

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 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 June 30, 2018 and 2017

(In millions, except per share amounts)

	Three Months Ended	
	June 30,	
	2018	2017
Net sales	\$ 2,054	\$ 1,840
Costs and expenses		
Cost of sales	1,746	1,563
Selling, general and administrative expenses	134	133
Amortization of intangibles	2	3
Restructuring charges, net	7	10
Impairment of indefinite-lived intangible asset	(20)	
Adjustment in fair value of disposal group held for sale	3	
Other expense, net	(10)	(1)
Earnings before interest and income taxes	138	130
Loss on extinguishment of debt		(6)
Interest income	2	2
Interest expense	23	27
Earnings before income taxes	117	99
Income tax expense (benefit)	(4)	31
Equity in earnings of affiliates	6	5
Net income	127	73
Less: Noncontrolling interests net income	3	5
Less: Redeemable noncontrolling interests net loss		(3)
Net income attributable to the parent company	<u>\$ 124</u>	<u>\$ 71</u>
Net income per share available to common stockholders		
Basic	\$ 0.85	\$ 0.48
Diluted	\$ 0.85	\$ 0.47
Weighted-average shares outstanding - Basic	145.1	144.8
Weighted-average shares outstanding - Diluted	146.5	146.2
Cash dividends declared per share	\$ 0.10	\$ 0.06

DANA INCORPORATED
Consolidated Statement of Operations (Unaudited)
For the Six Months Ended June 30, 2018 and 2017

(In millions, except per share amounts)

	Six Months Ended	
	June 30,	
	2018	2017
Net sales	\$ 4,192	\$ 3,541
Costs and expenses		
Cost of sales	3,577	3,000
Selling, general and administrative expenses	264	253
Amortization of intangibles	4	5
Restructuring charges, net	8	12
Impairment of indefinite-lived intangible asset	(20)	
Adjustment in fair value of disposal group held for sale	3	
Other expense, net	(10)	(12)
Earnings before interest and income taxes	312	259
Loss on extinguishment of debt		(6)
Interest income	5	5
Interest expense	47	54
Earnings before income taxes	270	204
Income tax expense	44	61
Equity in earnings of affiliates	12	10
Net income	238	153
Less: Noncontrolling interests net income	5	10
Less: Redeemable noncontrolling interests net income (loss)	1	(3)
Net income attributable to the parent company	<u>\$ 232</u>	<u>\$ 146</u>
Net income per share available to common stockholders		
Basic	\$ 1.60	\$ 1.00
Diluted	\$ 1.58	\$ 0.99
Weighted-average shares outstanding - Basic	145.3	144.7
Weighted-average shares outstanding - Diluted	147.0	146.1
Cash dividends declared per share	\$ 0.20	\$ 0.12

DANA INCORPORATED
Consolidated Statement of Comprehensive Income (Unaudited)
For the Three Months Ended June 30, 2018 and 2017

	Three Months Ended	
	June 30,	
	2018	2017
(In millions)		
Net income	\$ 127	\$ 73
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	(56)	(31)
Hedging gains and losses	(6)	5
Defined benefit plans	6	5
Other comprehensive loss	(56)	(21)
Total comprehensive income	71	52
Less: Comprehensive (income) loss attributable to noncontrolling interests	2	(6)
Less: Comprehensive loss attributable to redeemable noncontrolling interests	2	
Comprehensive income attributable to the parent company	\$ 75	\$ 46

DANA INCORPORATED
Consolidated Statement of Comprehensive Income (Unaudited)
For the Six Months Ended June 30, 2018 and 2017

(In millions)	Six Months Ended	
	June 30,	
	2018	2017
Net income	\$ 238	\$ 153
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	(46)	(1)
Hedging gains and losses	(14)	1
Defined benefit plans	13	10
Other comprehensive income (loss)	(47)	10
Total comprehensive income	191	163
Less: Comprehensive income attributable to noncontrolling interests		(13)
Less: Comprehensive loss attributable to redeemable noncontrolling interests		1
Comprehensive income attributable to the parent company	<u>\$ 191</u>	<u>\$ 151</u>

DANA INCORPORATED
Consolidated Balance Sheet (Unaudited)
As of June 30, 2018 and December 31, 2017

(In millions, except share and per share amounts)

