for sale		5
Total current liabilities	1,747	1,702
Long-term debt, less debt issuance costs of \$18 in 2018 and \$22 in 2017	1,755	1,759
Pension and postretirement obligations	561	607
Other noncurrent liabilities	313	413
Noncurrent liabilities of disposal group held for sale		2
Total liabilities	4,376	4,483
Commitments and contingencies		
Redeemable noncontrolling interests	100	47
Parent company stockholders' equity		
Preferred stock, 50,000,000 shares authorized, \$0.01 par value, no shares outstanding	-	-
Common stock, 450,000,000 shares authorized, \$0.01 par value, 144,663,403 and 144,984,050 shares outstanding	2	2
Additional paid-in capital	2,368	2,354
Retained earnings	456	86
Treasury stock, at cost (8,342,185 and 7,001,017 shares)	(119)	(87)
Accumulated other comprehensive loss	(1,362)	(1,342)
Total parent company stockholders' equity	1,345	1,013
Noncontrolling interests	97	101
Total equity	1,442	1,114
Total liabilities and equity	\$ 5,918	\$ 5,644

DANA INCORPORATED
Consolidated Statement of Cash Flows (Unaudited)
For the Three Months Ended December 31, 2018 and 2017

(In millions)	Three Months Ended	
	December 31,	
	2018	2017
Operating activities		
Net income (loss)	\$ 106	\$ (110)
Depreciation	73	58
Amortization of intangibles	2	3
Amortization of deferred financing charges	1	1
Earnings of affiliates, net of dividends received	(9)	(5)
Stock compensation expense	3	6
Deferred income taxes	(17)	169
Pension contributions, net	1	(2)
Loss on disposal group held for sale		27
Change in working capital	156	72
Change in other noncurrent assets and liabilities	(12)	(9)
Other, net	27	(17)
Net cash provided by operating activities	<u>331</u>	<u>193</u>
Investing activities		
Purchases of property, plant and equipment	(90)	(142)
Acquisition of businesses, net of cash acquired	(2)	(3)
Purchases of marketable securities	(1)	(12)
Proceeds from sales of marketable securities	9	
Proceeds from maturities of marketable securities	7	11
Net cash used in investing activities	<u>(77)</u>	<u>(146)</u>
Financing activities		
Net change in short-term debt	(8)	6
Repayment of long-term debt	(5)	
Deferred financing payments	(1)	
Dividends paid to common stockholders	(15)	(9)
Distributions to noncontrolling interests	(35)	(5)
Contributions from noncontrolling interests	3	
Other, net	3	1
Net cash used in financing activities	<u>(58)</u>	<u>(7)</u>
Net increase in cash, cash equivalents and restricted cash	196	40
Cash, cash equivalents and restricted cash – beginning of period	327	568
Effect of exchange rate changes on cash balances	(3)	2
Cash, cash equivalents and restricted cash – end of period	<u>\$ 520</u>	<u>\$ 610</u>

DANA INCORPORATED
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2018 and 2017

(In millions)	Year Ended	
	December 31,	
	2018	2017
Operating activities		
Net income	\$ 440	\$ 116
Depreciation	260	220
Amortization of intangibles	10	13
Amortization of deferred financing charges	4	5
Call premium on debt		15
Write-off of deferred financing costs		4
Earnings of affiliates, net of dividends received	(4)	(3)
Stock compensation expense	16	23
Deferred income taxes	(64)	179
Pension contributions, net	3	(6)
Impairment of indefinite-lived intangible asset	20	
Gain on sale of subsidiary		(3)
(Gain) loss on disposal group held for sale	(2)	27
Change in working capital	(113)	(8)
Change in other noncurrent assets and liabilities	(12)	(9)
Other, net	10	(19)
Net cash provided by operating activities	<u>568</u>	<u>554</u>
Investing activities		
Purchases of property, plant and equipment	(325)	(393)
Acquisition of businesses, net of cash acquired	(153)	(185)
Proceeds from previous acquisition	9	
Purchases of marketable securities	(37)	(35)
Proceeds from sales of marketable securities	15	1
Proceeds from maturities of marketable securities	37	27
Proceeds from sale of subsidiaries, net of cash disposed	(6)	3
Other, net	(2)	(1)
Net cash used in investing activities	<u>(462)</u>	<u>(583)</u>
Financing activities		
Net change in short-term debt	(21)	(90)
Proceeds from long-term debt		676
Repayment of long-term debt	(13)	(640)
Call premium on debt		(15)
Deferred financing payments	(1)	(9)
Dividends paid to common stockholders	(58)	(35)
Distributions to noncontrolling interests	(42)	(12)
Contributions from noncontrolling interests	25	
Payments to acquire redeemable noncontrolling interests	(43)	
Repurchases of common stock	(25)	
Other, net	(2)	5
Net cash used in financing activities	<u>(180)</u>	<u>(120)</u>
Net decrease in cash, cash equivalents and restricted cash	(74)	(149)
Cash, cash equivalents and restricted cash – beginning of period	610	716
Effect of exchange rate changes on cash balances	(16)	43
Cash, cash equivalents and restricted cash – end of period	<u>\$ 520</u>	<u>\$ 610</u>

