

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 earnings before income taxes, net income or other results reported in accordance with GAAP. Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

Diluted adjusted EPS is a non-GAAP financial measure which we have defined as adjusted net income divided by adjusted diluted shares. We define adjusted net income as net income attributable to the parent company, excluding any nonrecurring income tax items, restructuring charges, amortization expense and other adjustments not related to our core operations (as used in adjusted EBITDA), net of any associated income tax effects. We define adjusted diluted shares as diluted shares as determined in accordance with GAAP based on adjusted net income. This measure is considered useful for purposes of providing investors, analysts and other interested parties with an indicator of ongoing financial performance that provides enhanced comparability to EPS reported by other companies. Diluted adjusted EPS is neither intended to represent nor be an alternative measure to diluted EPS reported 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, 2017 and 2016

(In millions, except per share amounts)

	Three Months Ended	
	December 31,	
	2017	2016
Net sales	\$ 1,837	\$ 1,447
Costs and expenses		
Cost of sales	1,583	1,243
Selling, general and administrative expenses	132	103
Amortization of intangibles	2	2
Restructuring charges, net		13
Loss on disposal group held for sale	(27)	
Loss on sale of subsidiaries		(80)
Other income (expense), net	(1)	9
Earnings before interest and income taxes	92	15
Interest income	3	5
Interest expense	23	29
Earnings (loss) before income taxes	72	(9)
Income tax expense (benefit)	189	(490)
Equity in earnings of affiliates	7	8
Net income (loss)	(110)	489
Less: Noncontrolling interests net loss	(3)	4
Less: Redeemable noncontrolling interests net loss	(3)	
Net income (loss) attributable to the parent company	<u>\$ (104)</u>	<u>\$ 485</u>
Net income (loss) per share available to common stockholders		
Basic	\$ (0.74)	\$ 3.37
Diluted	\$ (0.74)	\$ 3.34
Weighted-average shares outstanding - Basic	145.4	144.1
Weighted-average shares outstanding - Diluted	145.4	145.3
Cash dividends declared per share	\$ 0.06	\$ 0.06

DANA INCORPORATED
Consolidated Statement of Operations
For the Year Ended December 31, 2017 and 2016

(In millions, except per share amounts)

	Year Ended	
	December 31,	
	2017	2016
Net sales	\$ 7,209	\$ 5,826
Costs and expenses		
Cost of sales	6,147	4,982
Selling, general and administrative expenses	511	406
Amortization of intangibles	11	8
Restructuring charges, net	14	36
Loss on disposal group held for sale	(27)	
Loss on sale of subsidiaries		(80)
Other income (expense), net	(9)	18
Earnings before interest and income taxes	490	332
Loss on extinguishment of debt	(19)	(17)
Interest income	11	13
Interest expense	102	113
Earnings before income taxes	380	215
Income tax expense (benefit)	283	(424)
Equity in earnings of affiliates	19	14
Net income	116	653
Less: Noncontrolling interests net income	10	13
Less: Redeemable noncontrolling interests net loss	(5)	
Net income attributable to the parent company	<u>\$ 111</u>	<u>\$ 640</u>
Net income per share available to common stockholders		
Basic	\$ 0.72	\$ 4.38
Diluted	\$ 0.71	\$ 4.36
Weighted-average shares outstanding - Basic	145.1	146.0
Weighted-average shares outstanding - Diluted	146.9	146.8
Cash dividends declared per share	\$ 0.24	\$ 0.24

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

(In millions)

	Three Months Ended	
	December 31,	
	2017	2016
Net income	\$ (110)	\$ 489
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	(12)	(39)
Hedging gains and losses	(17)	(9)
Investment and other gains and losses	2	
Defined benefit plans	(35)	(52)
Other comprehensive loss	(62)	(100)
Total comprehensive income (loss)	(172)	389
Less: Comprehensive (income) loss attributable to noncontrolling interests	1	(1)
Less: Comprehensive loss attributable to redeemable noncontrolling interests	2	
Comprehensive income (loss) attributable to the parent company	<u>\$ (169)</u>	<u>\$ 388</u>

