

LISTING PARTICULARS

€325,000,000

Dana Financing Luxembourg S.à r.l.



3.000% Senior Notes due 2029 Fully and unconditionally guaranteed by Dana Incorporated

Dana Financing Luxembourg S.à r.l., a private limited liability company (*société à responsabilité limitée*) governed by the laws of the Grand Duchy of Luxembourg, having its registered office at 1, rue Hildegard von Bingen, L-1282 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register under number B 205146 (the “Issuer”), is offering €325,000,000 aggregate principal amount of its 3.000% Senior Notes due 2029 (the “notes”). Dana Financing Luxembourg S.à r.l. is a wholly owned subsidiary of Dana Incorporated. Interest on the notes is payable on January 15 and July 15 of each year, beginning on January 15, 2022. The notes will mature on July 15, 2029. The notes will be fully and unconditionally guaranteed by Dana Incorporated (the “Company”). Interest will be computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the notes (or the Issue Date, if no interest has been paid on the notes).

At any time on or after July 15, 2024, the Issuer may redeem some or all of the notes at the redemption prices set forth in the offering memorandum, plus accrued and unpaid interest. Prior to July 15, 2024, the Issuer may redeem some or all of the notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, plus a “make-whole” premium. In addition, prior to July 15, 2024, the Issuer may redeem up to 40% of the original aggregate principal amount of the notes (which includes additional notes, if any) in an amount not to exceed the amount of the proceeds of certain equity offerings at the redemption price set forth in the offering memorandum, plus accrued and unpaid interest. Upon the occurrence of certain events constituting a change of control, holders of the notes will have the right to require the Issuer to repurchase all or any part of their notes at a repurchase price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest.

The notes and related guarantee will be our unsecured senior obligations and will rank equally in right of payment with all of our existing and future unsecured senior indebtedness. The notes and guarantee will be effectively subordinated to any of our secured indebtedness, to the extent of the asset value securing such indebtedness, and structurally subordinated to all of the debt and other liabilities of the Company’s subsidiaries other than the Issuer.

We intend to use the net proceeds from this offering, together with cash on hand, to (i) redeem all of the Issuer’s outstanding 6.500% Senior Notes due 2026 and (ii) pay related fees and expenses. See “Use of Proceeds.”

The date of this listing particulars is June 14, 2021.

Issue Price: 100.000% plus accrued interest, if any, from May 28, 2021.

Investing in the notes involves risks. See “Risk Factors” beginning on page 16.

These listing particulars should be read in conjunction with the Offering Memorandum, which together with this document constitutes the “Listing Particulars” relating to the Notes. Where there is any conflict between the terms of this document and the Offering Memorandum, this document will supersede the Offering Memorandum. Capitalized terms used in this document and not defined herein shall have the meanings ascribed to them in the Offering Memorandum. The Notes are described fully in “Description of the Notes” in the Offering Memorandum.

You should rely only on the information provided in these Listing Particulars. We have not authorized anyone else to provide you with different information. No information (including, without limitation, the information on our website) is incorporated by reference into these Listing Particulars. The notes have not been, and will not be, registered under the Securities Act of 1933, as amended (the “Securities Act”), and the notes are being offered and sold only to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The notes are not transferable except in accordance with the restrictions described under “Transfer Restrictions.”

We are not obligated under any registration rights agreement or other obligation to register the notes for resale or to exchange the notes for notes registered under the Securities Act or the securities laws of any other jurisdiction.

Currently, there is no public market for the notes. Application will be made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange (the “LSE”) and for the notes to be admitted to trading on the Luxembourg Stock Exchange’s Euro MTF Market (“Euro MTF”). The

<http://www.oblible.com>

Euro MTF is not a regulated market pursuant to the provisions of Directive 2014/65/EU. This listing particulars constitutes a prospectus for the purpose of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019.

Delivery of the notes to investors was made on May 28, 2021 in book entry form through the facilities of Euroclear Bank SA/NV (“Euroclear”), as operator of the Euroclear System, and Clearstream Banking, S.A. (“Clearstream, Luxembourg”).

THESE LISTING PARTICULARS HAVE BEEN PREPARED SOLELY FOR THE PURPOSES OF ADMITTING THE NOTES TO THE OFFICIAL LIST AND TRADING ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION TO ANY PERSON LOCATED OR RESIDENT IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DISTRIBUTE THESE LISTING PARTICULARS

These Listing Particulars do not constitute an offer to buy or sell or a solicitation of an offer to sell or buy Notes (as defined below), as applicable in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make such offer or solicitation under applicable securities laws or otherwise. The distribution of this document in certain jurisdictions (including, but not limited to, the United States, the United Kingdom and the European Union) may be restricted by law. See pages iv-v, 11 and 172-174 in the Offering Memorandum dated May 14, 2021, attached hereto as Annex I (as it may be supplemented and amended from time to time, the “Offering Memorandum”). Persons into whose possession this document comes are required by Dana Financing Luxembourg S.à r.l., the Trustee, the Paying Agent, the Transfer Agent, the Registrar and the listing agent (with respect to each capitalized term, as defined in the Offering Memorandum) to inform themselves about, and to observe, any such restrictions. No action that would permit a public offer has been or will be taken in any jurisdiction by Dana Financing Luxembourg S.à r.l., the Trustee, the Paying Agent, the Transfer Agent, the Registrar and the listing agent.

The Notes have not been, and will not be, registered under the Securities Act (as defined herein), or the securities laws of any other jurisdiction. For a description of certain restrictions on the transfer of the Notes see pages iv-v, 11, 154 and 172-174 in the Offering Memorandum.

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

Application has been made to the Luxembourg Stock Exchange to list the Notes on the Official List of the Luxembourg Stock Exchange and for such Notes to be admitted to trading on the Euro MTF. The Euro MTF is not a regulated market for the purposes of Directive 2014/65/EU.

For so long as the notes are listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF copies of the following documents may be inspected and obtained at [69, route d'Esch, Office PLM +018A, L-2953 Luxembourg] the office of the Luxembourg listing agent, Banque Internationale à Luxembourg SA, during normal business hours on any weekday:

- our organizational documents;
- our most recent Consolidated Financial Statements, and any interim financial statements published by us;
- the Offering Memorandum; and
- the indenture governing the notes (which includes the form of the notes).

The Issuer's LEI code is 222100DKCE3D036DQU13.

Clearing Information

The Notes have been, or will be, accepted for clearance through Euroclear and/or Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number (ISIN), Financial Instruments Short Name (FISN) and/or Classification of Financial Instruments (CFI) code (as applicable) in relation to the Notes is specified below.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg:

	<u>ISIN</u>	<u>FISN</u>	<u>CFI</u>	<u>CUSIP</u>	<u>Common Code</u>
Euro Notes:					
Rule 144A Global Note	XS2345050848	DANA FINANCING/EUR NT 99981231 REST	DBFNPR	Not applicable	234505084
Regulation S Global Note	XS2345050251	DANA FINANCING/EUR NT 99981231 REST	DBFNPR	Not applicable	234505025

Unclaimed Funds

Subject to any applicable abandoned property law, the Trustee or the Paying Agent shall pay to us upon request any money held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, Holders of notes entitled to the money must look to us for payment as general creditors.

Resolutions, Authorizations and Approvals by Virtue of which the Notes have been Issued

The Issuer and the Guarantor have, or will have, obtained all necessary consents, approvals and authorizations (if any) in connection with the issuance of the Notes and the issuance of the guarantee, respectively. The issuance of the Notes will be approved by the board of directors of the Issuer prior to the Issue Date.

Legal Information

We are a private limited liability company organized under the laws of Luxembourg. We were incorporated on March 14, 2016. Our registered office is at 1, rue Hildegard von Bingen, L-1282 Luxembourg.

Except as disclosed in this listing particulars, as of May 28, 2021:

- There has been no significant change in the financial or trading position of the Company or the Issuer since March 31, 2021 and
- There has been no material adverse change in the prospects of the Company or the Issuer since March 31, 2021

There are no conflicts of interest between the duties of the directors of the Company and their private interests.

We have not been involved in any governmental, legal or arbitration proceedings during the 12 months prior to this listing particulars which may have, or have had, a significant effect on our financial position or profitability, and, so far as we are aware, no such governmental, legal or arbitration proceedings are pending or threatened.

We accept responsibility for the information contained in this listing particulars. To the best of our knowledge, except as otherwise noted, the information contained in this listing particulars is in accordance with the facts and does not omit anything likely to affect the import of this listing particulars.

Non-disclosure of the Issuer's separate financial statements is not likely to mislead investors with regard to facts and circumstances that are essential for assessing the notes.

Board of Managers of Dana Financing Luxembourg S.à r.l.

<u>Name</u>	<u>Address</u>	<u>Principal Occupation</u>
Mr. Michael Lenaerts	Dana Europe GmbH, Riedstrasse 13, 6330 Cham, Switzerland	Senior Manager of Finance – Europe, Dana Incorporated
Mr. Marcus Hofstaetter	Dana Europe GmbH, Riedstrasse 13, 6330 Cham, Switzerland	Treasury Manager – Europe, Dana Incorporated
Mr. Erik Adam	1, rue Hildegard von Bingen, L-1282 Luxembourg	Private Equity and Infrastructure Operational Leader, Alter Domus
Mr. Ivir Manguilimotan	1, rue Hildegard von Bingen, L-1282 Luxembourg	Senior Manager, Alter Domus

ANNEX I – OFFERING MEMORANDUM DATED MAY 14, 2021

OFFERING MEMORANDUM

€325,000,000

Dana Financing Luxembourg S.à r.l.



3.000% Senior Notes due 2029
Fully and unconditionally guaranteed by
Dana Incorporated

Dana Financing Luxembourg S.à r.l., a private limited liability company (*société à responsabilité limitée*) governed by the laws of the Grand Duchy of Luxembourg, having its registered office at 1, rue Hildegard von Bingen, L-1282 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register under number B 205146 (the “Issuer”), is offering €325,000,000 aggregate principal amount of its 3.000% Senior Notes due 2029 (the “notes”). Interest on the notes is payable on January 15 and July 15 of each year, beginning on January 15, 2022. The notes will mature on July 15, 2029. The notes will be fully and unconditionally guaranteed by Dana Incorporated (the “Company”).

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The notes and related guarantee will be our unsecured senior obligations and will rank equally in right of payment with all of our existing and future unsecured senior indebtedness. The notes and guarantee will be effectively subordinated to any of our secured indebtedness, to the extent of the asset value securing such indebtedness, and structurally subordinated to all of the debt and other liabilities of the Company’s subsidiaries other than the Issuer.

We intend to use the net proceeds from this offering, together with cash on hand, to (i) redeem all of the Issuer’s outstanding 6.500% Senior Notes due 2026 and (ii) pay related fees and expenses. See “Use of Proceeds.”

Issue Price: 100.000% plus accrued interest, if any, from May 28, 2021.

Investing in the notes involves risks. See “Risk Factors” beginning on page 16.

The notes have not been, and will not be, registered under the Securities Act of 1933, as amended (the “Securities Act”), and the notes are being offered and sold only to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The notes are not transferable except in accordance with the restrictions described under “Transfer Restrictions.”

We are not obligated under any registration rights agreement or other obligation to register the notes for resale or to exchange the notes for notes registered under the Securities Act or the securities laws of any other jurisdiction.

Currently, there is no public market for the notes. Application will be made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange (the “LSE”) and for the notes to be admitted to trading on the Luxembourg Stock Exchange’s Euro MTF Market (“Euro MTF”). We cannot guarantee that the application to the Luxembourg Stock Exchange will be approved, and settlement of the notes is not conditioned on obtaining the listing. The Euro MTF is not a regulated market pursuant to the provisions of Directive 2014/65/EU. This offering memorandum constitutes a prospectus for the purpose of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019.

The initial purchasers expect to deliver the notes to investors on or about May 28, 2021 in book entry form through the facilities of Euroclear Bank SA/NV (“Euroclear”), as operator of the Euroclear System, and Clearstream Banking, S.A. (“Clearstream, Luxembourg”).

Co-Lead Joint Bookrunners

Credit Suisse

J.P. Morgan

Joint Bookrunners

Barclays

**BofA Securities
Mizuho Securities**

BMO Capital Markets

**Citigroup Goldman Sachs International
RBC Capital Markets**

Co-Managers

Citizens Capital Markets

Fifth Third Securities

KeyBanc Capital Markets

We and the initial purchasers have not authorized anyone to provide any information other than that contained in this offering memorandum or to which we have referred you. We and the initial purchasers take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This offering memorandum may only be used where it is legal to sell these securities.

Neither we nor the initial purchasers are making an offer to sell these notes in any jurisdiction where the offer or sale is not permitted. The information contained in this offering memorandum may only be accurate on the date of this document.

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The Issuer is making this offering and will sell the notes in reliance upon an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the securities described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents without our prior written consent is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to herein.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering

memorandum is, or should be relied upon as, a promise or representation by the initial purchasers as to the past or future. The initial purchasers have not independently verified any of the information contained herein (financial, legal or otherwise) and assume no responsibility for the accuracy or completeness of any such information.

We expect that delivery of the notes will be made against payment therefor on or about the tenth business day following the date of confirmation of orders with respect to the notes (this settlement cycle being referred to as “T+10”). Pursuant to Rule 15c6-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on or prior to the seventh business day after pricing will be required, by virtue of the fact that the notes initially will settle in T+10, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of notes who wish to trade notes prior to their date of delivery should consult their own advisors.

None of the U.S. Securities and Exchange Commission (the “SEC”), any state securities commission or any other regulatory authority has approved or disapproved the securities nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable securities laws of any state or other jurisdiction pursuant to registration or exemption from registration. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. For additional information, see “Plan of Distribution” and “Transfer Restrictions.”

In making any investment decision, prospective investors must rely on their own examination of us and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the notes under applicable legal investment or similar laws or regulations.

Each prospective investor must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells notes or possesses or distributes this offering memorandum and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the initial purchasers nor any of our or their respective representatives shall have any responsibility therefor.

Some of the initial purchasers participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the notes, including over-allotment, stabilizing and short-covering transactions in the notes, and the imposition of a penalty bid during and after this offering of the notes. Such stabilization, if commenced, may be discontinued at any time. For a description of these activities, see “Plan of Distribution.”

This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available without cost to prospective investors upon request to us or the initial purchasers.

We reserve the right to withdraw this offering of the notes at any time. We and the initial purchasers also reserve the right to reject any offer to purchase the notes in whole or in part for any reason and to allot to any prospective investor less than the full amount of notes sought by such investor.