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

(In millions)	Three Months Ended	
	December 31,	
	2018	2017
Net cash provided by operating activities	\$ 331	\$ 193
Purchase of property, plant and equipment	(90)	(142)
Free cash flow	241	51
Discretionary pension contributions	-	-
Adjusted free cash flow	\$ 241	\$ 51
	Year Ended	
	December 31,	
	2018	2017
Net cash provided by operating activities	\$ 568	\$ 554
Purchase of property, plant and equipment	(325)	(393)
Free cash flow	243	161
Discretionary pension contributions	-	-
Adjusted free cash flow	\$ 243	\$ 161
	2019 Guidance	
	Without	With
	ODS	ODS*
Net cash provided by operating activities	~ \$ 520	~ \$ 525
Purchase of property, plant and equipment	~ (350)	~ (415)
Free cash flow	170	110
Discretionary pension contributions	~ 165	~ 165
Adjusted free cash flow	~ \$ 335	~ \$ 275

* Guidance range with Oerlikon Drive Systems (ODS) assumes a March 1, 2019 transaction closing date.

DANA INCORPORATED
Segment Sales and Segment EBITDA (Unaudited)
For the Three Months Ended December 31, 2018 and 2017

(In millions)	Three Months Ended	
	December 31,	
	2018	2017
Sales		
Light Vehicle	\$ 873	\$ 803
Commercial Vehicle	395	355
Off-Highway	442	414
Power Technologies	263	265
Total Sales	<u>\$ 1,973</u>	<u>\$ 1,837</u>
Segment EBITDA		
Light Vehicle	\$ 101	\$ 86
Commercial Vehicle	32	25
Off-Highway	65	55
Power Technologies	32	36
Total Segment EBITDA	<u>230</u>	<u>202</u>
Corporate expense and other items, net	<u>(7)</u>	<u>(5)</u>
Adjusted EBITDA	<u>\$ 223</u>	<u>\$ 197</u>

DANA INCORPORATED
Segment Sales and Segment EBITDA
For the Year Ended December 31, 2018 and 2017

(In millions)	Year Ended	
	December 31,	
	2018	2017
Sales		
Light Vehicle	\$ 3,575	\$ 3,172
Commercial Vehicle	1,612	1,412
Off-Highway	1,844	1,521
Power Technologies	1,112	1,104
Total Sales	<u>\$ 8,143</u>	<u>\$ 7,209</u>
Segment EBITDA		
Light Vehicle	\$ 398	\$ 359
Commercial Vehicle	146	116
Off-Highway	285	212
Power Technologies	149	168
Total Segment EBITDA	<u>978</u>	<u>855</u>
Corporate expense and other items, net	<u>(21)</u>	<u>(20)</u>
Adjusted EBITDA	<u>\$ 957</u>	<u>\$ 835</u>

DANA INCORPORATED**Reconciliation of Segment and Adjusted EBITDA to Net Income (Unaudited)****For the Three Months Ended December 31, 2018 and 2017**

