

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 March 31, 2017 and 2016

(In millions, except per share amounts)

	Three Months Ended	
	March 31,	
	2017	2016
Net sales	\$ 1,701	\$ 1,449
Costs and expenses		
Cost of sales	1,438	1,250
Selling, general and administrative expenses	121	98
Amortization of intangibles	2	2
Restructuring charges, net	2	1
Other expense, net	(9)	(2)
Income before interest and income taxes	129	96
Interest income	3	3
Interest expense	27	27
Income before income taxes	105	72
Income tax expense	30	24
Equity in earnings of affiliates	5	
Net income	80	48
Less: Noncontrolling interests net income	5	3
Less: Redeemable noncontrolling interest net income		
Net income attributable to the parent company	<u>\$ 75</u>	<u>\$ 45</u>
Net income per share attributable to the parent company		
Basic	\$ 0.52	\$ 0.30
Diluted	\$ 0.51	\$ 0.30
Weighted-average shares outstanding - Basic	144.6	149.4
Weighted-average shares outstanding - Diluted	145.9	149.9
Cash dividends declared per share	\$ 0.06	\$ 0.06

DANA INCORPORATED
Consolidated Statement of Comprehensive Income (Unaudited)
For the Three Months Ended March 31, 2017 and 2016

(In millions)

	Three Months Ended	
	March 31,	
	2017	2016
Net income	\$ 80	\$ 48
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	30	30
Hedging gains and losses	(4)	3
Investment and other gains and losses		2
Defined benefit plans	5	7
Other comprehensive income	31	42
Total comprehensive income	111	90
Less: Comprehensive income attributable to noncontrolling interests	(7)	(4)
Less: Comprehensive loss attributable to redeemable noncontrolling interest	1	
Comprehensive income attributable to the parent company	<u>\$ 105</u>	<u>\$ 86</u>

DANA INCORPORATED
Consolidated Balance Sheet (Unaudited)
As of March 31, 2017 and December 31, 2016

(In millions, except share and per share amounts)

	March 31, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 423	\$ 707
Marketable securities	31	30
Accounts receivable		
Trade, less allowance for doubtful accounts of \$7 in 2017 and \$6 in 2016	1,009	721
Other	129	110
Inventories	814	638
Other current assets	98	78
Total current assets	2,504	2,284
Goodwill	134	90
Intangibles	180	109
Deferred tax assets	578	588
Other noncurrent assets	60	226
Investments in affiliates	158	150
Property, plant and equipment, net	1,676	1,413
Total assets	\$ 5,290	\$ 4,860
Liabilities and equity		
Current liabilities		
Notes payable, including current portion of long-term debt	\$ 213	\$ 69
Accounts payable	1,028	819
Accrued payroll and employee benefits	150	149
Taxes on income	22	15
Other accrued liabilities	203	201
Total current liabilities	1,616	1,253
Long-term debt, less debt issuance costs of \$20 in 2017 and \$21 in 2016	1,623	1,595
Pension and postretirement obligations	569	565
Other noncurrent liabilities	255	205
Total liabilities	4,063	3,618
Commitments and contingencies		
Redeemable noncontrolling interest	44	
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, 144,541,593 and 143,938,280 shares outstanding	2	2
Additional paid-in capital	2,334	2,327
Retained earnings	82	195
Treasury stock, at cost (6,957,065 and 6,812,784 shares)	(86)	(83)
Accumulated other comprehensive loss	(1,254)	(1,284)
Total parent company stockholders' equity	1,078	1,157
Noncontrolling interests	105	85
Total equity	1,183	1,242
Total liabilities and equity	\$ 5,290	\$ 4,860

DANA INCORPORATED
Consolidated Statement of Cash Flows (Unaudited)
For the Three Months Ended March 31, 2017 and 2016