Each person receiving this offering memorandum acknowledges that (1) it has been afforded an opportunity to request and to review, and it has received, all additional information considered by it to be necessary to verify the accuracy of or to supplement the information contained in this offering memorandum, (2) it has not relied upon the initial purchasers or any person affiliated with the initial purchasers in connection with its investigation of the accuracy of such information or its investment decision, (3) this offering memorandum relates to an offering that is exempt from registration under the Securities Act and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities and (4) no person has been authorized to give information or to make any representation concerning us or this offering or the notes, other than as contained in this offering memorandum, in connection with an investor's examination of us and the terms of this offering. This offering memorandum is a confidential document that we are only providing to prospective investors in the notes. You must not use this offering memorandum for any other purpose or disclose any information in this offering memorandum to any other person.

There is currently no market for the notes. Application will be made to the Luxembourg Stock Exchange (the "LSE") to list the notes on the Official List of the LSE and for the notes to be admitted to trading on the Euro MTF within a reasonable period of time after the issue date of the notes. We intend to submit this offering memorandum to the competent authority in connection with the listing application. The listing application will be subject to approval by the LSE. In the course of any review by the competent authority, we may be requested to make changes to the financial and other information included in this offering memorandum, in producing listing particulars for such listing. Comments by the competent authority may require significant modification or reformulation of information contained in this offering memorandum or may require the inclusion of additional information, including financial information. There can be no assurance that the notes will be listed on the LSE, that permission to deal in the notes will be granted or that such listing will be maintained, and settlement of the notes is not conditioned on obtaining this listing. Any investor or potential investor in the European Economic Area (the "EEA") and the United Kingdom should not base any investment decision relating to the notes on the information contained in this offering memorandum after publication of the listing particulars and should refer instead to those listing particulars. The Euro MTF is not a regulated market pursuant to the provisions of Directive 2014/65/EU (as amended, "MiFID II"). Neither the admission of the notes to be listed on the LSE, nor the approval of this offering memorandum pursuant to the listing requirements of the LSE shall constitute a warranty or representation by the LSE as to the competence of the service providers to, or any other party connected with, us, the adequacy and accuracy of information contained in this offering memorandum, our suitability for investment or any other purposes. The notes are not currently listed for trading on any exchange and we do not intend to seek to have them listed for trading on any exchange other than the LSE.

The notes will be available in book-entry form only. We expect that the notes sold pursuant to this offering memorandum will be issued in the form of one or more global notes. The global notes sold in reliance on Rule 144A and the global notes sold pursuant to Regulation S will be deposited with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream, Luxembourg. Beneficial interests in the global notes will be shown on, and transfers of interests in the global notes will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their direct and indirect participants. After the initial issuance of the global notes, notes in certificated form will be issued in exchange for the global notes only as set forth in the indenture governing the notes. See "Book-Entry; Delivery and Form."

The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg currently in effect. We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of Euroclear and Clearstream, Luxembourg or their respective participants under the rules and procedures governing their operations, nor will we or our agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

In connection with the offering, any initial purchaser established in the European Economic Area or in the United Kingdom is not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for providing advice in relation to the offering.

In this offering memorandum, the terms “Dana,” the “Guarantor,” the “Company,” “we,” “us” and “our” refer to Dana Incorporated, the Issuer’s indirect parent, and where the context so requires, certain or all of its subsidiaries.

All dollar amounts presented in this offering circular are in United States dollars, unless otherwise indicated. References herein to “\$,” “U.S.\$” and “U.S. dollars” are to United States dollars and references to “€” are to euros. The 4pm London fix closing rate published by WM/Reuters on May 7, 2021 was €0.8220 = U.S.\$1.00.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

This offering memorandum has been prepared on the basis that any offer of notes in the United Kingdom (“UK”) will be made pursuant to an exemption under the UK Prospectus Regulation and the Financial Services and Markets Act 2000 (as amended, the “FSMA”) from the requirement to publish a prospectus for offers of notes. The expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”).

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a “retail investor” means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Each person in the UK who receives any communication in respect of, or who acquires any notes under, the offers to the public contemplated in this offering memorandum, or to whom the notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each initial purchaser and the Issuer that it and any person on whose behalf it acquires notes is not a “retail investor” (as defined above).

UK MIFIR product governance / Professional investors and eligible counterparties only target market—Solely for the purposes of each manufacturer’s product approval process, the target market assessment

in respect of the notes has led to the conclusion that: (i) the target market for the notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“COBS”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“UK MiFIR”); and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (for the purposes of this paragraph, a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the European Economic Area (“EEA”) will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129 (as amended or superseded).

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a “retail investor” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “IDD”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended or superseded, the “Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Each person in a Member State of the EEA who receives any communication in respect of, or who acquires any notes under, the offers to the public contemplated in this offering memorandum, or to whom the notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each initial purchaser and the Issuer that it and any person on whose behalf it acquires notes is not a “retail investor” (as defined above).

Any distributor subject to MiFID II subsequently offering, selling or recommending the notes is responsible for undertaking its own target market assessment in respect of the notes and determining the appropriate distribution channels for the purposes of the MiFID II product governance rules under Commission Delegated Directive (EU) 2017/593 (“Delegated Directive”). Neither the Issuer nor any of the initial purchasers make any representations or warranties as to a distributor’s compliance with the Delegated Directive.

USE OF NON-U.S. GAAP FINANCIAL INFORMATION

This offering memorandum includes references to adjusted EBITDA, a non-U.S. GAAP financial measure, which we define as net income (loss) before interest, income taxes, depreciation, amortization, equity grant expense, restructuring expense, non-service cost components of pension and other postretirement benefits (OPEB) costs and other adjustments not related to our core operations (such as gain/loss on debt extinguishment, pension settlements, divestitures, impairment and the like).

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 U.S. generally accepted accounting principles (“U.S. GAAP”).

In addition, this offering memorandum includes references to free cash flow, which we define as cash provided by operating activities less purchases of property, plant and equipment, and adjusted free cash flow, which we define as cash provided by operating activities excluding discretionary pension contributions less purchases of property, plant and equipment. We believe these measures are useful in evaluating our operational cash flow 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 operating activities reported under U.S. GAAP.

Adjusted EBITDA, free cash flow and adjusted free cash flow differ from financial measures calculated in accordance with U.S. GAAP and may not be comparable to similarly titled measures reported by other companies. Because these are non-U.S. GAAP measures, adjusted EBITDA, free cash flow and adjusted free cash flow should not be considered a substitute for reported results prepared in accordance with U.S. GAAP.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. These filings are available to the public on the SEC’s website at www.sec.gov. We maintain a website at www.dana.com where our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A and all amendments to those reports are available without charge, as soon as reasonably practicable after those reports are filed with or furnished to the SEC. Such requests should be made in writing to the Corporate Secretary at Dana Incorporated, 3939 Technology Drive, Maumee, Ohio 43537. Information on or accessible through the SEC’s website or our website does not constitute part of this offering memorandum.

NO REVIEW BY THE SECURITIES AND EXCHANGE COMMISSION

The information included in this offering memorandum does not conform to information that would be required if this offering were being made pursuant to a registration statement filed with the SEC. This offering memorandum does not include, among other things, separate financial statements of the Issuer or the disclosures that would be required under Rule 13-01 of Regulation S-X if this were a registered offering. This offering memorandum, as well as any other documents in connection with this offering, will not be reviewed by the SEC. There are no registration rights associated with the notes, and we have no intention to offer notes registered under the Securities Act in exchange for the notes offered in this offering or to file a registration statement with respect to the notes. The indenture will not be qualified under the Trust Indenture Act of 1939, as amended.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. In addition, we may make other written and oral communications from time to time that contain such statements. All statements regarding our expected financial position, strategies and growth prospects and general economic conditions we expect to exist in the future are forward-looking statements. The

words “anticipates,” “believes,” “feels,” “expects,” “estimates,” “seeks,” “strives,” “plans,” “intends,” “outlook,” “forecast,” “position,” “target,” “mission,” “assume,” “achievable,” “potential,” “strategy,” “goal,” “aspiration,” “outcome,” “continue,” “remain,” “maintain,” “trend,” “objective” and variations of such words and similar expressions, or future or conditional verbs such as “will,” “would,” “should,” “could,” “might,” “can,” “may” or similar expressions, as they relate to us or our management, are intended to identify forward-looking statements.

We caution that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. A forward-looking statement speaks only as of the date the statement is made, and we do not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance. Among other factors, the risk factors mentioned elsewhere in this offering memorandum or previously disclosed in our SEC reports (accessible on the SEC’s website at www.sec.gov or on our website at www.dana.com) could cause actual results to differ materially from forward-looking statements and from historical performance. We do not have any intention or obligation to update forward-looking statements after we distribute the offering memorandum.

All future written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to above. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We assume no obligation to update any forward-looking statements as a result of new information, future events or developments, except as required by federal securities laws. In addition, it is our policy generally not to make any specific projections as to future earnings, and we do not endorse any projections regarding future performance that may be made by third parties.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

The Issuer is incorporated and currently existing under the laws of Luxembourg. In addition, the managers and officers of the Issuer reside outside of the United States and all of the assets of the Issuer and some of the assets of its managers and officers are located outside the United States. As a result, it may be difficult for investors to effect service of process on the Issuer or those persons in the United States or to enforce in the United States judgments obtained in U.S. courts against the Issuer or those persons based on the civil liability provisions of the U.S. securities laws or other laws. Uncertainty exists as to whether courts in the jurisdiction of organization of the Issuer will enforce judgments obtained in other jurisdictions, including the United States, against the Issuer or its managers or officers under the securities or other laws of those jurisdictions or entertain actions in those jurisdictions against the Issuer or its managers or officers under the securities or other laws of those jurisdictions.

It may be possible to effect service of process within Luxembourg upon the Issuer and its managers and officers provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

We have been advised by Dentons Luxembourg, Luxembourg counsel to us and the Issuer, that the traditional requirements for a valid, final and conclusive judgment against the Issuer in any civil or commercial suit, action or proceeding arising out of or in connection with the notes obtained from a court of competent jurisdiction in the United States, which judgment remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, to be entered and enforced through a court of competent jurisdiction of Luxembourg may be the following (subject to court interpretation, which may evolve):

- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;

- the judgment is duly enforceable in the jurisdiction where the decision is rendered;
- the U.S. court has applied the substantive law as designated by the Luxembourg conflict-of-laws rules;
- the U.S. court has acted in accordance with its own procedural laws;
- the judgment was granted following proceedings where the counterparty had the opportunity to appear, and if it appeared, to present a defense;
- the judgment does not contravene international public policy as understood under the laws of Luxembourg and has not been given in proceedings of a criminal nature; and
- the judgment must not have been rendered subsequent to an evasion of the laws (*fraude à la loi*) of the Grand Duchy of Luxembourg or be conflicting with a Luxembourg prior judgment.

The Issuer has also been advised by its Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law if its application contravenes Luxembourg public policy.

SUMMARY

This summary highlights selected information contained elsewhere into this offering memorandum. This summary does not contain all the information that you should consider before investing in the notes. You should read the entire offering memorandum carefully, including the “Risk Factors” section, the “Description of the Notes” section and the financial statements and related notes included in this offering memorandum.

Dana Incorporated

Dana Incorporated (“Dana”) is headquartered in Maumee, Ohio, and was incorporated in Delaware in 2007. We are a global provider of high-technology products to virtually every major vehicle manufacturer in the world. We also serve the stationary industrial market. Our technologies include drive systems (axles, driveshafts, transmissions, and wheel and track drives); motion systems (winches, slew drives, and hub drives); electrodynamic technologies (motors, inverters, software and control systems, battery-management systems, and fuel cell plates); sealing solutions (gaskets, seals, cam covers, and oil pan modules); thermal-management technologies (transmission and engine oil cooling, battery and electronics cooling, charge air cooling, and thermal-acoustical protective shielding); and digital solutions (active and passive system controls and descriptive and predictive analytics). We serve our global light vehicle, medium/heavy vehicle and off-highway markets through four business units—Light Vehicle Drive Systems (“Light Vehicle”), Commercial Vehicle Drive and Motion Systems (“Commercial Vehicle”), Off-Highway Drive and Motion Systems (“Off-Highway”) and Power Technologies, which is the center of excellence for sealing and thermal-management technologies that span all customers in our on-highway and off-highway markets. We have a diverse customer base and geographic footprint, which minimizes our exposure to individual market and segment declines. As of March 31, 2021, we employed approximately 39,100 people, operated in 33 countries and had 141 major facilities housing manufacturing and distribution operations, service and assembly operations, technical and engineering centers and administrative offices.

We are committed to continuing to diversify our product offerings, customer base and geographic footprint and minimizing our exposure to individual market and segment declines. In the first three months of 2021, 48% of our sales came from North American operations and 52% from operations throughout the rest of the world. Our sales by operating segment were: Light Vehicle—43.8%, Commercial Vehicle—15.6%, Off-Highway—27.9% and Power Technologies—12.7%.

We maintain administrative and operational organizations in North America, Europe, South America and Asia Pacific to support the operational requirements of our operating segments, assist with the management of affiliate relations and facilitate financial and statutory reporting and tax compliance on a worldwide basis.

We have thousands of customers around the world and have developed long-standing business relationships with many of them. Our Light Vehicle and Power Technologies segments primarily support light vehicle original equipment manufacturers (“OEM”) with products for light trucks, SUVs, CUVs, vans and passenger cars. Our Commercial Vehicle segment supports the OEMs of on-highway commercial vehicles (primarily trucks and buses), while our Off-Highway segment supports OEMs of off-highway vehicles (primarily wheeled vehicles used in construction, mining and agricultural applications).

We are largely dependent on light vehicle, medium-and heavy-duty vehicle and off-highway OEM customers. Ford Motor Company (“Ford”) and Fiat Chrysler Automobiles (“FCA”) were the only individual customers accounting for 10% or more of our consolidated sales in 2020. As a percentage of total sales from operations, our sales to Ford were approximately 20% in 2020, 20% in 2019 and 20% in 2018, and our sales to FCA (via a directed supply relationship), our second largest customer, were approximately 12% in 2020, 11% in

2019 and 11% in 2018. PACCAR Inc, Deere & Company and Volkswagen AG (including Traton Group) were our third, fourth and fifth largest customers, respectively, in 2020. Our 10 largest customers collectively accounted for approximately 54% of our sales in 2020.

Products

Since our introduction of the automotive universal joint in 1904, we have been focused on technological innovation. Our objective is to be an essential partner to our customers and we remain highly focused on offering superior product quality, technologically advanced products, world-class service and competitive prices. To enhance quality and reduce costs, we use statistical process control, cellular manufacturing, flexible regional production and assembly, global sourcing and extensive employee training.