DANA INCORPORATED
Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2017 and 2016

(In millions)

	Year Ended	
	December 31,	
	2017	2016
Net income	\$ 116	\$ 653
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	(14)	(41)
Hedging gains and losses	(30)	(30)
Investment and other gains and losses	2	(2)
Defined benefit plans	(6)	(39)
Other comprehensive loss	<u>(48)</u>	<u>(112)</u>
Total comprehensive income	68	541
Less: Comprehensive income attributable to noncontrolling interests	(17)	(11)
Less: Comprehensive loss attributable to redeemable noncontrolling interests	2	
Comprehensive income attributable to the parent company	<u>\$ 53</u>	<u>\$ 530</u>

DANA INCORPORATED
Consolidated Balance Sheet
As of December 31, 2017 and December 31, 2016

(In millions, except share and per share amounts)

	December 31, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 603	\$ 707
Marketable securities	40	30
Accounts receivable		
Trade, less allowance for doubtful accounts of \$8 in 2017 and \$6 in 2016	994	721
Other	172	110
Inventories	969	638
Other current assets	97	78
Current assets of disposal group held for sale	7	
Total current assets	2,882	2,284
Goodwill	127	90
Intangibles	174	109
Deferred tax assets	420	588
Other noncurrent assets	71	226
Investments in affiliates	163	150
Property, plant and equipment, net	1,807	1,413
Total assets	\$ 5,644	\$ 4,860
Liabilities and equity		
Current liabilities		
Notes payable, including current portion of long-term debt	\$ 40	\$ 69
Accounts payable	1,165	819
Accrued payroll and employee benefits	219	149
Taxes on income	53	15
Other accrued liabilities	220	201
Current liabilities of disposal group held for sale	5	
Total current liabilities	1,702	1,253
Long-term debt, less debt issuance costs of \$22 in 2017 and \$21 in 2016	1,759	1,595
Pension and postretirement obligations	607	565
Other noncurrent liabilities	413	205
Noncurrent liabilities of disposal group held for sale	2	
Total liabilities	4,483	3,618
Commitments and contingencies		
Redeemable noncontrolling interest	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, 144,984,050 and 143,938,280 shares outstanding	2	2
Additional paid-in capital	2,354	2,327
Retained earnings	86	195
Treasury stock, at cost (7,001,017 and 6,812,784 shares)	(87)	(83)
Accumulated other comprehensive loss	(1,342)	(1,284)
Total parent company stockholders' equity	1,013	1,157
Noncontrolling interests	101	85
Total equity	1,114	1,242
Total liabilities and equity	\$ 5,644	\$ 4,860

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

(In millions)	Three Months Ended	
	December 31,	
	2017	2016
Operating activities		
Net income	\$ (110)	\$ 489
Depreciation	58	44
Amortization of intangibles	3	2
Amortization of deferred financing charges	1	1
Earnings of affiliates, net of dividends received	(5)	(6)
Stock compensation expense	6	6
Deferred income taxes	169	(481)
Pension contributions, net	(2)	(4)
Loss on sale of subsidiary		80
Loss on disposal group held for sale	27	
Change in working capital	72	91
Change in other noncurrent assets and liabilities	(9)	(1)
Other, net	(17)	(19)
Net cash provided by operating activities (1)	<u>193</u>	<u>202</u>
Investing activities		
Purchases of property, plant and equipment (1)	(142)	(124)
Acquisition of businesses, net of cash acquired	(3)	(60)
Purchases of marketable securities	(12)	(52)
Proceeds from maturities of marketable securities	11	14
Proceeds from sale of subsidiary		34
Other	3	10
Net cash used in investing activities	<u>(143)</u>	<u>(178)</u>
Financing activities		
Net change in short-term debt	6	(5)
Repayment of long-term debt		(4)
Deferred financing payments		(1)
Dividends paid to common stockholders	(9)	(9)
Distributions to noncontrolling interests	(5)	(1)
Other	1	4
Net cash used in financing activities	<u>(7)</u>	<u>(16)</u>
Net increase in cash and cash equivalents	43	8
Cash and cash equivalents – beginning of period	558	727
Effect of exchange rate changes on cash balances	2	(28)
Cash and cash equivalents – end of period	<u>\$ 603</u>	<u>\$ 707</u>