(In millions)	Three Months Ended	
	March 31,	
	2017	2016
Operating activities		
Net income	\$ 80	\$ 48
Depreciation	49	41
Amortization of intangibles	3	2
Amortization of deferred financing charges	1	1
Earnings of affiliates, net of dividends received	(5)	2
Stock compensation expense	4	2
Deferred income taxes	10	4
Pension contributions, net	(2)	(7)
Change in working capital	(133)	(128)
Other, net	4	8
Net cash provided by (used in) operating activities (1)	11	(27)
Investing activities		
Purchases of property, plant and equipment (1)	(96)	(71)
Acquisition of businesses, net of cash acquired	(184)	(18)
Purchases of marketable securities	(11)	(12)
Proceeds from sales of marketable securities		3
Proceeds from maturities of marketable securities	13	8
Other	(4)	(2)
Net cash used in investing activities	(282)	(92)
Financing activities		
Net change in short-term debt	(1)	11
Proceeds from long-term debt		32
Repayment of long-term debt	(17)	(24)
Dividends paid to common stockholders	(9)	(9)
Distributions paid to noncontrolling interests	(1)	(1)
Repurchases of common stock		(28)
Other	2	(1)
Net cash used in financing activities	(26)	(20)
Net decrease in cash and cash equivalents	(297)	(139)
Cash and cash equivalents – beginning of period	707	791
Effect of exchange rate changes on cash balances	13	17
Cash and cash equivalents – end of period	\$ 423	\$ 669

(1) Free cash flow of (\$85) in 2017 and (\$98) in 2016 is the sum of net cash provided by operating activities reduced by the purchases of property, plant and equipment.

DANA INCORPORATED
Segment Sales and Segment EBITDA (Unaudited)
For the Three Months Ended March 31, 2017 and 2016

(In millions)	Three Months Ended	
	March 31,	
	2017	2016
Sales		
Light Vehicle	\$ 761	\$ 613
Commercial Vehicle	329	333
Off-Highway	328	241
Power Technologies	283	262
Total Sales	<u>\$ 1,701</u>	<u>\$ 1,449</u>
Segment EBITDA		
Light Vehicle	\$ 89	\$ 58
Commercial Vehicle	28	26
Off-Highway	45	32
Power Technologies	50	35
Total Segment EBITDA	<u>212</u>	<u>151</u>
Corporate expense and other items, net	<u>(7)</u>	<u>(3)</u>
Adjusted EBITDA	<u>\$ 205</u>	<u>\$ 148</u>

DANA INCORPORATED**Reconciliation of Segment and Adjusted EBITDA to Net Income (Unaudited)****For the Three Months Ended March 31, 2017 and 2016**

(In millions)	Three Months Ended	
	March 31,	
	2017	2016
Segment EBITDA	\$ 212	\$ 151
Corporate expense and other items, net	(7)	(3)
Adjusted EBITDA	205	148
Depreciation	(49)	(41)
Amortization of intangibles	(3)	(2)
Restructuring	(2)	(1)
Stock compensation expense	(4)	(2)
Strategic transaction expenses	(11)	(2)
Acquisition related inventory adjustments	(6)	
Other items	(1)	(4)
Distressed supplier costs		(1)
Amounts attributable to previously divested/closed operations		1
Interest expense	(27)	(27)
Interest income	3	3
Income before income taxes	105	72
Income tax expense	30	24
Equity in earnings of affiliates	5	
Net income	\$ 80	\$ 48

DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Three Months Ended March 31, 2017 and 2016

(In millions, except per share amounts)

	Three Months Ended March 31,	
	2017	2016
Net income attributable to parent company	\$ 75	\$ 45
Items impacting income before income taxes:		
Restructuring charges	2	1
Amortization of intangibles	3	2
Strategic transaction expenses	11	2
Acquisition related inventory adjustments	6	
Other items		(2)
Items impacting income taxes:		
Net income tax expense on items above	(5)	
Tax effects of legal entity restructuring		3
Adjusted net income	<u>\$ 92</u>	<u>\$ 51</u>
Diluted shares - as reported	<u>146</u>	<u>150</u>
Adjusted diluted shares	<u>146</u>	<u>150</u>
Diluted adjusted EPS	\$ 0.63	\$ 0.34