We engage in ongoing engineering and research and development activities to improve the reliability, performance and cost-effectiveness of our existing products and to design and develop innovative products that meet customer requirements for new applications. We are integrating related operations to create a more innovative environment, speed product development, maximize efficiency and improve communication and information sharing among our research and development operations. Our research and development is focused on creating value for our customers. Our technologies are enabling the electrification of vehicles and accessories to improve efficiency and reduce the impact of carbon emissions. Our advanced drivelines are more efficient than ever before and include mechatronic systems to enhance performance. The Power Technologies group is developing new ways to keep batteries and power electronics at optimum temperatures to improve their efficiency and operation. We have developed innovative fuel cell products to help keep vehicles running in near continuous operation.

We have aligned our organization around four operating business segments: Light Vehicle, Commercial Vehicle, Off-Highway and Power Technologies.

<u>Segment</u>	<u>Percent of consolidated sales for the three months ended March 31, 2021</u>	<u>Products</u>	<u>Markets</u>
Light Vehicle	43.8%	Axles, Driveshafts, Transmissions, e-Axles, and Electrodynamic and drivetrain components	Light trucks (full frame), Sport utility vehicles, Crossover utility vehicles, Vans, Passenger cars
Commercial Vehicle	15.6%	Axles, Driveshafts, e-Axles, e-Transmissions, Electrodynamic and drivetrain components, Electric vehicle integration services, and Software as a service	Medium duty trucks, Heavy duty trucks, Buses, Specialty vehicles
Off-Highway	27.9%	Axles, Driveshafts, Transmissions, Planetary hub drives, e-Axles, e-Drives, and Electrodynamic, hydraulic and drivetrain components	Construction, Earth moving, Agricultural, Mining, Forestry, Material handling, Industrial stationary
Power Technologies	12.7%	Gaskets, Cover modules, Heat shields, Engine sealing systems, Cooling, and Heat transfer products	Light vehicle market, Medium/heavy vehicle market, Off-highway market

Competition

Within each of our markets, we compete with a variety of independent suppliers and distributors, as well as with the in-house operations of certain OEMs. With a focus on product innovation, we differentiate ourselves through efficiency and performance, reliability, materials and processes, sustainability and product extension.

Light vehicle market—Our principal Light Vehicle competitors include American Axle & Manufacturing Holdings, Inc. (“American Axle”), BorgWarner Inc., Hofer Powertrain GmbH, IFA ROTORION Holding GmbH, Schaeffler Group, Wanxiang Group Corporation, ZF Friedrichshafen AG (“ZF Group”) and certain vertically integrated OEM operations

Commercial vehicle market—Our principal Commercial Vehicle competitors include Allison Transmission, American Axle, BorgWarner Inc., Klein Products Inc., Meritor, Inc., Tirsan Kardan, ZF Group and certain vertically integrated OEM operations.

Off-highway market—Our major competitors in the Off-Highway segment include Bonfiglioli, Bosch Rexroth AG, Carraro Group, Comer Industries, Danfoss, Kessler & Co., ZF Group and certain vertically integrated OEM operations.

Our principal Power Technologies competitors in the light vehicle, commercial vehicle and off-highway markets include Denso Corporation, ElringKlinger AG, Freudenberg NOK Group, Hanon Systems, MAHLE GmbH, Tenneco Inc., Valeo Group and YinLun Co., LTD

Business Strategy

Operational and Strategic Initiatives

Our enterprise strategy builds on our strong technology foundation and leverages our resources across the organization while driving a customer centric focus, expanding our global markets, and delivering innovative solutions as we evolve into the era of vehicle electrification.

Central to our strategy is *leveraging our core operations*. This foundational element enables us to infuse strong operational disciplines throughout the strategy, making it practical, actionable, and effective. It enables us to capitalize on being a major drive systems supplier across all three end-mobility markets. We are achieving improved profitability by actively seeking synergies across our engineering, purchasing, and manufacturing base. We have strengthened the portfolio by acquiring critical assets; and we are utilizing our physical and intellectual capital to amplify innovation across the enterprise. Leveraging these core elements can further expand the cost efficiencies of our common technologies and deliver a sustainable competitive advantage for Dana.

Driving customer centricity continues to be at the heart of who we are. Putting our customers at the center of our value system is firmly embedded in our culture and is driving growth by focusing on customer relationships and providing value to our customers. These relationships are strengthened as we are physically where we need to be in order to provide unparalleled service and we are prioritizing our customers’ needs as we engineer solutions that differentiate their products, while making it easier to do business with Dana by digitizing their experience. Our customer centric focus has uniquely positioned us to win more than our fair share of new business and capitalize on future customer outsourcing initiatives.

We continue to enhance and expand our global footprint, optimizing it to capture growth across all of our end markets.

Expanding global markets means utilizing our global capabilities and presence to further penetrate growth markets, focusing on Asia due to its position as the largest mobility market in the world with the highest market growth rate and its lead in the adoption of new energy vehicles. We are investing across various avenues to increase our presence in Asia Pacific by forging new partnerships, expanding inorganically, and growing organically. We continue to operate in this region through wholly owned subsidiaries and joint ventures with local market partners. We have recently made acquisitions that have augmented our footprint in the region, specifically in India and China. All the while, we have been making meaningful organic investments to grow with existing and new customers, primarily in Thailand, India, and China. These added capabilities have enabled us to target the domestic Asia Pacific markets and utilize the capacity for export to other global markets.

Delivering innovative solutions enables us to capitalize on market growth trends as we evolve our core technology capabilities. We are also focused on enhancing our physical products with digital content to provide smart systems and we see an opportunity to become a digital systems provider by delivering software as a service to our traditional end customers. This focus on delivering solutions based on our core technology is leading to new business wins and increasing our content per vehicle. We have made significant investments—both organically and inorganically—allowing us to move to the next phase, which is to **Lead electric propulsion**.

Over the past year we have achieved our goal to accelerate hybridization and electrification through both core Dana technologies and targeted strategic acquisitions and are positioned today to lead the market. The nine recent investments in electrodynamic expertise and technologies combined with Dana's longstanding mechatronics capabilities has allowed us to develop and deliver fully integrated e-Propulsion systems that are power-dense and achieve optimal efficiency through the integration of the components that we offer due to our mechatronics capabilities. With recent electric vehicle program awards, we are well on our way to achieving our growth objectives in this emerging market.

The development and implementation of our enterprise strategy is positioning Dana to grow profitably due to increased customer focus as we leverage our core capabilities, expand into new markets, develop and commercialize new technologies including for hybrid and electric vehicles.

Capital Structure Initiatives

In addition to investing in our business, we plan to continue prioritizing the allocation of capital to reduce debt and maintain a strong financial position. We continue to drive toward investment grade metrics as part of a balanced approach to our capital allocation priorities and our goal of further strengthening our balance sheet.

Shareholder returns actions—When evaluating capital structure initiatives, we balance our growth opportunities and shareholder value initiatives with maintaining a strong balance sheet and access to capital. Our strong financial position has enabled us to simplify our capital structure while providing returns to our shareholders in the form of cash dividends and a reduction in the number of shares outstanding. Our Board of Directors authorized a \$200 million share repurchase program effective in 2018 which expires at the end of 2023. Through March 31, 2021, we have used \$50 million of cash to repurchase common shares under the program. Through the first quarter of 2020, we had declared and paid quarterly common stock dividends for thirty-three consecutive quarters. In response to the global COVID-19 pandemic, we temporarily suspended the declaration and payment of dividends to common shareholders and the repurchase of common stock under our existing common stock share repurchase program.

With the impacts of the global COVID-19 pandemic largely behind us we resumed the declaration and payment of quarterly common stock dividends during the first quarter of 2021. Dividends accrue on restricted stock units granted under our stock compensation program and will be paid in cash or additional units when the underlying units vest.

Financing actions—Over the past few years we have taken advantage of the lower interest rate environment to complete refinancing transactions that resulted in lower effective interest rates while extending maturities. During 2019, we expanded the financing under our credit and guaranty agreement, incurring \$675 million of additional floating rate term loans to fund the Oerlikon Drive Systems acquisition. We also increased our revolving credit facility to \$1,000 million and extended its maturity to August 2024. We completed an offering of \$300 million in aggregate principal amount of our 5.375% Senior Notes due 2027 (the “2027 Notes”) and used the proceeds to repay \$300 million of our higher cost 6.000% Senior Notes due 2023. During 2019, we terminated one of our U.S. defined benefit pension plans, settling approximately \$165 million of previously unfunded pension obligations and eliminating future funding risk associated with interest rate and other market developments. In response to the global COVID-19 pandemic, during June 2020, we completed an offering of \$400 million in aggregate principal amount of our 5.625% Senior Notes due 2028 (the “2028 Notes”) and an offering of \$100 million additional 2027 Notes. With the impact of the global COVID-19 pandemic on our operations dissipating, we paid down \$474 million of our floating rate term loans (the “Term A Facility”) in the third and fourth quarters of 2020. In the first quarter of 2021, we further increased our revolving credit facility to \$1,150 million and extended its maturity to March 2026. On April 29, 2021, we launched and priced an offering of our 4.250% Senior Notes due 2030 and we intend to use the proceeds to finance or refinance, in whole or in part, recently completed or future eligible green projects. See “Description of Other Indebtedness.”

Other Initiatives

Aftermarket opportunities—We have a global group dedicated to identifying and developing aftermarket growth opportunities that leverage the capabilities within our existing businesses—targeting increased future aftermarket sales. Powered by recognized brands such as Dana®, Spicer®, Spicer Electrified™, Victor Reinz®, Glaser®, GWB®, Thompson®, Tru-Cool®, SVL®, and Transejes™, Dana delivers a broad range of aftermarket solutions—including genuine, all makes, and value lines—servicing passenger, commercial and off-highway vehicles across the globe.

Selective acquisitions—Although transformational opportunities like the GKN plc driveline business transaction that we pursued in 2018 will be considered when strategically and economically attractive, our acquisition focus is principally directed at “bolt-on” or adjacent acquisition opportunities that have a strategic fit with our existing core businesses, particularly opportunities that support our enterprise strategy and enhance the value proposition of our product offerings. Any potential acquisition will be evaluated in the same manner we currently consider customer program opportunities and other uses of capital—with a disciplined financial approach designed to ensure profitable growth and increased shareholder value.

Competitive Strengths

We believe that we benefit from the following competitive strengths:

Strong Market Position. We have strong market positions and brand recognition in our core businesses. In our Light Vehicle, Commercial Vehicle and Off-Highway businesses, we are a leading global supplier of driveline axles and driveshafts, with our off-highway products also including transmissions. Our Power Technologies business is a leading supplier of sealing and thermal products and has been recognized as an outstanding power electronics solution provider.

Market Diversity. Our participation in multiple markets serves to mitigate the exposure to adverse factors specific to a single market and the potential impact associated with economic cycles. Our diverse revenue base provides increased opportunities for growth and expansion. For 2020, our sales by operating segment were: Light Vehicle—42.8%, Commercial Vehicle—16.6%, Off-Highway—27.7% and Power Technologies—12.9%.

Global Diversity. With operations in 33 countries, we have a strong global footprint that we will leverage to drive our international growth initiatives. For 2020, our sales by region were: North America—51%, Europe—31%, South America—5% and Asia Pacific—13%.

Customer Diversity. We have thousands of customers around the world providing a strong base for new product opportunities and global expansion. Ford and FCA were the only individual customers accounting for 10% or more of our consolidated sales in 2020. As a percentage of total sales from operations, our sales to Ford were approximately 20% in 2020, 20% in 2019 and 20% in 2018 and our sales to FCA (via a directed supply relationship), our second largest customer, were approximately 12% in 2020, 11% in 2019 and 11% in 2018. PACCAR Inc, Deere & Company and Volkswagen AG (including Traton Group) were our third, fourth and fifth largest customers, respectively, in 2020. Our 10 largest customers collectively accounted for approximately 54% of our sales in 2020.

Quality Products and Service. Among our operational and strategic initiatives are increased focus on and investment in product technology—delivering products and technology that are key to bringing solutions to issues of paramount importance to our customers. Our success on this front is measured, in part, by our sales backlog—net new business received that will be launched in the future and added to our base annual sales. This backlog excludes replacement business and represents incremental sales associated with new programs, for which we have received formal customer awards. At March 31, 2021, our sales backlog of net new business for the 2021 through 2022 period was \$700 million. We believe that our sales backlog is evenly balanced between electric-vehicle and traditional ICE-vehicle content.

Strong Leadership Team. Our management team has been re-built and enhanced over the past five years—adding strong talent with significant experience in all key functional disciplines, markets and regions. We have a proven team that has successfully re-shaped the Company while delivering on results and objectives.

Recent Developments

2030 Notes

On April 29, 2021, we launched and priced an offering of \$400 million aggregate principal amount of 4.250% Senior Notes due 2030 (the “2030 Notes”). The offering of the 2030 Notes closed on May 13, 2021. We intend to allocate the net proceeds from the offering of the 2030 Notes to finance or refinance, in whole or in part, recently completed or future eligible green projects. See “Description of Other Indebtedness—2030 Notes.”

Tender Offer and Consent Solicitation

On April 29, 2021, we commenced a tender offer (the “Tender Offer”) to purchase for cash any and all of our outstanding \$425 million aggregate principal amount of 5.500% Senior Notes due 2024 (the “2024 Notes”). The Tender Offer will expire on May 26, 2021, unless extended. The Tender Offer is conditioned upon, among other things, the closing of the offering of the 2030 Notes, but the offering of the 2030 Notes is not conditioned upon closing of the Tender Offer. Nothing in this offering memorandum should be construed as an offer to purchase any outstanding 2024 Notes, as the Tender Offer is being made only to the recipients of an Offer to Purchase and Consent Solicitation Statement, dated April 29, 2021, upon the terms and subject to the conditions set forth therein. We expect to redeem any of the 2024 Notes not tendered to us in the Tender Offer—see “Redemptions” below.

In connection with the Tender Offer, we are soliciting consents (the “Consent Solicitation”) to amend the indenture pursuant to which the 2024 Notes were issued to, among other things, eliminate substantially all of the

restrictive covenants, certain events of default and certain other provisions contained in that indenture, and shorten the advance notice period required for us to redeem any of the 2024 Notes from 30 days to two business days prior to the redemption date (the “2024 Notes Amendments”). If irrevocable tenders and consents from the holders of a majority in principal amount of the outstanding 2024 Notes are obtained as of May 12, 2021 (the deadline for providing consents (which date may be extended)), then a supplement to the indenture governing the 2024 Notes will be executed that will amend the indenture to eliminate substantially all of the restrictive covenants, certain events of default and certain other provisions contained in that indenture, and shorten the advance notice period required for redemption.

On May 13, 2021, Dana announced that it exercised its right to accept for early payment all of the 2024 Notes tendered prior to 5:00 p.m., New York City time on May 12, 2021, and entered into a supplemental indenture that gives effect to the 2024 Notes Amendments.