(1) Free cash flow of \$51 in 2017 and \$78 in 2016 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, 2017 and 2016

(In millions)	Year Ended	
	December 31,	
	2017	2016
Operating activities		
Net income	\$ 116	\$ 653
Depreciation	220	173
Amortization of intangibles	13	9
Amortization of deferred financing charges	5	5
Call premium on debt	15	12
Write-off of deferred financing costs	4	5
Earnings of affiliates, net of dividends received	(3)	(3)
Stock compensation expense	23	17
Deferred income taxes	179	(480)
Pension contributions, net	(6)	(16)
(Gain) loss on sale of subsidiary	(3)	80
Loss on disposal group held for sale	27	
Change in working capital	(8)	(51)
Change in other noncurrent assets and liabilities	(9)	(1)
Other, net	(19)	(19)
Net cash provided by operating activities (1)	554	384
Investing activities		
Purchases of property, plant and equipment (1)	(393)	(322)
Acquisition of businesses, net of cash acquired	(187)	(78)
Purchases of marketable securities	(35)	(93)
Proceeds from sales of marketable securities	1	47
Proceeds from maturities of marketable securities	27	47
Proceeds from sale of subsidiary	3	34
Other	3	
Net cash used in investing activities	(581)	(365)
Financing activities		
Net change in short-term debt	(90)	9
Proceeds from long-term debt	676	441
Repayment of long-term debt	(640)	(382)
Call premium on debt	(15)	(12)
Deferred financing payments	(9)	(11)
Dividends paid to common stockholders	(35)	(35)
Distributions to noncontrolling interests	(12)	(17)
Repurchases of common stock		(81)
Other	5	
Net cash used in financing activities	(120)	(88)
Net decrease in cash and cash equivalents	(147)	(69)
Cash and cash equivalents – beginning of period	707	791
Effect of exchange rate changes on cash balances	43	(15)
Cash and cash equivalents – end of period	\$ 603	\$ 707

(1) Free cash flow of \$161 in 2017 and \$62 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 December 31, 2017 and 2016

(In millions)	Three Months Ended	
	December 31,	
	2017	2016
Sales		
Light Vehicle	\$ 803	\$ 694
Commercial Vehicle	355	278
Off-Highway	414	217
Power Technologies	265	258
Total Sales	<u>\$ 1,837</u>	<u>\$ 1,447</u>
Segment EBITDA		
Light Vehicle	\$ 86	\$ 77
Commercial Vehicle	25	15
Off-Highway	55	32
Power Technologies	36	38
Total Segment EBITDA	<u>202</u>	<u>162</u>
Corporate expense and other items, net	<u>(5)</u>	<u>4</u>
Adjusted EBITDA	<u>\$ 197</u>	<u>\$ 166</u>

DANA INCORPORATED
Segment Sales and Segment EBITDA
For the Year Ended December 31, 2017 and 2016

(In millions)	Year Ended	
	December 31,	
	2017	2016
Sales		
Light Vehicle	\$ 3,172	\$ 2,607
Commercial Vehicle	1,412	1,254
Off-Highway	1,521	909
Power Technologies	1,104	1,056
Total Sales	<u>\$ 7,209</u>	<u>\$ 5,826</u>
Segment EBITDA		
Light Vehicle	\$ 359	\$ 279
Commercial Vehicle	116	96
Off-Highway	212	129
Power Technologies	168	158
Total Segment EBITDA	<u>855</u>	<u>662</u>
Corporate expense and other items, net	<u>(20)</u>	<u>(2)</u>
Adjusted EBITDA	<u>\$ 835</u>	<u>\$ 660</u>

