

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, taxes, depreciation, amortization, equity grant expense, restructuring expense 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 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. We believe this measure is useful to investors in evaluating the operational cash flow of the company inclusive of the spending required to maintain the operations. Free cash flow is neither 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 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 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, 2016 and 2015

	Three Months Ended	
	December 31,	
	2016	2015
(In millions except per share amounts)		
Net sales	\$ 1,447	\$ 1,375
Costs and expenses		
Cost of sales	1,243	1,203
Selling, general and administrative expenses	103	92
Amortization of intangibles	2	1
Restructuring charges, net	13	2
Loss on sale of subsidiaries	(80)	
Other income (expense), net	9	(6)
Income before interest and income taxes	15	71
Interest income	5	2
Interest expense	29	27
Income (loss) from continuing operations before income taxes	(9)	46
Income tax expense (benefit)	(490)	92
Equity in earnings (losses) of affiliates	8	(37)
Income (loss) from continuing operations	489	(83)
Income from discontinued operations		4
Net income (loss)	489	(79)
Less: Noncontrolling interests net income	4	3
Net income (loss) attributable to the parent company	<u>\$ 485</u>	<u>\$ (82)</u>
Net income (loss) per share attributable to the parent company		
Basic:		
Income (loss) from continuing operations	\$ 3.37	\$ (0.57)
Income from discontinued operations	\$ -	\$ 0.03
Net income (loss)	\$ 3.37	\$ (0.54)
Diluted:		
Income (loss) from continuing operations	\$ 3.34	\$ (0.57)
Income from discontinued operations	\$ -	\$ 0.03
Net income (loss)	\$ 3.34	\$ (0.54)
Weighted-average shares outstanding - Basic	144.1	151.2
Weighted-average shares outstanding - Diluted	145.3	151.2
Dividends declared per common share	\$ 0.06	\$ 0.06

DANA INCORPORATED
Consolidated Statement of Operations
For the Year Ended December 31, 2016 and 2015

	Year Ended	
	December 31,	
	2016	2015
(In millions except per share amounts)		
Net sales	\$ 5,826	\$ 6,060
Costs and expenses		
Cost of sales	4,982	5,211
Selling, general and administrative expenses	406	391
Amortization of intangibles	8	14
Restructuring charges, net	36	15
Loss on sale of subsidiaries	(80)	
Impairment of long-lived assets		(36)
Other income, net	18	1
Income before interest and income taxes	332	394
Loss on extinguishment of debt	(17)	(2)
Interest income	13	13
Interest expense	113	113
Income from continuing operations before income taxes	215	292
Income tax expense (benefit)	(424)	82
Equity in earnings (losses) of affiliates	14	(34)
Income from continuing operations	653	176
Income from discontinued operations		4
Net income	653	180
Less: Noncontrolling interests net income	13	21
Net income attributable to the parent company	\$ 640	\$ 159
Net income per share attributable to the parent company		
Basic:		
Income from continuing operations	\$ 4.38	\$ 0.98
Income from discontinued operations	\$ -	\$ 0.02
Net income	\$ 4.38	\$ 1.00
Diluted:		
Income from continuing operations	\$ 4.36	\$ 0.97
Income from discontinued operations	\$ -	\$ 0.02
Net income	\$ 4.36	\$ 0.99
Weighted-average shares outstanding - Basic	146.0	159.0
Weighted-average shares outstanding - Diluted	146.8	160.0
Dividends declared per common share	\$ 0.24	\$ 0.23

DANA INCORPORATED
Consolidated Statement of Comprehensive Income (Unaudited)
For the Three Months Ended December 31, 2016 and 2015

(In millions)	Three Months Ended	
	December 31,	
	2016	2015
Net income (loss)	\$ 489	\$ (79)
Less: Noncontrolling interests net income	4	3
Net income (loss) attributable to the parent company	<u>485</u>	<u>(82)</u>
Other comprehensive income (loss) attributable to the parent company, net of tax:		
Currency translation adjustments	(35)	(30)
Hedging gains and losses	(9)	2
Investment and other gains and losses		2
Defined benefit plans	<u>(53)</u>	<u>(38)</u>
Other comprehensive loss attributable to the parent company	<u>(97)</u>	<u>(64)</u>
Other comprehensive income (loss) attributable to noncontrolling interests, net of tax:		
Currency translation adjustments	(4)	
Defined benefit plans	<u>1</u>	<u></u>
Other comprehensive loss attributable to noncontrolling interests	<u>(3)</u>	<u>-</u>
Total comprehensive income (loss) attributable to the parent company	388	(146)
Total comprehensive income attributable to noncontrolling interests	<u>1</u>	<u>3</u>
Total comprehensive income (loss)	<u>\$ 389</u>	<u>\$ (143)</u>