Redemptions

On April 29, 2021, pursuant to the terms of the indenture governing the 2024 Notes, we issued a conditional notice of redemption (the “2024 Notes Redemption”) with a redemption date of May 29, 2021 for any and all of our outstanding 2024 Notes at a redemption price of 101.833% of the principal amount thereof, plus accrued and unpaid interest. The 2024 Notes Redemption is conditioned upon (i) us receiving funds from the offer and sale of at least \$400 million aggregate principal amount of newly issued debt securities of the Company or one of its subsidiaries (the “2024 Notes Financing Condition”) and (ii) the failure of the Consent Solicitation (the “Consent Condition”). In our discretion, if the 2024 Notes Financing Condition and the Consent Condition are not satisfied, or cannot be satisfied, on or prior to the redemption date for the 2024 Notes, the notice of conditional full redemption may be rescinded by the Company and shall be of no effect.

On May 13, 2021, Dana rescinded the notice of conditional full redemption, dated April 29, 2021 because the Consent Condition was not met. Also on May 13, 2021, Dana issued a notice of redemption pursuant to the indenture governing the 2024 Notes, as amended by a supplemental indenture, announcing that Dana intends to redeem all of its outstanding 2024 Notes on May 17, 2021.

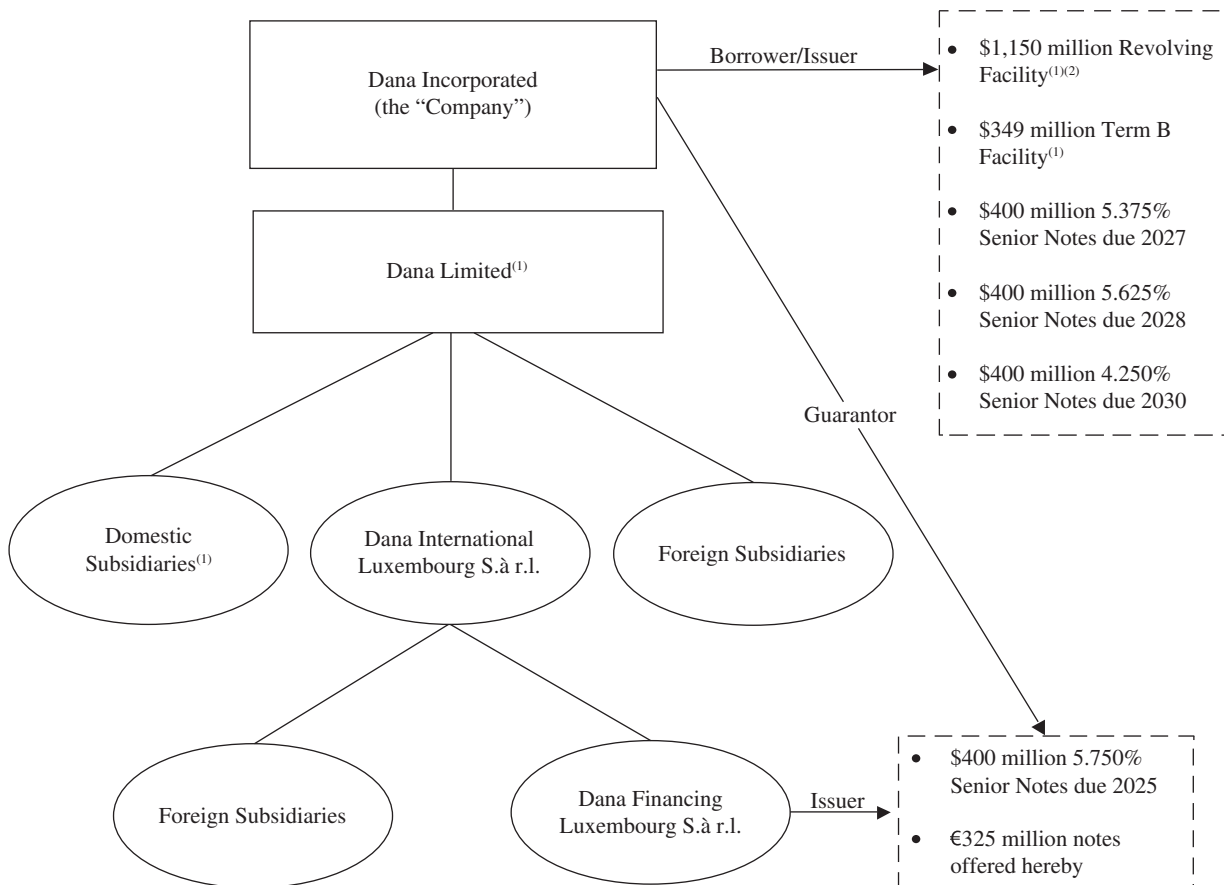
On May 11, 2021, pursuant to the terms of the indenture governing the 6.500% Senior Notes due 2026 (the “2026 Notes”), we issued a conditional notice of redemption (the “2026 Notes Redemption”) with a redemption date of June 10, 2021 for any and all of our outstanding 2026 Notes at a redemption price of 103.250% of the principal amount thereof, plus accrued and unpaid interest. The 2026 Notes Redemption is conditioned upon us receiving funds from the offer and sale of the notes for at least €325 million aggregate principal amount of newly issued debt securities of the Issuer (the “2026 Notes Financing Condition”). In our discretion, if the 2026 Notes Financing Condition is not satisfied, or cannot be satisfied, on or prior to the redemption date for the 2026 Notes, the notice of conditional full redemption may be rescinded by the Issuer and shall be of no effect.

Refinancing Transactions

Throughout this offering memorandum, we collectively refer to: (i) the consummation of this offering of the notes and the use of the proceeds as described under “Use of Proceeds,” (ii) the consummation of the offering of \$400 million aggregate principal amount of the 2030 Notes, (iii) the consummation of the Tender Offer using available cash, (iv) the redemption in full of all outstanding 2026 Notes and (v) the payment of related fees and expenses as the “Refinancing Transactions.”

Organizational Structure

The following chart summarizes our corporate structure as of March 31, 2021, after giving effect to the Refinancing Transactions:



- (1) The \$1,150 million Revolving Facility (the “Revolving Facility”) and the \$349 million of indebtedness for borrowed money outstanding under the term B loan facility (the “Term B Facility” and, together with the Revolving Facility, the “Senior Facilities”) are guaranteed, subject to certain exceptions, by all of the Company’s domestic wholly-owned subsidiaries other than Dana Credit Corporation and its subsidiaries.
- (2) As of March 31, 2021, we had no outstanding borrowings under the Revolving Facility and had utilized \$21 million for letters of credit.

Corporate and Other Information

The Issuer is a private limited liability company (*société à responsabilité limitée*) that is registered in the Grand Duchy of Luxembourg with the Luxembourg Trade and Companies Register (the “R.C.S. Luxembourg”) under number B 205146. The registered office of the Issuer is 1, rue Hildegard von Bingen, L-1282 Luxembourg, Grand Duchy of Luxembourg. The Company’s principal executive offices are located at 3939 Technology Drive, Maumee, Ohio 43537, telephone (419) 887-3000. Our website address is www.dana.com. The information on or accessible through our website does not constitute part of this offering memorandum.

The Offering

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. For a more detailed description of the terms and conditions of the notes, see the section entitled “Description of the Notes.”

Issuer	Dana Financing Luxembourg S.à r.l.
Notes Offered	€325,000,000 aggregate principal amount of the Issuer’s 3.000% Senior Notes due 2029.
Maturity	July 15, 2029.
Interest	Interest on the notes will accrue from May 28, 2021 and will be payable in cash at a rate of 3.000%.
Interest Payment Dates	January 15 and July 15 of each year, beginning on January 15, 2022.
Guarantees	The notes will be guaranteed, fully and unconditionally, by the Company and, in the future, by any of the Company’s restricted subsidiaries that guarantee any capital markets indebtedness of the Company, the Issuer or any subsidiary guarantor. See “Description of the Notes—Note Guarantees” and “—Certain Covenants—Future Subsidiary Guarantors.”
Ranking	<p>The indebtedness evidenced by the notes and related guarantee, after giving effect to the Refinancing Transactions, will be:</p> <ul style="list-style-type: none">• the unsecured general obligations of the Issuer and the Company, as the case may be;• effectively subordinated in right of payment to all existing and future secured debt of the Issuer and the Company, including the Company’s obligations under the Revolving Facility, to the extent of the value of the collateral securing such debt;• structurally subordinated to all existing and future indebtedness and other liabilities of the Company’s subsidiaries (other than the Issuer) that do not provide guarantees of the notes;• equal in right of payment to all of our existing and future senior unsecured debt, including the Company’s existing notes; and• senior in right of payment to all of the Company’s and the Issuer’s subordinated debt. <p>As of March 31, 2021, the Company’s subsidiaries other than the Issuer had approximately \$3.1 billion of liabilities (including trade payables and excluding approximately \$629 million of intercompany payables), with respect to which the notes would be structurally subordinated, and held approximately \$7.6 billion of our total assets. As of March 31, 2021, we had \$349 million of indebtedness for borrowed money outstanding under the Term B Facility, all of which is secured, and \$1,129 million of availability under the Revolving</p>

Facility after deducting outstanding letters of credit. In addition, as of March 31, 2021, after giving effect to the Refinancing Transactions, we would have had approximately \$1,990 million of senior unsecured debt. The indenture governing the notes will permit us, subject to specified limitations, to incur additional debt, some or all of which may be senior debt and some or all of which may be secured.

Optional Redemption At any time on or after July 15, 2024, we may redeem some or all of the notes at the redemption prices specified in this prospectus supplement under “Description of the Notes—Optional Redemption,” plus accrued and unpaid interest, if any, to the redemption date. Prior to July 15, 2024, we may redeem some or all of the notes at a redemption price equal to 100% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus a “make-whole” premium.

At any time prior to July 15, 2024, we may redeem up to 40% of the original aggregate principal amount of the notes (which includes additional notes, if any) in an amount not to exceed the amount of proceeds of one or more equity offerings, at a price equal to 103.000% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 50% of the original aggregate principal amount of the notes issued (which includes additional notes, if any) remains outstanding after the redemption.

Covenants We will issue the notes under an indenture among us, Wells Fargo Bank, National Association, as trustee and Elavon Financial Services DAC, as paying agent. The indenture will include covenants that limit our ability and the ability of each of our restricted subsidiaries to:

- incur additional debt;
- pay dividends and make other restricted payments;
- create or permit certain liens;
- issue or sell capital stock of restricted subsidiaries;
- use the proceeds from sales of assets and subsidiary stock;
- create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us;
- enter into transactions with affiliates; and
- consolidate or merge or sell all or substantially all of our assets.

In addition, the indenture will restrict (i) the Company from ceasing to beneficially own 100% of the voting stock of the Issuer, subject to certain exceptions and (ii) the Issuer from conducting any business operations other than those in connection with the issuance of the notes and other debt permitted under the indenture.

When the notes are issued, all of our subsidiaries, other than certain joint ventures, will be restricted subsidiaries, as defined in the indenture. These covenants will be subject to a number of important exceptions and qualifications as described under “Description of the Notes—Certain Covenants.” During any future period in which two of the three rating agencies (which are Moody’s Investors Service, Inc. (“Moody’s”), S&P Global Ratings (“S&P”) and Fitch Ratings Inc. (“Fitch”)) has assigned an investment grade rating to the notes, certain of the covenants will be suspended. If the notes cease to be rated by two or more of these rating agencies as investment grade, the suspended covenants will thereafter again be in effect. See “Description of the Notes—Covenant Suspension.”

Additional Amounts	The Issuer has agreed to pay additional amounts to certain holders of the notes from time to time in the event certain withholding taxes are imposed on payments in respect of the notes. Its obligations to pay additional amounts are subject to certain exceptions and limitations. See “Description of the Notes—Payment of Additional Amounts.”
Change of Control	Following a change of control, we will be required to offer to purchase all of the notes at a purchase price of 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase.
Use of Proceeds	We expect to receive net proceeds from this offering of approximately €320 million, after deducting the initial purchasers’ discount and our estimated expenses related to the offering. We intend to use the net proceeds from this offering, together with cash on hand, to (i) redeem all of the 2026 Notes and (ii) pay related fees and expenses. See “Use of Proceeds.”
Transfer Restrictions; No Registration Rights	The notes have not been and will not be registered under the Securities Act and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.” Holders of the notes will not be entitled to any registration rights, and we will not be required to complete a registered exchange offer or file a shelf registration statement for resales of the notes. We do not intend to issue registered notes or related guarantees in exchange for the notes and related guarantees to be privately placed in this offering and the absence of registration rights may adversely impact the transferability of the notes.
Listing	We intend to apply to admit the notes to listing on the Official List of the LSE on the Euro MTF. The Euro MTF is not a regulated market for the purposes of Directive 2014/65/EU. This offering memorandum constitutes a prospectus for the purpose of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019.

Clearing Systems	Euroclear and/or Clearstream, Luxembourg.
Trustee	Wells Fargo Bank, National Association
Paying Agent, Registrar and Transfer Agent	Elavon Financial Services DAC
Absence of Established Markets for the Notes	The notes are new issues of securities, and currently there are no markets for them. Certain of the initial purchasers have advised us that they intend to make a market in the notes but they are not obligated to do so. Such initial purchasers may discontinue any market-making in the notes at any time in their sole discretion. Accordingly, we cannot assure you that liquid markets will develop for the notes.
Form and Denominations	The notes will be issued in minimum denominations of €100,000 and higher integral multiples of €1,000. The notes will be issued in registered book-entry form represented by one or more global notes to be deposited with or on behalf of Euroclear and/or Clearstream, Luxembourg or their nominee. Transfers of the notes will only be effected through facilities of Euroclear and Clearstream, Luxembourg. Beneficial interests in the global notes may not be exchanged for certificated notes except in limited circumstances.
Currency of Payment	All payments of principal of, and premium, if any, and interest on, the notes, including any payments made upon any redemption of the notes, will be made in euro.
Governing Law	State of New York
Risk Factors	You should carefully consider the information set forth in the section entitled “Risk Factors” and the other information included in this offering memorandum in deciding whether to purchase the notes.

Summary Historical Financial Information

The following summary historical consolidated financial information as of December 31, 2020 and 2019 and for the fiscal years ended December 31, 2020, 2019 and 2018 has been derived from, and should be read in conjunction with, Dana's audited financial statements and related notes appearing herein.

The following summary historical consolidated financial information as of March 31, 2021 and for the three months ended March 31, 2021 and 2020 has been derived from, and should be read in conjunction with, Dana's unaudited consolidated financial statements and related notes appearing herein. Results for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the entire fiscal year or for any future period. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

You should read this summary in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Dana's audited annual and unaudited interim consolidated financial statements, and the notes related thereto, which are included elsewhere in this offering memorandum.