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

(In millions)	Three Months Ended	
	December 31,	
	2017	2016
Segment EBITDA	\$ 202	\$ 162
Corporate expense and other items, net	(5)	4
Adjusted EBITDA	197	166
Depreciation	(58)	(44)
Amortization of intangibles	(3)	(2)
Restructuring charges, net		(13)
Stock compensation expense	(6)	(6)
Strategic transaction expenses	(5)	(7)
Loss on disposal group held for sale	(27)	
Loss on sale of subsidiaries		(80)
Other items	(6)	1
Earnings before interest and income taxes	92	15
Interest expense	(23)	(29)
Interest income	3	5
Earnings (loss) before income taxes	72	(9)
Income tax expense (benefit)	189	(490)
Equity in earnings of affiliates	7	8
Net income (loss)	\$ (110)	\$ 489

DANA INCORPORATED
Reconciliation of Segment and Adjusted EBITDA to Net Income
For the Year Ended December 31, 2017 and 2016

(In millions)	Year Ended	
	December 31,	
	2017	2016
Segment EBITDA	\$ 855	\$ 662
Corporate expense and other items, net	(20)	(2)
Adjusted EBITDA	835	660
Depreciation	(220)	(173)
Amortization of intangibles	(13)	(9)
Restructuring charges, net	(14)	(36)
Stock compensation expense	(23)	(17)
Strategic transaction expenses	(25)	(13)
Acquisition related inventory adjustments	(14)	
Loss on disposal group held for sale	(27)	
Loss on sale of subsidiaries		(80)
Other items	(9)	
Earnings before interest and income taxes	490	332
Loss on extinguishment of debt	(19)	(17)
Interest expense	(102)	(113)
Interest income	11	13
Earnings before income taxes	380	215
Income tax expense (benefit)	283	(424)
Equity in earnings of affiliates	19	14
Net income	\$ 116	\$ 653

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

(In millions, except per share amounts)

	Three Months Ended December 31,	
	2017	2016
Net income attributable to parent company	\$ (104)	\$ 485
Items impacting income before income taxes:		
Restructuring charges		13
Amortization of intangibles	3	2
Loss on disposal group held for sale	27	
Loss on sale of subsidiary		80
Strategic transaction expenses	5	7
Other items	2	
Items impacting income taxes:		
Net income tax benefits on items above	(1)	(33)
U.S. tax reform legislation	186	
Release of U.S. federal valuation allowance		(501)
Valuation allowance (release) provision, net	(27)	23
Other nonrecurring tax adjustments	8	9
Items impacting noncontrolling interests	(7)	
Adjusted net income	<u>\$ 92</u>	<u>\$ 85</u>
Diluted shares - as reported	145.4	145.3
Adjustment - common stock equivalents	2.2	
Adjusted diluted shares	<u>147.6</u>	<u>145.3</u>
Diluted adjusted EPS	\$ 0.62	\$ 0.59

DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Year Ended December 31, 2017 and 2016

(In millions, except per share amounts)

	Year Ended December 31,	
	2017	2016
Net income attributable to parent company	\$ 111	\$ 640
Items impacting income before income taxes:		
Restructuring charges	14	36
Amortization of intangibles	13	9
Loss on extinguishment of debt	19	17
Loss on disposal group held for sale	27	
Loss (income) on sale of subsidiary	(3)	80
Strategic transaction expenses	25	13
Acquisition related inventory adjustments	14	
Other items	8	(4)
Items impacting income taxes:		
Net income tax benefits on items above	(18)	(45)
U.S. tax reform legislation	186	
Release of U.S. federal valuation allowance		(501)
Valuation allowance (release) provision, net	(27)	23
Other nonrecurring tax adjustments	8	17
Items impacting noncontrolling interests	(7)	
Adjusted net income	<u>\$ 370</u>	<u>\$ 285</u>
Diluted shares - as reported	<u>146.9</u>	<u>146.8</u>
Adjusted diluted shares	<u>146.9</u>	<u>146.8</u>
Diluted adjusted EPS	\$ 2.52	\$ 1.94