DANA INCORPORATED
Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2016 and 2015

(In millions)	Year Ended	
	December 31,	
	2016	2015
Net income	\$ 653	\$ 180
Less: Noncontrolling interests net income	13	21
Net income attributable to the parent company	<u>640</u>	<u>159</u>
Other comprehensive income (loss) attributable to the parent company, net of tax:		
Currency translation adjustments	(38)	(181)
Hedging gains and losses	(30)	5
Investment and other gains and losses	(2)	(3)
Defined benefit plans	<u>(40)</u>	<u>2</u>
Other comprehensive loss attributable to the parent company	<u>(110)</u>	<u>(177)</u>
Other comprehensive income (loss) attributable to noncontrolling interests, net of tax:		
Currency translation adjustments	(3)	(5)
Defined benefit plans	<u>1</u>	<u>1</u>
Other comprehensive loss attributable to noncontrolling interests	<u>(2)</u>	<u>(4)</u>
Total comprehensive income (loss) attributable to the parent company	530	(18)
Total comprehensive income attributable to noncontrolling interests	<u>11</u>	<u>17</u>
Total comprehensive income (loss)	<u>\$ 541</u>	<u>\$ (1)</u>

DANA INCORPORATED
Consolidated Balance Sheet
As of December 31, 2016 and 2015

(In millions except share and per share amounts)

	December 31,	
	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 707	\$ 791
Marketable securities	30	162
Accounts receivable		
Trade, less allowance for doubtful accounts of \$6 in 2016 and \$5 in 2015	721	673
Other	110	115
Inventories	638	625
Other current assets	78	65
Total current assets	2,284	2,431
Goodwill	90	80
Intangibles	109	102
Deferred tax assets	588	96
Other noncurrent assets	226	275
Investments in affiliates	150	150
Property, plant and equipment, net	1,413	1,167
Total assets	\$ 4,860	\$ 4,301
Liabilities and equity		
Current liabilities		
Notes payable, including current portion of long-term debt	\$ 69	\$ 22
Accounts payable	819	712
Accrued payroll and employee benefits	149	145
Taxes on income	15	17
Other accrued liabilities	201	193
Total current liabilities	1,253	1,089
Long-term debt, less debt issuance costs of \$21 in 2016 and 2015	1,595	1,553
Pension and postretirement obligations	565	521
Other noncurrent liabilities	205	307
Total liabilities	3,618	3,470
Commitments and contingencies		
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, 143,938,280 and 150,068,040 shares outstanding	2	2
Additional paid-in capital	2,327	2,311
Retained earnings (accumulated deficit)	195	(410)
Treasury stock, at cost (6,812,784 and 23,963 shares)	(83)	(1)
Accumulated other comprehensive loss	(1,284)	(1,174)
Total parent company stockholders' equity	1,157	728
Noncontrolling interests	85	103
Total equity	1,242	831
Total liabilities and equity	\$ 4,860	\$ 4,301

DANA INCORPORATED
Consolidated Statement of Cash Flows (Unaudited)
For the Three Months Ended December 31, 2016 and 2015

(In millions)	Three Months Ended	
	December 31,	
	2016	2015
Operating activities		
Net income (loss)	\$ 489	\$ (79)
Depreciation	44	41
Amortization of intangibles	2	2
Amortization of deferred financing charges	1	2
Earnings of affiliates, net of dividends received	(6)	
Stock compensation expense	6	
Deferred income taxes	(481)	87
Pension contributions, net	(4)	(4)
Loss on sale of subsidiaries	80	
Impairment of equity affiliate		39
Change in working capital	91	51
Change in other noncurrent assets and liabilities	(1)	(7)
Other, net	(19)	8
Net cash provided by operating activities (1)	202	140
Investing activities		
Purchases of property, plant and equipment (1)	(124)	(68)
Acquisition of business	(60)	
Purchases of marketable securities	(52)	(14)
Proceeds from sales of marketable securities		2
Proceeds from maturities of marketable securities	14	9
Proceeds from sale of subsidiaries	34	
Other	10	1
Net cash used in investing activities	(178)	(70)
Financing activities		
Net change in short-term debt	(5)	(8)
Repayment of long-term debt	(4)	(1)
Deferred financing payments	(1)	
Dividends paid to common stockholders	(9)	(10)
Distributions paid to noncontrolling interests	(1)	(1)
Repurchases of common stock		(66)
Other	4	1
Net cash used in financing activities	(16)	(85)
Net increase (decrease) in cash and cash equivalents	8	(15)
Cash and cash equivalents – beginning of period	727	817
Effect of exchange rate changes on cash balances	(28)	(11)
Cash and cash equivalents – end of period	\$ 707	\$ 791