	Three Months Ended March 31,		Year Ended December 31,		
	2021	2020	2020	2019	2018
<i>(in millions)</i>					
Statement of Operations Data:					
Net sales	\$2,263	\$1,926	\$7,106	\$8,620	\$8,143
Costs and expenses:					
Cost of sales	2,012	1,720	6,485	7,489	6,986
Selling, general and administrative expenses	119	106	421	508	499
Amortization of intangibles	4	3	13	12	8
Restructuring charges, net	1	3	34	29	25
Impairment of goodwill and indefinite-lived intangible asset	—	(51)	(51)	(6)	(20)
Gain on disposal group held for sale	—	—	—	—	3
Pension settlement charges	—	—	—	(259)	—
Other income (expense), net	(19)	4	22	(25)	(29)
Earnings before interest and income taxes	108	47	124	292	579
Loss on extinguishment of debt	—	—	(8)	(9)	—
Interest income	2	2	9	10	11
Interest expense	34	29	138	122	96
Earnings (loss) before income taxes	76	20	(13)	171	494
Income tax expense (benefit)	22	(16)	58	(32)	78
Equity in earnings of affiliates	14	2	20	30	24
Net income (loss)	68	38	(51)	233	440
Less: Noncontrolling interests net income	1	2	10	13	13
Less: Redeemable noncontrolling interests net loss	(4)	(22)	(30)	(6)	—
Net income (loss) attributable to the parent company	<u>\$ 71</u>	<u>\$ 58</u>	<u>\$ (31)</u>	<u>\$ 226</u>	<u>\$ 427</u>
Other Non-GAAP Financial Data:					
Adjusted EBITDA(1)	\$ 234	\$ 205	\$ 593	\$1,019	\$ 957
Free cash flow(2)	(26)	(114)	60	211	243
Adjusted free cash flow(2)	(26)	(114)	60	272	243

	As of March 31, 2021	As of December 31,	
		2020	2019
<i>(in millions)</i>			
Balance Sheet Data:			
Total current assets	\$3,573	\$3,288	\$3,162
Total assets	7,602	7,376	7,220
Short-term debt	26	26	14
Current portion of long-term debt	8	8	20
Long-term debt, less debt issuance costs of \$26 in 2021, \$27 in 2020 and \$28 in 2019	2,420	2,420	2,336
Redeemable noncontrolling interests	182	180	167
Retained earnings	583	530	622
Total parent company stockholders' equity	1,795	1,758	1,873
Total equity	1,870	1,834	1,968

- (1) The following table provides a reconciliation of net income (loss) to adjusted EBITDA. See "Use of Non-GAAP Financial Information" for additional information regarding adjusted EBITDA.

	Three Months Ended March 31,		Year Ended December 31,		
	2021	2020	2020	2019	2018
<i>(in millions)</i>					
Net income (loss)	\$ 68	\$ 38	\$ (51)	\$ 233	\$440
Equity in earnings of affiliates	14	2	20	30	24
Income tax expense (benefit)	22	(16)	58	(32)	78
Earnings (loss) before income taxes	76	20	(13)	171	494
Depreciation and amortization	95	89	365	339	270
Restructuring charges, net	1	3	34	29	25
Interest expense, net	32	27	129	112	85
Impairment of goodwill and indefinite-lived intangible assets	—	51	51	6	20
(Gain) loss on investment in Hyliion	17	—	(33)	—	—
Loss on extinguishment of debt	—	—	8	9	—
Pension settlement charge	—	—	—	259	—
Acquisition related inventory adjustments	—	—	—	13	—
(Gain) loss on disposal group held for sale	7	—	—	—	(3)
Other(a)	6	15	52	81	66
Adjusted EBITDA	<u>\$234</u>	<u>\$205</u>	<u>\$593</u>	<u>\$1,019</u>	<u>\$957</u>

- (a) Other includes stock compensation expense, non-service cost components of pension and OPEB costs, strategic transaction expenses, net of transaction breakup fees and other items. See Note 21 to our consolidated financial statements and Note 19 to our consolidated financial statements, included elsewhere in this offering memorandum, for additional details.

- (2) The following table reconciles net cash provided by (used in) operating activities to adjusted free cash flow. See “Use of Non-GAAP Financial Information” for additional information regarding free cash flow and adjusted free cash flow.

	Three Months Ended March 31,		Year Ended December 31,		
	2021	2020	2020	2019	2018
<i>(in millions)</i>					
Net cash provided by (used in) operating activities	\$ 27	\$ (51)	\$ 386	\$ 637	\$ 568
Purchases of property, plant and equipment	<u>(53)</u>	<u>(63)</u>	<u>(326)</u>	<u>(426)</u>	<u>(325)</u>
Free cash flow	(26)	(114)	60	211	243
Discretionary pension contributions	<u>—</u>	<u>—</u>	<u>—</u>	<u>61</u>	<u>—</u>
Adjusted free cash flow	<u><u>\$ (26)</u></u>	<u><u>\$(114)</u></u>	<u><u>\$ 60</u></u>	<u><u>\$ 272</u></u>	<u><u>\$ 243</u></u>

RISK FACTORS

An investment in the notes involves risks. You should carefully consider the risks described below, as well as the other information we have provided in this offering memorandum, before reaching a decision regarding an investment in the notes. These risk factors may be amended, supplemented or superseded from time to time by other reports we file with the SEC in the future. The risks described are not the only risks facing us. Additional risks and uncertainties not known to us or that we currently view as immaterial may also materially and adversely affect our business, financial condition or results of operations and you may lose all or a portion of your original investment.

Risks Related to the Markets We Serve

A downturn in the global economy could have a substantial adverse effect on our business.

Our business is tied to general economic and industry conditions as demand for vehicles depends largely on the strength of the economy, employment levels, consumer confidence levels, the availability and cost of credit and the cost of fuel. These factors have had and could continue to have a substantial impact on our business.

Certain political developments occurring the past several years have provided increased economic uncertainty. The United Kingdom's ("UK") 2016 decision to exit the European Union ("EU") has not had significant economic ramifications on our operations to date. The UK and EU have announced the UK-EU Trade and Cooperation Agreement ("TCA") which covers the future UK-EU relationship. The TCA is being provisionally applied beginning January 1, 2021 pending approval in the Council of the EU and European Parliament. The longer term economic, legal, political, and social implications of the TCA are unclear at this stage. Political climate changes in the U.S., including tax reform legislation, regulatory requirements and potential trade policy actions, are likely to impact economic conditions in the U.S. and various countries, the cost of importing into the U.S. and the competitive landscape of our customers, suppliers and competitors.

Adverse global economic conditions could also cause our customers and suppliers to experience severe economic constraints in the future, including bankruptcy, which could have a material adverse impact on our financial position and results of operations.

Our results of operations could be adversely affected by climate change, natural catastrophes or public health crises, in the locations in which we, our customers or our suppliers operate.

A natural disaster could disrupt our operations, or our customers' or suppliers' operations and could adversely affect our results of operations and financial condition. Although we have continuity plans designed to mitigate the impact of natural disasters on our operations, those plans may be insufficient, and any catastrophe may disrupt our ability to manufacture and deliver products to our customers, resulting in an adverse impact on our business and results of operations. Also, climate change poses both regulatory and physical risks that could harm our results of operations or affect the way we conduct our businesses. For example, new or modified regulations could require us to spend substantial funds to enhance our environmental compliance efforts. In addition, our global operations expose us to risks associated with public health crises, such as pandemics and epidemics, which could harm our business and cause our operating results to suffer.

The novel coronavirus disease ("COVID-19") pandemic has had an adverse effect on our business, results of operations, cash flows and financial condition. The COVID-19 pandemic has negatively impacted the global economy, disrupted our operations as well as those of our customers, suppliers and the global supply chains in which we participate, and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on our business and financial performance, including our ability to execute our near-term and long-term operational, strategic and capital structure initiatives, will depend on future developments, including the duration and severity of the pandemic, which are uncertain and cannot be predicted.

As a result of the COVID-19 pandemic, and in response to government mandates or recommendations, rapid dissipation of customer demand, as well as decisions we have made to protect the health and safety of our employees and communities, we temporarily closed a significant number of our facilities globally during 2020. We may face facility closure requirements and other operational restrictions with respect to some or all of our locations for prolonged periods of time due to, among other factors, evolving and increasingly stringent governmental restrictions including public health directives, quarantine policies or social distancing measures. We operate as part of the complex integrated global supply chains of our largest customers. As the COVID-19 pandemic dissipates at varying times and rates in different regions around the world, there could be a prolonged negative impact on these global supply chains. Our ability to continue operations at specific facilities will be impacted by the interdependencies of the various participants of these global supply chains, which are largely beyond our direct control. A prolonged shut down of these global supply chains will have a material adverse effect on our business, results of operations, cash flows and financial condition.

Consumer spending may also be negatively impacted by general macroeconomic conditions and consumer confidence, including the impacts of any recession, resulting from the COVID-19 pandemic. This may negatively impact the markets we serve and may cause our customers to purchase fewer products from us. Any significant reduction in demand caused by decreased consumer confidence and spending following the pandemic, would result in a loss of sales and profits and other material adverse effects.

Rising interest rates could have a substantial adverse effect on our business.

Rising interest rates could have a dampening effect on overall economic activity, the financial condition of our customers and the financial condition of the end customers who ultimately create demand for the products we supply, all of which could negatively affect demand for our products. An increase in interest rates could make it difficult for us to obtain financing at attractive rates, impacting our ability to execute on our growth strategies or future acquisitions.

We could be adversely impacted by the loss of any of our significant customers, changes in their requirements for our products or changes in their financial condition.

We are reliant upon sales to several significant customers. Sales to our ten largest customers accounted for 54% of our overall sales in 2020. Changes in our business relationships with any of our large customers or in the timing, size and continuation of their various programs could have a material adverse impact on us.

The loss of any of these customers, the loss of business with respect to one or more of their vehicle models on which we have high component content, or a significant decline in the production levels of such vehicles would negatively impact our business, results of operations and financial condition. Pricing pressure from our customers also poses certain risks. Inability on our part to offset pricing concessions with cost reductions would adversely affect our profitability. We are continually bidding on new business with these customers, as well as seeking to diversify our customer base, but there is no assurance that our efforts will be successful. Further, to the extent that the financial condition of our largest customers deteriorates, including possible bankruptcies, mergers or liquidations, or their sales otherwise decline, our financial position and results of operations could be adversely affected.

We may be adversely impacted by changes in international legislative and political conditions.

We operate in 33 countries around the world and we depend on significant foreign suppliers and customers. Further, we have several growth initiatives that are targeting emerging markets like China and India. Legislative and political activities within the countries where we conduct business, particularly in emerging markets and less developed countries, could adversely impact our ability to operate in those countries. The political situation in a number of countries in which we operate could create instability in our contractual relationships with no effective legal safeguards for resolution of these issues, or potentially result in the seizure of our assets. We operate in

Argentina, where trade-related initiatives and other government restrictions limit our ability to optimize operating effectiveness. At March 31, 2021, our net asset exposure related to Argentina was approximately \$23 million, including \$5 million of net fixed assets.

We may be adversely impacted by changes in trade policies and proposed or imposed tariffs, including but not limited to, the imposition of new tariffs by the U.S. government on imports to the U.S. and/or the imposition of retaliatory tariffs by foreign countries.

Section 232 of the Trade Expansion Act of 1962, as amended (the “Trade Act”), gives the executive branch of the U.S. government broad authority to restrict imports in the interest of national security by imposing tariffs. Tariffs imposed on imported steel and aluminum could raise the costs associated with manufacturing our products. We work with our customers to recover a portion of any increased costs, and with our suppliers to defray costs, associated with tariffs. While we have been successful in the past recovering a significant portion of costs increases, there is no assurance that cost increases resulting from trade policies and tariffs will not adversely impact our profitability. Our sales may also be adversely impacted if tariffs are assessed directly on the products we produce or on our customers’ products containing content sourced from us.

We may be adversely impacted by the strength of the U.S. dollar relative to the currencies in the other countries in which we do business.

Approximately 52% of our sales in 2020 were from operations located in countries other than the U.S. Currency variations can have an impact on our results (expressed in U.S. dollars). Currency variations can also adversely affect margins on sales of our products in countries outside of the U.S. and margins on sales of products that include components obtained from affiliates or other suppliers located outside of the U.S. Strengthening of the U.S. dollar against the euro and currencies of other countries in which we have operations could have an adverse effect on our results reported in U.S. dollars. We use a combination of natural hedging techniques and financial derivatives to mitigate foreign currency exchange rate risks. Such hedging activities may be ineffective or may not offset more than a portion of the adverse financial impact resulting from currency variations.

We may be adversely impacted by new laws, regulations or policies of governmental organizations related to increased fuel economy standards and reduced greenhouse gas emissions, or changes in existing ones.

The markets and customers we serve are subject to substantial government regulation, which often differs by state, region and country. These regulations, and proposals for additional regulation, are advanced primarily out of concern for the environment (including concerns about global climate change and its impact) and energy independence. We anticipate that the number and extent of these regulations, and the costs to comply with them, will increase significantly in the future.

In the U.S., vehicle fuel economy and greenhouse gas emissions are regulated under a harmonized national program administered by the National Highway Traffic Safety Administration and the Environmental Protection Agency (“EPA”). Other governments in the markets we serve are also creating new policies to address these same issues, including the European Union, Brazil, China and India. These government regulatory requirements could significantly affect our customers by altering their global product development plans and substantially increasing their costs, which could result in limitations on the types of vehicles they sell and the geographical markets they serve. Any of these outcomes could adversely affect our financial position and results of operations.

The phase out of the London Interbank Offer Rate (LIBOR) could have an adverse effect on our business.

Our Senior Facilities utilize LIBOR to set the interest rate on any outstanding borrowings. In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. On November 30, 2020 the ICE Benchmark Administration Limited (IBA) announced that it

will consult on its intention to cease publication of the one week and two-month USD LIBOR settings at the end of 2021 and the remaining USD LIBOR settings at the end of June 2023. The potential effect on our cost of borrowing utilizing a replacement rate cannot yet be determined. In addition, any further changes or reforms to the determination of LIBOR or its successor rate may result in a sudden or prolonged increase or decrease on our borrowing rate, which could have an adverse impact on extension of credit held by us and could have a material adverse effect on our business, financial condition and results of operations.

Company-Specific Risk Factors

We have taken, and continue to take, cost-reduction actions. Although our process includes planning for potential negative consequences, the cost-reduction actions may expose us to additional production risk and could adversely affect our sales, profitability and ability to retain and attract employees.