	June 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 339	\$ 603
Marketable securities	37	40
Accounts receivable		
Trade, less allowance for doubtful accounts of \$9 in 2018 and \$8 in 2017	1,231	994
Other	180	172
Inventories	1,046	969
Other current assets	104	97
Current assets of disposal group held for sale	10	7
Total current assets	2,947	2,882
Goodwill	211	127
Intangibles	177	174
Deferred tax assets	453	420
Other noncurrent assets	70	71
Investments in affiliates	260	163
Property, plant and equipment, net	1,806	1,807
Total assets	\$ 5,924	\$ 5,644
Liabilities and equity		
Current liabilities		
Short-term debt and current portion of long-term debt	\$ 44	\$ 40
Accounts payable	1,244	1,165
Accrued payroll and employee benefits	187	219
Taxes on income	85	53
Other accrued liabilities	246	220
Current liabilities of disposal group held for sale	6	5
Total current liabilities	1,812	1,702
Long-term debt, less debt issuance costs of \$20 in 2018 and \$22 in 2017	1,765	1,759
Pension and postretirement obligations	578	607
Other noncurrent liabilities	367	413
Noncurrent liabilities of disposal group held for sale	2	2
Total liabilities	4,524	4,483
Commitments and contingencies		
Redeemable noncontrolling interests	149	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, 144,544,641 and 144,984,050 shares outstanding	2	2
Additional paid-in capital	2,356	2,354
Retained earnings	290	86
Treasury stock, at cost (8,255,763 and 7,001,017 shares)	(118)	(87)
Accumulated other comprehensive loss	(1,385)	(1,342)
Total parent company stockholders' equity	1,145	1,013
Noncontrolling interests	106	101
Total equity	1,251	1,114
Total liabilities and equity	\$ 5,924	\$ 5,644

DANA INCORPORATED
Consolidated Statement of Cash Flows (Unaudited)
For the Three Months Ended June 30, 2018 and 2017

(In millions)	Three Months Ended	
	June 30,	
	2018	2017
Operating activities		
Net income	\$ 127	\$ 73
Depreciation	60	55
Amortization of intangibles	2	3
Amortization of deferred financing charges	1	2
Call premium on debt		5
Write-off of deferred financing costs		1
Earnings of affiliates, net of dividends received	10	3
Stock compensation expense	5	6
Deferred income taxes	(57)	(5)
Pension contributions, net	1	(1)
Impairment of indefinite-lived intangible asset	20	
Gain on sale of subsidiary		(3)
Adjustment in fair value of disposal group held for sale	(2)	
Change in working capital	(16)	29
Other, net	(10)	1
Net cash provided by operating activities (1)	141	169
Investing activities		
Purchases of property, plant and equipment (1)	(80)	(73)
Acquisition of businesses, net of cash acquired	(151)	
Proceeds from previous acquisition	9	
Proceeds from sale of subsidiary		3
Purchases of marketable securities	(12)	(6)
Proceeds from sales of marketable securities	2	1
Proceeds from maturities of marketable securities	12	
Other, net		1
Net cash used in investing activities	(220)	(74)
Financing activities		
Net change in short-term debt	2	(78)
Proceeds from long-term debt		400
Repayment of long-term debt	(1)	(271)
Call premium on debt		(5)
Deferred financing payments		(6)
Dividends paid to common stockholders	(14)	(8)
Distributions paid to noncontrolling interests	(3)	(2)
Repurchases of common stock	(25)	
Other, net	(1)	(1)
Net cash provided by (used in) financing activities	(42)	29
Net increase (decrease) in cash, cash equivalents and restricted cash	(121)	124
Cash, cash equivalents and restricted cash – beginning of period (2)	491	436
Effect of exchange rate changes on cash balances	(27)	17
Less: Cash contributed to disposal group held for sale		
Cash, cash equivalents and restricted cash – end of period (2)	\$ 343	\$ 577

(1) Free cash flow of \$61 in 2018 and \$96 in 2017 is the sum of net cash provided by operating activities reduced by the purchases of property, plant and equipment.

(2) Includes restricted cash of \$4 at June 30, 2018, \$12 at March 31, 2018, \$9 at June 30, 2017 and \$13 at March 31, 2017.