(1) Free cash flow of \$78 in 2016 and \$72 in 2015 is the sum of net cash provided by operating activities reduced by the purchases of property, plant and equipment.

DANA INCORPORATED
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2016 and 2015

(In millions)	Year Ended	
	December 31,	
	2016	2015
Operating activities		
Net income	\$ 653	\$ 180
Depreciation	173	158
Amortization of intangibles	9	16
Amortization of deferred financing charges	5	5
Call premium on senior notes	12	2
Write-off of deferred financing costs	5	1
Earnings of affiliates, net of dividends received	(3)	12
Stock compensation expense	17	14
Deferred income taxes	(480)	(10)
Pension contributions, net	(16)	(18)
Loss on sale of subsidiaries	80	
Impairment of long-lived assets		36
Impairment of equity affiliate		39
Change in working capital	(51)	(41)
Change in other noncurrent assets and liabilities	(1)	(7)
Other, net	(19)	19
Net cash provided by operating activities (1)	384	406
Investing activities		
Purchases of property, plant and equipment (1)	(322)	(260)
Acquisition of businesses	(78)	
Purchases of marketable securities	(93)	(43)
Proceeds from sales of marketable securities	47	17
Proceeds from maturities of marketable securities	47	30
Proceeds from sale of subsidiaries	34	
Other		(2)
Net cash used in investing activities	(365)	(258)
Financing activities		
Net change in short-term debt	9	(5)
Repayment of letters of credit		(4)
Proceeds from long-term debt	441	18
Repayment of long-term debt	(382)	(60)
Call premium on senior notes	(12)	(2)
Deferred financing payments	(11)	
Dividends paid to common stockholders	(35)	(37)
Distributions paid to noncontrolling interests	(17)	(9)
Repurchases of common stock	(81)	(311)
Other		7
Net cash used in financing activities	(88)	(403)
Net decrease in cash and cash equivalents	(69)	(255)
Cash and cash equivalents – beginning of period	791	1,121
Effect of exchange rate changes on cash balances	(15)	(75)
Cash and cash equivalents – end of period	\$ 707	\$ 791

(1) Free cash flow of \$62 in 2016 and \$146 in 2015 is the sum of net cash provided by operating activities reduced by the purchases of property, plant and equipment.

DANA INCORPORATED
Segment Sales & Segment EBITDA (Unaudited)
For the Three Months Ended December 31, 2016 and 2015

(In millions)	Three Months Ended	
	December 31,	
	2016	2015
Sales		
Light Vehicle	\$ 694	\$ 599
Commercial Vehicle	278	302
Off-Highway	217	231
Power Technologies	258	243
Total Sales	<u>\$ 1,447</u>	<u>\$ 1,375</u>
Segment EBITDA		
Light Vehicle	\$ 77	\$ 69
Commercial Vehicle	15	(2)
Off-Highway	32	32
Power Technologies	38	32
Total Segment EBITDA	<u>162</u>	<u>131</u>
Corporate expense and other items, net	4	(2)
Adjusted EBITDA	<u>\$ 166</u>	<u>\$ 129</u>

DANA INCORPORATED
Segment Sales & Segment EBITDA
For the Year Ended December 31, 2016 and 2015

(In millions)	Year Ended	
	December 31,	
	2016	2015
Sales		
Light Vehicle	\$ 2,607	\$ 2,482
Commercial Vehicle	1,254	1,533
Off-Highway	909	1,040
Power Technologies	1,056	1,005
Total Sales	<u>\$ 5,826</u>	<u>\$ 6,060</u>
Segment EBITDA		
Light Vehicle	\$ 279	\$ 262
Commercial Vehicle	96	100
Off-Highway	129	147
Power Technologies	158	149
Total Segment EBITDA	<u>662</u>	<u>658</u>
Corporate expense and other items, net	<u>(2)</u>	<u>(6)</u>
Adjusted EBITDA	<u>\$ 660</u>	<u>\$ 652</u>