We have been reducing costs in all of our businesses and have discontinued product lines, exited businesses, consolidated manufacturing operations and positioned operations in lower cost locations. The impact of these cost-reduction actions on our sales and profitability may be influenced by many factors including our ability to successfully complete these ongoing efforts, our ability to generate the level of cost savings we expect or that are necessary to enable us to effectively compete, delays in implementation of anticipated workforce reductions, decline in employee morale and the potential inability to meet operational targets due to our inability to retain or recruit key employees.

We depend on our subsidiaries for cash to satisfy the obligations of the Company.

Our subsidiaries conduct all of our operations and own substantially all of our assets. Our cash flow and our ability to meet our obligations depend on the cash flow of our subsidiaries. In addition, the payment of funds in the form of dividends, intercompany payments, tax sharing payments and otherwise may be subject to restrictions under the laws of the countries of incorporation of our subsidiaries or the by-laws of the subsidiary.

Labor stoppages or work slowdowns at Dana, key suppliers or our customers could result in a disruption in our operations and have a material adverse effect on our businesses.

We and our customers rely on our respective suppliers to provide parts needed to maintain production levels. We all rely on workforces represented by labor unions. Workforce disputes that result in work stoppages or slowdowns could disrupt operations of all of these businesses, which in turn could have a material adverse effect on the supply of, or demand for, the products we supply our customers.

We could be adversely affected if we are unable to recover portions of commodity costs (including costs of steel, other raw materials and energy) from our customers.

We continue to work with our customers to recover a portion of our material cost increases. While we have been successful in the past recovering a significant portion of such cost increases, there is no assurance that increases in commodity costs, which can be impacted by a variety of factors, including changes in trade laws and tariffs, will not adversely impact our profitability in the future.

We could be adversely affected if we experience shortages of components from our suppliers or if disruptions in the supply chain lead to parts shortages for our customers.

A substantial portion of our annual cost of sales is driven by the purchase of goods and services. To manage and minimize these costs, we have been consolidating our supplier base. As a result, we are dependent on single sources of supply for some components of our products. We select our suppliers based on total value (including price, delivery and quality), taking into consideration their production capacities and financial condition, and we expect that they will be able to support our needs. However, there is no assurance that adverse financial

conditions, including bankruptcies of our suppliers, reduced levels of production, natural disasters or other problems experienced by our suppliers will not result in shortages or delays in their supply of components to us or even in the financial collapse of one or more such suppliers. If we were to experience a significant or prolonged shortage of critical components from any of our suppliers, particularly those who are sole sources, and were unable to procure the components from other sources, we would be unable to meet our production schedules for some of our key products and to ship such products to our customers in a timely fashion, which would adversely affect our sales, profitability and customer relations.

Adverse economic conditions, natural disasters and other factors can similarly lead to financial distress or production problems for other suppliers to our customers which can create disruptions to our production levels. Any such supply-chain induced disruptions to our production are likely to create operating inefficiencies that will adversely affect our sales, profitability and customer relations.

Our profitability and results of operations may be adversely affected by program launch difficulties.

The launch of new business is a complex process, the success of which depends on a wide range of factors, including the production readiness of our manufacturing facilities and manufacturing processes and those of our suppliers, as well as factors related to tooling, equipment, employees, initial product quality and other factors. Our failure to successfully launch material new or takeover business could have an adverse effect on our profitability and results of operations.

We use important intellectual property in our business. If we are unable to protect our intellectual property or if a third party makes assertions against us or our customers relating to intellectual property rights, our business could be adversely affected.

We own important intellectual property, including patents, trademarks, copyrights and trade secrets, and are involved in numerous licensing arrangements. Our intellectual property plays an important role in maintaining our competitive position in a number of the markets that we serve. Our competitors may develop technologies that are similar or superior to our proprietary technologies or design around the patents we own or license. Further, as we expand our operations in jurisdictions where the protection of intellectual property rights is less robust, the risk of others duplicating our proprietary technologies increases, despite efforts we undertake to protect them. Developments or assertions by or against us relating to intellectual property rights, and any inability to protect these rights, could have a material adverse impact on our business and our competitive position.

We could encounter unexpected difficulties integrating acquisitions and joint ventures.

We acquired businesses in recent years, and we expect to complete additional acquisitions and investments in the future that complement or expand our businesses. The success of this strategy will depend on our ability to successfully complete these transactions or arrangements, to integrate the businesses acquired in these transactions and to develop satisfactory working arrangements with our strategic partners in the joint ventures. We could encounter unexpected difficulties in completing these transactions and integrating the acquisitions with our existing operations. We also may not realize the degree or timing of benefits anticipated when we entered into a transaction.

Several of our joint ventures operate pursuant to established agreements and, as such, we do not unilaterally control the joint venture. There is a risk that the partners' objectives for the joint venture may not be aligned with ours, leading to potential differences over management of the joint venture that could adversely impact its financial performance and consequent contribution to our earnings. Additionally, inability on the part of our partners to satisfy their contractual obligations under the agreements could adversely impact our results of operations and financial position.

We could be adversely impacted by the costs of environmental, health, safety and product liability compliance.

Our operations are subject to environmental laws and regulations in the U.S. and other countries that govern emissions to the air; discharges to water; the generation, handling, storage, transportation, treatment and disposal of waste materials; and the cleanup of contaminated properties. Historically, environmental costs related to our former and existing operations have not been material. However, there is no assurance that the costs of complying with current environmental laws and regulations, or those that may be adopted in the future, will not increase and adversely impact us.

There is also no assurance that the costs of complying with current laws and regulations, or those that may be adopted in the future, that relate to health, safety and product liability matters will not adversely impact us. There is also a risk of warranty and product liability claims, as well as product recalls, if our products fail to perform to specifications or cause property damage, injury or death. (See Notes 16 and 17 to our consolidated financial statements for additional information on product liabilities and warranties.)

A failure of our information technology infrastructure could adversely impact our business and operations.

We recognize the increasing volume of cyber-attacks and employ commercially practical efforts to provide reasonable assurance that the risks of such attacks are appropriately mitigated. Each year, we evaluate the threat profile of our industry to stay abreast of trends and to provide reasonable assurance our existing countermeasures will address any new threats identified. Despite our implementation of security measures, our IT systems and those of our service providers are vulnerable to circumstances beyond our reasonable control including acts of terror, acts of government, natural disasters, civil unrest and denial of service attacks which may lead to the theft of our intellectual property, trade secrets or business disruption. To the extent that any disruption or security breach results in a loss or damage to our data or an inappropriate disclosure of confidential information, it could cause significant damage to our reputation, affect our relationships with our customers, suppliers and employees, lead to claims against the Company and ultimately harm our business. Additionally, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

We participate in certain multi-employer pension plans which are not fully funded.

We contribute to certain multi-employer defined benefit pension plans for certain of our union-represented employees in the U.S. in accordance with our collective bargaining agreements. Contributions are based on hours worked except in cases of layoff or leave where we generally contribute based on 40 hours per week for a maximum of one year. The plans are not fully funded as of March 31, 2021. We could be held liable to the plans for our obligation, as well as those of other employers, due to our participation in the plans. Contribution rates could increase if the plans are required to adopt a funding improvement plan, if the performance of plan assets does not meet expectations or as a result of future collectively bargained wage and benefit agreements. (See Note 12 to our consolidated financial statements for additional information on multi-employer pension plans.)

Changes in interest rates and asset returns could increase our pension funding obligations and reduce our profitability.

We have unfunded obligations under certain of our defined benefit pension and other postretirement benefit plans. The valuation of our future payment obligations under the plans and the related plan assets are subject to significant adverse changes if the credit and capital markets cause interest rates and projected rates of return to decline. Such declines could also require us to make significant additional contributions to our pension plans in the future. A material increase in the unfunded obligations of these plans could also result in a significant increase in our pension expense in the future.

We may incur additional tax expense or become subject to additional tax exposure.

Our provision for income taxes and the cash outlays required to satisfy our income tax obligations in the future could be adversely affected by numerous factors. These factors include changes in the level of earnings in the tax jurisdictions in which we operate, changes in the valuation of deferred tax assets and liabilities, changes in our plans to repatriate the earnings of our non-U.S. operations to the U.S. and changes in tax laws and regulations.

Our income tax returns are subject to examination by federal, state and local tax authorities in the U.S. and tax authorities outside the U.S. The results of these examinations and the ongoing assessments of our tax exposures could also have an adverse effect on our provision for income taxes and the cash outlays required to satisfy our income tax obligations.

Our ability to utilize our net operating loss carryforwards may be limited.

Net operating loss carryforwards (“NOLs”) approximating \$190 million were available at December 31, 2020 to reduce future U.S. federal income tax liabilities. Our ability to utilize these NOLs may be limited as a result of certain change of control provisions of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). The NOLs are treated as losses incurred before the change of control in January 2008 and are limited to annual utilization of \$84 million. There can be no assurance that trading in our shares will not effect another change in control under the Code, which could further limit our ability to utilize our available NOLs. Such limitations may cause us to pay income taxes earlier and in greater amounts than would be the case if the NOLs were not subject to limitation.

An inability to provide products with the technology required to satisfy customer requirements would adversely impact our ability to successfully compete in our markets.

The vehicular markets in which we operate are undergoing significant technological change, with increasing focus on electrified and autonomous vehicles. These and other technological advances could render certain of our products obsolete. Maintaining our competitive position is dependent on our ability to develop commercially-viable products and services that support the future technologies embraced by our customers.

Failure to appropriately anticipate and react to the cyclical and volatile nature of production rates and customer demands in our business can adversely impact our results of operations.

Our financial performance is directly related to production levels of our customers. In several of our markets, customer production levels are prone to significant cyclicity, influenced by general economic conditions, changing consumer preferences, regulatory changes, and other factors. Oftentimes the rapidity of the downcycles and upcycles can be severe. Successfully executing operationally during periods of extreme downward and upward demand pressures can be challenging. Our inability to recognize and react appropriately to the production cycles inherent in our markets can adversely impact our operating results.

Our continued success is dependent on being able to retain and attract requisite talent.

Sustaining and growing our business requires that we continue to retain, develop and attract people with the requisite skills. With the vehicles of the future expected to undergo significant technological change, having qualified people savvy in the right technologies will be a key factor in our ability to develop the products necessary to successfully compete in the future. As a global organization, we are also dependent on our ability to attract and maintain a diverse work force that is fully engaged in supporting our company’s objectives and initiatives.

Failure to maintain effective internal controls could adversely impact our business, financial condition and results of operations.

Regulatory provisions governing the financial reporting of U.S. public companies require that we maintain effective disclosure controls and internal controls over financial reporting across our operations in 33 countries. Effective internal controls are designed to provide reasonable assurance of compliance, and, as such, they can be susceptible to human error, circumvention or override, and fraud. Failure to maintain adequate, effective internal controls could result in potential financial misstatements or other forms of noncompliance that have an adverse impact on our results of operations, financial condition or organizational reputation.

Developments in the financial markets or downgrades to Dana's credit rating could restrict our access to capital and increase financing costs.

At March 31, 2021, Dana had consolidated debt obligations of \$2,480 million, with cash and marketable securities of \$509 million and unused revolving credit capacity of \$1,129 million. Our ability to grow the business and satisfy debt service obligations is dependent, in part, on our ability to gain access to capital at competitive costs. External factors beyond our control can adversely affect capital markets—either tightening availability of capital or increasing the cost of available capital. Failure on our part to maintain adequate financial performance and appropriate credit metrics can also affect our ability to access capital at competitive prices.

Risks Related to Our Indebtedness and the Notes

Our indebtedness could adversely affect our business, financial condition and results of operations and prevent us from meeting any of our payment obligations under the notes and our other debt.

As of March 31, 2021, after giving effect to the Refinancing Transactions, we would have had approximately \$2,470 million of outstanding debt, including \$349 million of secured debt under our Term B Facility, and availability under the Revolving Facility of \$1,129 million, after deducting outstanding letters of credit.

This level of debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under the notes and our other outstanding debt;
- resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in all of our debt becoming immediately due and payable;
- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our Senior Facilities;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our existing or any future credit facilities or otherwise, in an amount sufficient to enable us to meet

our payment obligations under the notes and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the notes and our other debt and other obligations.

Additionally, the Senior Facilities bear interest at a variable rate that is linked to changing market interest rates. As a result, an increase in market interest rates would increase our interest expense, potentially impacting our ability to meet our payment and other obligations under our debt instruments.

Despite our current indebtedness levels, we may still be able to incur substantially more debt. This could exacerbate further the risks associated with our substantial leverage.

We and our subsidiaries may be able to incur substantial additional indebtedness, including additional secured indebtedness, in the future. The terms of the notes will, and our existing senior notes and the Senior Facilities restrict, but do not completely prohibit, us from doing so. As of March 31, 2021, after giving effect to the Refinancing Transactions, we would have had availability of \$1,129 million under the Revolving Facility after deducting outstanding letters of credit. The indentures governing the notes and our existing senior notes allow us to issue additional fungible debt securities under certain circumstances and also allow us to incur certain secured debt and allow our foreign subsidiaries to incur additional debt, which would be effectively senior to the notes. In addition, the indentures do not prevent us from incurring other liabilities, such as trade payables, that do not constitute indebtedness. See “Description of the Notes—Certain Covenants—Limitation on Incurrence of Additional Indebtedness.” If new debt or other liabilities are added to our current debt levels, the related risks that we now face could intensify.

We and our subsidiaries are subject to various restrictions, and substantially all of our assets are pledged, subject to certain exceptions, under the Senior Facilities.

The Senior Facilities are guaranteed, subject to certain exceptions, by all of Dana’s domestic wholly-owned subsidiaries except for Dana Credit Corporation and its subsidiaries. The Senior Facilities are secured on a first-priority lien basis by substantially all of the assets of Dana and the guarantors, subject to certain exceptions. The Revolving Facility requires that the first lien net leverage ratio not exceed a ratio of 2.00 to 1.00, which ratio is tested on the last day of each fiscal quarter, for the benefit of our lenders under the Revolving Facility. If we are unable to generate sufficient cash flow or otherwise obtain the funds necessary to make required payments of interest or principal under, or are unable to comply with covenants of, the Senior Facilities, then we would be in default under the terms of the agreements, which would, under certain circumstances, permit the lenders to accelerate the maturity of the indebtedness and foreclose on the collateral. See “Description of Other Indebtedness.”

Although the notes are referred to as “senior” notes, they will be effectively subordinated to our secured debt to the extent of the asset value securing such debt.

The notes are unsecured and therefore will be effectively subordinated to any of our secured debt to the extent of the asset value securing such debt. In the event of a bankruptcy or similar proceeding, the assets which serve as collateral for any secured debt will be available to satisfy the obligations under the secured debt before any payments are made on the notes. The notes will be effectively subordinated to any borrowings under our Senior Facilities and other future secured debt. The indenture governing the notes will allow us to incur a substantial amount of additional secured debt. As of March 31, 2021, we had \$349 million of secured debt outstanding under the Term B Facility and availability of \$1,129 million under the Revolving Facility, all of which would be secured indebtedness, if borrowed. See “Use of Proceeds.”