DANA INCORPORATED
Consolidated Statement of Cash Flows (Unaudited)
For the Six Months Ended June 30, 2018 and 2017

(In millions)	Six Months Ended	
	June 30,	
	2018	2017
Operating activities		
Net income	\$ 238	\$ 153
Depreciation	124	104
Amortization of intangibles	5	6
Amortization of deferred financing charges	2	3
Call premium on debt		5
Write-off of deferred financing costs		1
Earnings of affiliates, net of dividends received	5	(2)
Stock compensation expense	9	10
Deferred income taxes	(45)	5
Pension contributions, net	1	(3)
Impairment of indefinite-lived intangible asset	20	
Gain on sale of subsidiary		(3)
Adjustment in fair value of disposal group held for sale	(2)	
Change in working capital	(232)	(104)
Other, net	(12)	5
Net cash provided by operating activities (1)	113	180
Investing activities		
Purchases of property, plant and equipment (1)	(145)	(169)
Acquisition of businesses, net of cash acquired	(151)	(182)
Proceeds from previous acquisition	9	
Proceeds from sale of subsidiary		3
Purchases of marketable securities	(29)	(17)
Proceeds from sales of marketable securities	6	1
Proceeds from maturities of marketable securities	23	13
Other, net		(1)
Net cash used in investing activities	(287)	(352)
Financing activities		
Net change in short-term debt	(5)	(79)
Proceeds from long-term debt		400
Repayment of long-term debt	(2)	(288)
Call premium on debt		(5)
Deferred financing payments		(6)
Dividends paid to common stockholders	(29)	(17)
Distributions paid to noncontrolling interests	(4)	(3)
Repurchases of common stock	(25)	
Other, net	(5)	1
Net cash provided by (used in) financing activities	(70)	3
Net decrease in cash, cash equivalents and restricted cash	(244)	(169)
Cash, cash equivalents and restricted cash – beginning of period (2)	610	716
Effect of exchange rate changes on cash balances	(13)	30
Less: Cash contributed to disposal group held for sale	(10)	
Cash, cash equivalents and restricted cash – end of period (2)	\$ 343	\$ 577

(1) Free cash flow of (\$32) in 2018 and \$11 in 2017 is the sum of net cash provided by operating activities reduced by the purchases of property, plant and equipment.

(2) Includes restricted cash of \$4 at June 30, 2018, \$7 at December 31, 2017, \$9 at June 30, 2017 and \$9 at December 31, 2016.

DANA INCORPORATED
Segment Sales and Segment EBITDA (Unaudited)
For the Three Months Ended June 30, 2018 and 2017

(In millions)	Three Months Ended	
	June 30,	
	2018	2017
Sales		
Light Vehicle	\$ 873	\$ 803
Commercial Vehicle	411	357
Off-Highway	485	395
Power Technologies	285	285
Total Sales	<u>\$ 2,054</u>	<u>\$ 1,840</u>
Segment EBITDA		
Light Vehicle	\$ 92	\$ 93
Commercial Vehicle	41	30
Off-Highway	79	57
Power Technologies	39	41
Total Segment EBITDA	<u>251</u>	<u>221</u>
Corporate expense and other items, net	<u>(5)</u>	<u>(4)</u>
Adjusted EBITDA	<u>\$ 246</u>	<u>\$ 217</u>

DANA INCORPORATED
Segment Sales and Segment EBITDA (Unaudited)
For the Six Months Ended June 30, 2018 and 2017

(In millions)	Six Months Ended	
	June 30,	
	2018	2017
Sales		
Light Vehicle	\$ 1,823	\$ 1,564
Commercial Vehicle	811	686
Off-Highway	977	723
Power Technologies	581	568
Total Sales	<u>\$ 4,192</u>	<u>\$ 3,541</u>
Segment EBITDA		
Light Vehicle	\$ 195	\$ 182
Commercial Vehicle	75	58
Off-Highway	151	102
Power Technologies	84	91
Total Segment EBITDA	<u>505</u>	<u>433</u>
Corporate expense and other items, net	<u>(11)</u>	<u>(11)</u>
Adjusted EBITDA	<u>\$ 494</u>	<u>\$ 422</u>

DANA INCORPORATED**Reconciliation of Segment and Adjusted EBITDA to Net Income (Unaudited)****For the Three Months Ended June 30, 2018 and 2017**