DANA INCORPORATED
Reconciliation of Segment and Adjusted EBITDA to Net Income (Unaudited)
For the Three Months Ended December 31, 2016 and 2015

(In millions)	Three Months Ended	
	December 31,	
	2016	2015
Segment EBITDA	\$ 162	\$ 131
Corporate expense and other items, net	4	(2)
Adjusted EBITDA	166	129
Depreciation	(44)	(41)
Amortization of intangibles	(2)	(2)
Restructuring	(13)	(2)
Stock compensation expense	(6)	
Strategic transaction expenses	(7)	(1)
Other items	1	(2)
Loss on sale of subsidiaries	(80)	
Distressed supplier costs		(8)
Amounts attributable to previously divested/closed operations		(2)
Interest expense	(29)	(27)
Interest income	5	2
Income (loss) from continuing operations before income taxes	(9)	46
Income tax expense (benefit)	(490)	92
Equity in earnings (losses) of affiliates	8	(37)
Income (loss) from continuing operations	489	(83)
Income from discontinued operations		4
Net income (loss)	\$ 489	\$ (79)

DANA INCORPORATED
Reconciliation of Segment and Adjusted EBITDA to Net Income
For the Year Ended December 31, 2016 and 2015

(In millions)	Year Ended	
	December 31,	
	2016	2015
Segment EBITDA	\$ 662	\$ 658
Corporate expense and other items, net	(2)	(6)
Adjusted EBITDA	660	652
Depreciation	(173)	(158)
Amortization of intangibles	(9)	(16)
Restructuring	(36)	(15)
Stock compensation expense	(17)	(14)
Strategic transaction expenses	(13)	(4)
Other items	(2)	(6)
Loss on sale of subsidiaries	(80)	
Impairment of long-lived assets		(36)
Distressed supplier costs	(1)	(8)
Amounts attributable to previously divested/closed operations	3	(6)
Loss on extinguishment of debt	(17)	(2)
Gain on derecognition of noncontrolling interest		5
Interest expense	(113)	(113)
Interest income	13	13
Income from continuing operations before income taxes	215	292
Income tax expense (benefit)	(424)	82
Equity in earnings (losses) of affiliates	14	(34)
Income from continuing operations	653	176
Income from discontinued operations		4
Net income	\$ 653	\$ 180

DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Three Months Ended December 31, 2016 and 2015

(In millions except per share amounts)

	Three Months Ended December 31,	
	2016	2015
Net income (loss) attributable to parent company	\$ 485	\$ (82)
Items impacting income before income taxes:		
Restructuring charges	13	2
Amortization of intangibles	2	2
Loss on sale of subsidiaries	80	
Impairment of equity method investment		39
Other items	7	9
Items impacting income taxes:		
Net Income tax expense on items above	(33)	2
Tax effects of legal entity restructuring	3	79
Release of U.S. valuation allowance	(501)	
Valuation allowance adjustments in other countries	23	
Other nonrecurring tax adjustments	6	
Adjusted net income	<u>\$ 85</u>	<u>\$ 51</u>
Diluted shares - as reported	<u>145</u>	<u>152</u>
Adjusted diluted shares	<u>145</u>	<u>152</u>
Diluted adjusted EPS	\$ 0.59	\$ 0.34

DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Year Ended December 31, 2016 and 2015

(In millions except per share amounts)

	Year Ended December 31,	
	2016	2015
Net income attributable to parent company	\$ 640	\$ 159
Items impacting income before income taxes:		
Restructuring charges	36	15
Amortization of intangibles	9	16
Loss on extinguishment of debt	17	2
Loss on sale of subsidiaries	80	
Impairment of long-lived assets		36
Impairment of equity method investment		39
Other items	9	23
Items impacting income taxes:		
Net Income tax expense on items above	(45)	(21)
Tax effects of legal entity restructuring	11	5
Release of U.S. valuation allowance	(501)	
Valuation allowance adjustments in other countries	23	
Other nonrecurring tax adjustments	6	
Items impacting noncontrolling interests net income:		
Gain on derecognition of noncontrolling interest		(5)
Correction of prior period understatement of noncontrolling interest		9
Adjusted net income	<u>\$ 285</u>	<u>\$ 278</u>
Diluted shares - as reported	<u>147</u>	<u>160</u>
Adjusted diluted shares	<u>147</u>	<u>160</u>
Diluted adjusted EPS	\$ 1.94	\$ 1.74