Although the notes are referred to as “senior” notes, they will be structurally subordinated to all liabilities of our subsidiaries other than the Issuer, none of which will initially serve as guarantors of the notes.

The notes are structurally subordinated to the indebtedness and other liabilities of Dana’s subsidiaries (other than the Issuer). These subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the notes, or to make any funds available therefor, whether by dividends, loans, distributions or other payments. As of March 31, 2021, our subsidiaries other than the Issuer had approximately \$3.1 billion of liabilities (including trade payables and excluding approximately \$629 million of intercompany payables), with respect to which the notes would be structurally subordinated, and represented \$7.6 billion of our total assets. Any right that we have to receive any assets of any subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent rights of holders of notes to realize proceeds from the sale of any of those subsidiaries’ assets, will be structurally subordinated to the claims of those subsidiaries’ creditors, including trade creditors and holders of preferred equity interests of those subsidiaries. Accordingly, in the event of a bankruptcy, liquidation or reorganization of any of Dana’s subsidiaries (other than the Issuer), these subsidiaries will pay the holders of their debts, holders of preferred equity interests and their trade creditors before they will be able to distribute any of their assets to us.

To service our debt and meet our other cash needs, we will require a significant amount of cash, which may not be available to us.

Our ability to make payments on, or repay or refinance, our debt, including the notes, and to fund planned capital expenditures, dividends and other cash needs will depend largely upon our future operating performance. Our future performance, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. In addition, our ability to borrow funds in the future to make payments on our debt will depend on the satisfaction of the covenants in the Senior Facilities and our other debt agreements, including the indenture governing the notes, and other agreements we may enter into in the future. Specifically, we will need to maintain specified financial ratios and satisfy financial condition tests.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our Senior Facilities or from other sources in an amount sufficient to enable us to pay our debt, including the notes, or to fund our dividends and other liquidity needs.

In addition, prior to the repayment of the notes, we will be required to refinance or repay the Senior Facilities and certain subsidiary debt. We cannot assure you that we will be able to refinance any of our debt, including the Senior Facilities, on commercially reasonable terms or at all. If we are unable to make payments or refinance our debt or obtain new financing under these circumstances, we would have to consider other options, such as:

- sales of assets;
- sales of equity; and
- negotiations with our lenders to restructure the applicable debt.

The Senior Facilities, the indentures governing the notes and the existing senior notes and the agreements governing our other indebtedness may restrict, or market or business conditions may limit, our ability to do some of these things.

We are dependent upon dividends from our subsidiaries to meet our debt service obligations.

We are a holding company and conduct all of our operations through our subsidiaries. Our ability to meet our debt service obligations is dependent on receipt of dividends from our direct and indirect subsidiaries. Subject to the restrictions contained in our credit facilities (including the Senior Facilities) and indentures, future borrowings by our subsidiaries may contain restrictions or prohibitions on the payment of dividends by our

subsidiaries to us. See “Description of the Notes—Certain Covenants.” In addition, applicable state corporate law may limit the ability of our subsidiaries to pay dividends to us. We cannot assure you that the agreements governing the current and future indebtedness of our subsidiaries, applicable laws or state regulation will permit our subsidiaries to provide us with sufficient dividends, distributions or loans to fund payments on the notes when due.

The Issuer has limited assets and may depend on the Company to provide funds necessary to make payment on the notes.

The Issuer is a subsidiary of the Company and has limited assets. Therefore, the Issuer will be dependent on the Company and its other subsidiaries for funds to satisfy its debt service requirements with respect to the notes.

The Issuer may be unable to make a change of control offer required by the indenture governing the notes, which would cause defaults under the indenture governing the notes and our other financing arrangements.

The terms of the notes will require the Issuer to make an offer to repurchase the notes upon the occurrence of a change of control at a purchase price equal to 101% of the principal amount of the notes, plus accrued interest to the date of the purchase. The terms of the existing notes require a similar offer to purchase at 101% of the principal amount of such notes and other financing arrangements may require, repayment of amounts outstanding in the event of a change of control and may limit the Issuer’s ability to fund the repurchase of the notes in certain circumstances. In addition, the occurrence of a change of control will constitute an event of default under the Revolving Facility that permits the lenders thereunder to accelerate the maturity of borrowings thereunder. It is possible that the Issuer will not have sufficient funds at the time of the change of control to make the required repurchase of notes or that restrictions in our financing arrangements will not allow the repurchases. A failure to purchase tendered notes at a time when purchase is required or a failure to make such a change of control offer will result in an event of default under the indenture governing the notes, which in turn will result in an event of default under the Revolving Facility and indentures governing the existing notes. See “Description of the Notes—Change of Control.”

The ability of holders of the notes to require the Issuer to repurchase the notes as a result of a disposition of “substantially all” of our assets is uncertain.

The definition of change of control in the indenture governing the notes offered hereby will include a phrase relating to the sale, transfer, conveyance or other disposition of “all or substantially all” of our and our subsidiaries’ assets, taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase. Accordingly, the ability of a holder of the notes to require the Issuer to repurchase the notes as a result of a sale, transfer, conveyance or other disposition of less than all of our and our subsidiaries’ assets, taken as a whole, to another person or group is uncertain.

The terms of the Senior Facilities, the notes and our existing senior notes restrict and the agreements governing our other indebtedness may restrict our current and future operations, particularly our ability to respond to changes in our business or to take certain actions.

The terms of the Senior Facilities, the notes and our existing senior notes and the agreements governing our other indebtedness contain, and any future indebtedness of ours may contain, a number of restrictive covenants that will impose significant operating and financial restrictions on us. These covenants restrict our ability to, among other things:

- incur or guarantee additional debt;
- pay dividends and make other restricted payments;

- create or incur certain liens;
- engage in sales of assets and subsidiary stock;
- enter into transactions with affiliates;
- sell or dispose of our assets or enter into merger or consolidation transactions;
- make investments, including acquisitions;
- enter into lines of businesses which are not reasonably related to those businesses in which we are engaged;
- enter into contracts containing restrictions on granting liens or making distributions, loans or transferring assets to us or any guarantor under the Senior Facilities; and/or
- repay indebtedness (including our existing debt securities and the notes) prior to stated maturities.

In addition, the Revolving Facility requires that our first lien net leverage ratio not exceed a ratio of 2.00 to 1.00, which ratio is tested on the last day of each fiscal quarter, for the benefit of our lenders under the Revolving Facility. As a result of this covenant, we may be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

A failure to comply with the covenants contained in the Senior Facilities and the agreements governing our other indebtedness, including our existing senior notes and the notes, could result in an event of default under the Senior Facilities or such agreements, which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations. In the event of such default, the lenders thereunder:

- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable;
- may have the ability to require us to apply all of our available cash to repay these borrowings; or
- may prevent us from making debt service payments under our other agreements, including the indenture governing the notes,

any of which could result in an event of default under the notes.

If the indebtedness under the Senior Facilities or our other indebtedness, including our existing senior notes and the notes, were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full.

Notwithstanding the restrictions described above, the terms of the notes will not and our existing senior notes do not impose any restrictions on our ability to invest in other entities (including unaffiliated entities) and will permit or permits, as applicable, us to redesignate our restricted subsidiaries as “unrestricted” in certain circumstances if we could (at the time of such redesignation) make a restricted payment in an amount equal to the sum of the fair market value of the capital stock of such restricted subsidiary and the aggregate amount of debt of such restricted subsidiary owed to the Company and the other restricted subsidiaries. We will be able to make unlimited restricted payments so long as (i) our total leverage ratio (as defined in the indentures governing the notes and the existing senior notes) does not exceed 3.75 to 1.00 at the time of, and after giving effect to, any such restricted payment and (ii) our total net leverage ratio (as defined in the Senior Facilities) does not exceed 2.75 to 1.00 at the time of, and after giving effect to, any such restricted payment, in each case so long as no default or event of default shall have occurred and be continuing (or result therefrom).

Active trading markets may not develop for the notes, which may hinder your ability to liquidate your investment.

The notes are a new issue of securities for which no established trading market exists. We cannot give any assurance that a trading market will exist in the future for the notes. Certain of the initial purchasers have

informed us that they intend to make a market in the notes. However, the initial purchasers are not obligated to do so and may cease their market-making at any time. Even if a market does develop, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for fixed income securities and by changes in our financial performance or prospects or in the prospects for companies in our industry in general. As a result, we cannot assure you that an active trading market will develop for the notes. If no active trading market develops, you may not be able to resell your notes at their fair market value or at all. Accordingly, you may be required to bear the financial risk of your investment in the notes indefinitely.

Although we intend to apply to admit the notes to the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF, there can be no assurance regarding the future development of a market for the Notes or the ability of holders to sell their notes or the price at which holders may be able to sell their notes. If a public market were to develop, the notes could trade at prices that may be lower than the initial offering price, depending on many factors, including prevailing interest rates, our operating results and the market for similar securities. We intend to apply to list the notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF; however we cannot assure you that such listing will be obtained.

The notes are denominated in euro, which involves risks.

The notes are denominated in euro, and all payments of interest and principal, including payments made upon any redemption of the notes, will be payable in euro.

In recent years, rates of exchange for the euro have been highly volatile and this volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative of fluctuations in the rate that may occur during the term of the notes. Depreciation of the euro against the U.S. dollar could result in a decrease in the effective yield of the notes below the coupon rate, and in certain circumstances, could result in a loss to you on a U.S. dollar basis.

The notes will be governed by New York law. Under New York law, a New York state court rendering a judgment on the notes would be required to render the judgment in euro. However, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on the notes, investors would bear currency exchange risk until a New York state court judgment is entered, which could be a significant amount of time. A U.S. federal court sitting in New York with diversity jurisdiction over a dispute arising in connection with the notes would apply the foregoing New York law.

In U.S. federal or state courts outside of New York, investors may not be able to obtain a judgment in a currency other than U.S. dollars. For example, a judgment for money in an action based on the notes in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of euro into U.S. dollars will depend upon various factors, including which court renders the judgment.

This description of foreign currency risks does not describe all the risks of an investment in securities denominated in a currency other than the home currency. You should consult your own financial and legal advisors as to the risks involved in an investment in the notes.

Because the global notes are held by or on behalf of Euroclear and/or Clearstream, Luxembourg, investors will have to rely on their procedures for transfer and payment with the Issuer.

Notes issued in connection with this offering may be represented by one or more global notes. Such global notes will be deposited with a common depository for Euroclear Bank SA/NV as operator of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Except in the circumstances described in

the global note, investors will not be entitled to receive certificated notes. Euroclear, and/or Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the notes are represented by one or more global notes, investors will be able to trade their beneficial interests only through Euroclear, or Clearstream, Luxembourg.

While the notes are represented by one or more global notes, the Issuer will discharge its payment obligations under the notes by making payments to or to the order of a common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a global note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the global notes.

Holder of beneficial interests in the global notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and/or Clearstream, Luxembourg to appoint appropriate proxies.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream, Luxembourg. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream, Luxembourg will be adequate to ensure the timely exercise of rights under the notes. See “Book-Entry; Delivery and Form.”

Holders of the notes will not be entitled to registration rights, and we do not currently intend to register the notes under applicable U.S. securities laws. There are restrictions on your ability to transfer or resell the notes.

The notes are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws, and we do not currently intend to register the notes in the U.S. The holders of the notes will not be entitled to require us to register the notes in the U.S. for resale or otherwise. Therefore, you may transfer or resell the notes in the U.S. only in a transaction registered under or exempt from the registration requirements of the Securities Act and applicable state securities laws, as applicable, and you may be required to bear the risk of your investment for an indefinite period of time. See “Transfer Restrictions.”

The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.

The Indenture will not be required to, and will not be, qualified under the U.S. Trust Indenture Act of 1939, as amended (the “TIA”) and will not incorporate or include and will not be subject to any of the provisions of the TIA. Consequently, the holders of the notes will not be entitled to the protections provided under the TIA to holders of debt securities issued under a qualified indenture, including those respecting preferential collections by the trustee or conflicting interests of the trustee. See “Description of the Notes.”

If a bankruptcy petition were filed by or against us, holders of notes may receive a lesser amount for their claim than they would have been entitled to receive under the indenture governing the notes

If a bankruptcy petition were filed by or against us under the U.S. Bankruptcy Code after the issuance of the notes, the claim by any holder of the notes for the principal amount of the notes may be limited to an amount equal to the sum of:

- the original issue price for the notes; and
- that portion of the original issue discount that does not constitute “unmatured interest” for purposes of the U.S. Bankruptcy Code.

Any original issue discount that was not amortized as of the date of the bankruptcy filing would constitute unmatured interest. Accordingly, holders of the notes under these circumstances may receive a lesser amount than they would be entitled to receive under the terms of the indenture governing the notes, even if sufficient funds are available.

If the notes are rated investment grade by two of Moody's, S&P and Fitch in the future, and as long as the notes maintain such ratings, certain covenants contained in the indenture will not apply to the notes, and the holders of the notes will lose the protection of these covenants.

The indenture governing the notes will contain certain covenants that will not apply to the notes if, during any future period, the notes are rated investment grade by two of Moody's, S&P and Fitch, provided that at such time no default or event of default has occurred and is continuing. See "Description of the Notes—Covenant Suspension." These covenants restrict, among other things, our ability to pay dividends, incur additional debt or liens and enter into certain types of transactions. Because we would not be subject to these restrictions during such time that the notes maintain these specified ratings, we would be able to make dividends and distributions, incur substantial additional debt or liens and enter into certain types of transactions during such period. Any actions taken while these covenants are suspended will not result in an event of default with respect to the notes in the event that these covenants are subsequently reinstated.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the notes. The ratings may not reflect the potential impact of all risks related to the structure, market, or additional risk factors discussed herein and other factors that may affect the value of the notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the notes.

You may be unable to recover in civil proceedings for U.S. securities laws violations.

The Issuer is organized under the laws of Luxembourg and does not have any assets in the United States. All of the managers and executive officers of the Issuer will be nonresidents of the United States and some of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or its managers and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. In addition, the Issuer cannot assure you that civil liabilities predicated upon the federal securities laws of the United States will be enforceable in Luxembourg.

Relevant insolvency and administrative laws may not be favorable to creditors, including holders of the notes, as the case may be, as insolvency laws of the jurisdictions in which you are familiar and may limit your ability to enforce your rights under the notes.