(In millions)	Three Months Ended	
	June 30,	
	2018	2017
Segment EBITDA	\$ 251	\$ 221
Corporate expense and other items, net	(5)	(4)
Adjusted EBITDA	246	217
Depreciation	(60)	(55)
Amortization of intangibles	(2)	(3)
Non-service cost components of pension and OPEB costs	(4)	
Restructuring	(7)	(10)
Stock compensation expense	(5)	(6)
Strategic transaction expenses	(8)	(6)
Acquisition related inventory adjustments		(8)
Impairment of indefinite-lived intangible asset	(20)	
Other items	(2)	1
Earnings before interest and income taxes	138	130
Loss on extinguishment of debt		(6)
Interest expense	(23)	(27)
Interest income	2	2
Earnings before income taxes	117	99
Income tax expense (benefit)	(4)	31
Equity in earnings of affiliates	6	5
Net income	<u>\$ 127</u>	<u>\$ 73</u>

DANA INCORPORATED**Reconciliation of Segment and Adjusted EBITDA to Net Income (Unaudited)****For the Six Months Ended June 30, 2018 and 2017**

(In millions)	Six Months Ended	
	June 30,	
	2018	2017
Segment EBITDA	\$ 505	\$ 433
Corporate expense and other items, net	(11)	(11)
Adjusted EBITDA	494	422
Depreciation	(124)	(104)
Amortization of intangibles	(5)	(6)
Non-service cost components of pension and OPEB costs	(7)	
Restructuring	(8)	(12)
Stock compensation expense	(9)	(10)
Strategic transaction expenses, net of transaction breakup fee income	(7)	(17)
Acquisition related inventory adjustments		(14)
Impairment of indefinite-lived intangible asset	(20)	
Other items	(2)	
Earnings before interest and income taxes	312	259
Loss on extinguishment of debt		(6)
Interest expense	(47)	(54)
Interest income	5	5
Earnings before income taxes	270	204
Income tax expense	44	61
Equity in earnings of affiliates	12	10
Net income	<u>\$ 238</u>	<u>\$ 153</u>

DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Three Months Ended June 30, 2018 and 2017

(In millions, except per share amounts)

	Three Months Ended June 30,	
	2018	2017
Net income attributable to parent company	\$ 124	\$ 71
Items impacting income before income taxes:		
Restructuring charges	7	10
Amortization of intangibles	2	3
Strategic transaction expenses	8	6
Impairment of indefinite-lived intangible asset	20	
Loss on extinguishment of debt		6
Acquisition related inventory adjustments		8
Other items	(2)	
Items impacting income taxes:		
Net income tax expense on items above	(9)	(4)
Tax benefit attributable to utilization of federal tax credits, state tax law changes and associated valuation allowance release	(46)	
Tax expense attributable to international legal entity reorganization and retroactive application of new tax authority administrative policy	5	
Adjusted net income	<u>\$ 109</u>	<u>\$ 100</u>
Diluted shares - as reported	<u>146.5</u>	<u>146.2</u>
Adjusted diluted shares	<u>146.5</u>	<u>146.2</u>
Diluted adjusted EPS	\$ 0.74	\$ 0.68

DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Six Months Ended June 30, 2018 and 2017

(In millions, except per share amounts)

	Six Months Ended	
	June 30,	
	2018	2017
Net income attributable to parent company	\$ 232	\$ 146
Items impacting income before income taxes:		
Restructuring charges	8	12
Amortization of intangibles	5	6
Strategic transaction expenses	7	17
Impairment of indefinite-lived intangible asset	20	
Loss on extinguishment of debt		6
Acquisition related inventory adjustments		14
Other items	(2)	
Items impacting income taxes:		
Net income tax expense on items above	(10)	(9)
Tax benefit attributable to utilization of federal tax credits, state tax law changes and associated valuation allowance release	(46)	
Tax expense attributable to international legal entity reorganization and retroactive application of new tax authority administrative policy	5	
Adjusted net income	<u>\$ 219</u>	<u>\$ 192</u>
Diluted shares - as reported	<u>147.0</u>	<u>146.1</u>
Adjusted diluted shares	<u>147.0</u>	<u>146.1</u>
Diluted adjusted EPS	\$ 1.49	\$ 1.31