(In millions)	Three Months Ended	
	December 31,	
	2018	2017
Segment EBITDA	\$ 230	\$ 202
Corporate expense and other items, net	(7)	(5)
Adjusted EBITDA	223	197
Depreciation	(73)	(58)
Amortization of intangibles	(2)	(3)
Non-service cost components of pension and OPEB costs	(5)	
Restructuring charges, net	(8)	
Stock compensation expense	(3)	(6)
Strategic transaction expenses	(5)	(5)
Other items	(7)	(6)
Loss on disposal group held for sale		(27)
Earnings before interest and income taxes	120	92
Interest expense	25	23
Interest income	3	3
Earnings before income taxes	98	72
Income tax expense	3	189
Equity in earnings of affiliates	11	7
Net income (loss)	<u>\$ 106</u>	<u>\$ (110)</u>

DANA INCORPORATED**Reconciliation of Segment and Adjusted EBITDA to Net Income
For the Year Ended December 31, 2018 and 2017**

(In millions)	Year Ended	
	December 31,	
	2018	2017
Segment EBITDA	\$ 978	\$ 855
Corporate expense and other items, net	(21)	(20)
Adjusted EBITDA	957	835
Depreciation	(260)	(220)
Amortization of intangibles	(10)	(13)
Non-service cost components of pension and OPEB costs	(15)	
Restructuring charges, net	(25)	(14)
Stock compensation expense	(16)	(23)
Strategic transaction expenses, net of transaction breakup fee income	(18)	(25)
Acquisition related inventory adjustments		(14)
Other items	(17)	(11)
Gain (loss) on disposal group held for sale	3	(27)
Impairment of indefinite-lived intangible asset	(20)	
Amounts attributable to previously divested/closed operations		2
Earnings before interest and income taxes	579	490
Loss on extinguishment of debt		(19)
Interest expense	96	102
Interest income	11	11
Earnings before income taxes	494	380
Income tax expense	78	283
Equity in earnings of affiliates	24	19
Net income	\$ 440	\$ 116

DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Three Months Ended December 31, 2018 and 2017

(In millions, except per share amounts)

	Three Months Ended December 31,	
	2018	2017
Net income attributable to parent company	\$ 100	\$ (104)
Items impacting income before income taxes:		
Restructuring charges	8	
Amortization of intangibles	2	3
Strategic transaction expenses	5	5
Loss on disposal group held for sale		27
Income on sale of subsidiary		(3)
Other items	3	5
Items impacting income taxes:		
Net income tax expense on items above	(3)	(1)
U.S. tax reform legislation		186
Tax benefit attributable to utilization of federal tax credits, state tax law changes and valuation allowance adjustments	(5)	(27)
Tax benefit attributable to international legal entity reorganization, retroactive application of new tax authority administrative policy and permanent reinvestment assertions	(7)	8
Items impacting noncontrolling interests		(7)
Adjusted net income	<u>\$ 103</u>	<u>\$ 92</u>
Diluted shares - as reported	145.8	145.4
Adjustment - common stock equivalents	-	2.2
Adjusted diluted shares	<u>145.8</u>	<u>147.6</u>
Diluted adjusted EPS	\$ 0.71	\$ 0.62

DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Year Ended December 31, 2018 and 2017

(In millions, except per share amounts)

	Year Ended December 31,	
	2018	2017
Net income attributable to parent company	\$ 427	\$ 111
Items impacting income before income taxes:		
Restructuring charges	25	14
Amortization of intangibles	10	13
Strategic transaction expenses	18	25
Impairment of indefinite-lived intangible asset	20	
Loss on extinguishment of debt		19
Loss on disposal group held for sale		27
Income on sale of subsidiary		(3)
Acquisition related inventory adjustments		14
Other items	6	8
Items impacting income taxes:		
Net income tax expense on items above	(18)	(18)
U.S. tax reform legislation		186
Tax benefit attributable to utilization of federal tax credits, state tax law changes and valuation allowance adjustments	(51)	(27)
Tax benefit attributable to international legal entity reorganization, retroactive application of new tax authority administrative policy and permanent reinvestment assertions	(2)	8
Items impacting noncontrolling interests		(7)
Adjusted net income	<u>\$ 435</u>	<u>\$ 370</u>
Diluted shares - as reported	<u>146.5</u>	<u>146.9</u>
Adjusted diluted shares	<u>146.5</u>	<u>146.9</u>
Diluted adjusted EPS	\$ 2.97	\$ 2.52