The following is a brief description of certain aspects of insolvency laws in Luxembourg. In the event that a Luxembourg company experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the notes may be more limited than would be the case under U.S. bankruptcy laws. Under Luxembourg law, the following types of proceedings (together referred to as “insolvency proceedings”) may be initiated against a company having its “centre of main interests” (within the meaning of the EU Insolvency Regulation) or an establishment in Luxembourg (in the latter case assuming that the centre of main interests is located in a jurisdiction where the EU Insolvency Regulation is applicable):

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the company, by any of its creditors or by the courts ex officio. Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings if the company: (i) is in a state of cessation of payments (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*). The main effect of such proceedings is the sale of the assets and allocation of the proceeds of such sale between creditors taking into account their rank of privilege, as well as the suspension of all measures of enforcement against the company, except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets. In addition, the managers or directors of a Luxembourg company that ceases its payments (i.e., is unable to pay its debts as they fall due with normal means of payment and has lost its creditworthiness) must within a month of them having become aware of the company’s cessation of payments and loss of creditworthiness, file a petition for bankruptcy (*faillite*) with the court clerk of the district court of the company’s registered office. If the managers or directors fail to comply with such obligation they may be held (i) liable towards the company or any third parties on the basis of principles of directors’ liability for any loss suffered and (ii) criminally liable for simple bankruptcy (*banqueroute simple*) in accordance with article 574 of the Luxembourg Commercial Code (*Code de commerce*);
- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the company and not by its creditors and under which a Luxembourg court may order the provisional suspension of payments, including a stay of enforcement of claims except for secured creditors (please see the below applicable provision of the Financial Collateral Law); or
- composition with creditors proceedings (*concordat préventif de faillite*), the opening of which may only be requested by the company (subject to obtaining the prior consent from the majority of its creditors holding at least 75% of the claims outstanding against such company) and not by its creditors directly. The Luxembourg court’s decision to admit a company to composition proceedings triggers a provisional stay on enforcement of claims by creditors except for secured creditors (see the below applicable provisions of the Financial Collateral Law).

In relation to secondary proceedings within the meaning of the EU Insolvency Regulation, if an entity has an establishment (as described in the EU Insolvency Regulation) in Luxembourg, the only insolvency proceedings that may be opened will be bankruptcy proceedings (*faillite*) with limited effects to the assets located in Luxembourg.

In addition to these proceedings, your ability to receive payment on the Notes may be affected by a decision of a Luxembourg court to grant a stay on payments (*sursis de paiement*) or to put a Luxembourg company into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the Luxembourg Commercial Code or of the Luxembourg laws applicable to commercial companies, as amended. The management of such liquidation proceedings will generally follow similar rules as those applicable to Luxembourg bankruptcy proceedings.

Liability of a Luxembourg company in respect of the notes will, in the event of a liquidation of the company following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the relevant entity that are preferred under Luxembourg law.

Preferential debts under Luxembourg law include, among others:

- remuneration owed to employees;
- social security contributions;
- certain amounts owed to the Luxembourg tax administration; and
- value added tax and other taxes and duties owed to the Luxembourg tax administration.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured and unpreferred creditors (except after enforcement and to the extent a surplus is realized).

More-favourable rules apply in relation to security interests of claims or financial instruments securing monetary claims (or claims for the delivery of financial instruments). In such a case, the act dated August 5, 2005 concerning financial collateral arrangements, as amended (the “Financial Collateral Law”) applies. Article 20 of the Financial Collateral Law provides that all Luxembourg law collateral arrangements (pledges, security assignments and repo agreements) over claims and financial instruments, as well as all enforcement events and valuation and enforcement measures agreed upon by the parties in accordance with this law, are valid and enforceable even if entered into during the pre-bankruptcy preference period (*période suspecte*) against third parties, commissioners, receivers, liquidators and other similar persons notwithstanding the insolvency proceedings (save in the case of fraud).

Article 24 of the Financial Collateral Law provides that foreign law security interests over claims or financial instruments granted by a Luxembourg pledgor will be valid and enforceable as a matter of Luxembourg law notwithstanding any Luxembourg insolvency proceedings, if such foreign law security interests are similar in nature to a Luxembourg security interest falling within the scope of the Financial Collateral Law. If article 24 applies, Luxembourg preference period rules are disappplied (save the case of fraud).

Article 21(2) of the Financial Collateral Law provides that where a financial collateral arrangement has been entered into on the day of, but after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is enforceable against third parties, administrators, insolvency receivers, liquidators and other similar persons if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of such proceedings, measures or arrangement.

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended, save as provided for in the Financial Collateral Law. Other than as described above, the ability of certain secured creditors to enforce their security interests may also be limited, particularly in the event of controlled management proceedings expressly providing that the rights of secured creditors will be frozen until a final decision has been taken by a Luxembourg court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors, representing via their claims which have not been challenged more than 50% of the relevant Luxembourg company’s liabilities, and the court’s approval in order to take effect. Furthermore, declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Save with respect to financial collateral arrangements falling within the scope of the Financial Collateral Law (as further described below), Luxembourg insolvency laws may also affect transactions entered into or payments made by a Luxembourg company during the pre-bankruptcy preference period (*période suspecte*) which is a maximum of six months plus 10 days preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date. In particular:

- pursuant to article 445 of the Luxembourg Commercial Code (*Code de commerce*), specified transactions (including the granting of a security interest for antecedent debts save in respect of financial collateral

arrangements within the meaning of the Financial Collateral Law; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; and the sale of assets without consideration or with substantially inadequate consideration) entered into during the preference period (or the 10 days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;

- pursuant to article 446 of the Luxembourg Commercial Code (*Code de commerce*), payments made for matured debts as well as other transactions entered into for consideration during the preference period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were entered into with the knowledge of the bankrupt party's cessation of payments; and
- pursuant to article 448 of the Luxembourg Commercial Code (*Code de commerce*) and article 1167 of the Luxembourg Civil Code (*action paulienne*), the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in the automatic termination of contracts except for employment agreements and powers of attorney. The contracts, therefore, subsist after the bankruptcy order. However, the bankruptcy receiver may choose to terminate certain contracts as to avoid the worsening of the financial situation of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. The bankruptcy judgment provides for a period of time during which creditors must file their claims with the clerk's office of the Luxembourg district court sitting in commercial matters.

Insolvency proceedings may hence have a material adverse effect on the relevant Luxembourg company's business and assets and the Luxembourg company's respective obligations under the notes.

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition with creditors proceedings may be subject to the EU Insolvency Regulation. In particular, rights in rem over assets located in another jurisdiction where the EU Insolvency Regulation is applicable, will not be affected by the opening of insolvency proceedings, without prejudice, however, to the applicability of rules relating to the voidness, voidability or unenforceability of legal acts detrimental to all the creditors (subject to the application of article 24 of the Financial Collateral Law as described above and article 16 of the EU Insolvency Regulation).

Limitation on enforcement of guarantees of guarantors incorporated in Luxembourg.

With respect to guarantors incorporated in Luxembourg, even if the Luxembourg law dated August 10, 1915 on commercial companies, as amended, does not provide for rules governing the ability of a Luxembourg company to guarantee the indebtedness of another entity of the same group, it is generally held that within a group of companies, in the context of a group of related companies, the existence of a group interest in granting upstream or cross-stream assistance under any form (including under the form of guarantee or security) to other group companies could constitute sufficient corporate benefit to enable a Luxembourg company to grant such guarantee or security, provided that the following conditions are met (and subject in any event to all the factual circumstances of the matter): (i) such guarantee or security must be given for the purpose of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group, (ii) the commitment to grant such guarantee or security must not be without consideration and such commitment must not be manifestly disproportionate in view of the obligations entered into by other group companies; and (iii) such guarantee or security granted or any other financial commitments must not exceed the financial capabilities of the committing company.

A guarantee not satisfying these criteria would expose its de facto or de jure directors or managers to personal liability or criminal liability. In addition, the guarantee or security interest could itself be held unenforceable. The guarantees granted by a guarantor incorporated in Luxembourg will be limited to a certain percentage of, among other things, the relevant company's net assets (capitaux propres).

The Issuer is incorporated in Luxembourg, and Luxembourg law differs from U.S. law and may afford less protection to holders of the notes.

Holders of the notes may have more difficulty protecting their interests than would security holders of a corporation incorporated in a jurisdiction of the U.S. As a Luxembourg company, the Issuer is incorporated under and subject to the Luxembourg law on commercial companies of 10 August 1915 (as amended) (the "Luxembourg Companies Law") and Luxembourg laws and regulations. The Luxembourg Companies Law differs in some material respects from laws generally applicable to U.S. corporations and security holders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, security holder lawsuits and indemnification of directors, managers or officers.

Under Luxembourg law, the duties of directors, managers or general partners of a company, are generally owed to the company only. Security holders of Luxembourg companies generally do not have rights to take action against directors, managers or general partners of the company, except in limited circumstances. Directors, managers or general partners of a Luxembourg company must, in exercising their powers and performing their duties, act in good faith and in the interests of the company as a whole and must exercise due care, skill and diligence. Directors, managers or general partners have a duty not to put themselves in a position in which their duties to the company and their personal interests may conflict and also are under a duty to disclose any personal interest in any contract or arrangement with the company or any of its subsidiaries. If a director, manager or general partner of a Luxembourg company is found to have breached his or her duties to that company, he or she may be held personally liable to the company in respect of that breach of duty. A director, manager or general partners may be jointly and severally liable with other directors, managers or general partners implicated in the same breach of duty.

The Anti-Tax Avoidance Directives may affect the returns to the Issuer and hence the Holders of notes.

The OECD, together with the G20 countries, have committed to address abusive global tax avoidance, referred to as BEPS, through 15 actions detailed in reports released on 5 October 2015.

As part of the BEPS project, new rules dealing, inter alia, with abuse of double tax treaties, the definition of permanent establishments, controlled foreign companies and hybrid mismatch arrangements are being introduced into respective domestic law of BEPS member states via EU directives and a multilateral instrument.

In effect, the European Council has adopted two Anti-Tax Avoidance Directives (being, Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market ("ATAD I") and Directive 2017/952/EU of 29 May 2017 amending ATAD I as regards hybrid mismatch rules ("ATAD II")) that address many of the above-mentioned issues. The measures included therein have already been implemented into Luxembourg law on 21 December 2018 (the "ATAD I Law") and 20 December 2019 (the "ATAD II Law").

The ATAD I Law and the ATAD II Law may affect the Issuer, the Holders of notes and could result in reduced returns to the Issuer and hence the Holders of notes.

Rights under the notes may be adversely affected by the Foreign Account Tax Compliance Act (“FATCA”) and the Common Reporting Standard (“CRS”) in Luxembourg.

Under the terms of the Luxembourg law of 24 July 2015 (the “FATCA Law”) and the Luxembourg law of 18 December 2015 (the “CRS Law”), the Issuer is likely to be treated as a Luxembourg Reporting Financial Institution. As such, the Issuer may require all noteholders to provide documentary evidence of their tax residence and all other information deemed necessary to comply with the above mentioned regulations. Should the Issuer become subject to a withholding tax and/or penalties as a result of non-compliance under the FATCA Law and/or penalties as a result of non-compliance under the CRS Law, the amount paid to the noteholders under the notes may be materially affected. Furthermore, the Issuer may also be required to withhold tax on certain payments to the noteholders which would not be compliant with FATCA (i.e. the so-called foreign passthru payments withholding tax obligation).

USE OF PROCEEDS

We expect to receive net proceeds from this offering of approximately €320 million, after deducting the discount to the initial purchasers and our estimated expenses related to the offering. We intend to use the net proceeds from this offering, together with cash on hand, to (i) redeem all of the Issuer's outstanding 6.500% Senior Notes due 2026 and (ii) pay related fees and expenses.

Certain of the initial purchasers or their affiliates hold our 2026 Notes and as such will receive a portion of the proceeds of this offering.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2021, on an actual basis and on an as-adjusted basis to give effect to this offering and the other Refinancing Transactions. We expect the estimated net proceeds of this offering after deducting the initial purchasers' discount and our estimated expenses related to the offering will be approximately €320 million.

You should read this information in conjunction with "Use of Proceeds" included elsewhere in this offering memorandum and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements and related notes contained elsewhere in this offering memorandum.

	As of March 31, 2021	
	Actual	As Adjusted
	(unaudited)	
<i>(in millions)</i>		
Cash and cash equivalents and marketable securities(1)	\$ 509	\$ 411
Debt:		
Revolving Facility(2)	\$ —	\$ —
Term B Facility	349	349
5.500% Senior Notes due 2024(3)	425	—
5.750% Senior Notes due 2025	400	400
6.500% Senior Notes due 2026	375	—
5.375% Senior Notes due 2027	400	400
5.625% Senior Notes due 2028	400	400
4.250% Senior Notes due 2030	—	400
Notes offered hereby(4)	—	390
Other indebtedness(5)	131	131
Total debt, including current portion(6)	2,480	2,470
Total equity(7)	1,870	1,842
Total capitalization	\$4,350	\$4,312

- (1) The "As Adjusted" column reflects the additional cash used to purchase the 2024 Notes and pay related fees and expenses assuming all the outstanding 2024 Notes are purchased in the Tender Offer.
- (2) As of March 31, 2021, we had no outstanding borrowings under the Revolving Facility and had utilized \$21 million for letters of credit.
- (3) The "As Adjusted" column assumes all of the 2024 Notes are purchased in the Tender Offer.
- (4) Represents aggregate principal amount of notes offered hereby. Converted to U.S. dollars at a rate of €1.00=U.S.\$1.20.
- (5) Other long-term debt includes the note payable to the former owners of SME as part of the purchase agreement, borrowings from various financial institutions, finance lease obligations and the unamortized fair value adjustment related to a terminated interest rate swap.
- (6) Does not include \$26 million and \$29 million of unamortized debt issuance costs in the "Actual" and "As Adjusted" columns, respectively.
- (7) The "As Adjusted" column reflects payment of accrued interest, the tender premium, and the write-off of unamortized fees related to the retirement of the Refinancing Transactions.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements for the three months ending March 31, 2020 and March 31, 2021 and related notes and our audited consolidated financial statements for the year ended December 31, 2018, December 31, 2019 and December 31, 2020 and related notes, in each case included elsewhere in this offering memorandum. The information provided below supplements, but does not form part of, our historical financial statements. This discussion includes forward-looking statements that are based on the views and beliefs of our management, as well as assumptions and estimates made by our management. Actual results could differ materially from such forward-looking statements as a result of various risk factors at the time of original publication, including those that may not be in the control of management. For further information on items that could impact our future operating performance or financial condition, see the sections entitled "Forward-Looking Statements" and "Risk Factors" elsewhere in this offering memorandum.

Management Overview

We are a global provider of high-technology products to virtually every major vehicle manufacturer in the world. We also serve the stationary industrial market. Our technologies include drive systems (axles, driveshafts, transmissions, and wheel and track drives); motion systems (winches, slew drives, and hub drives); electrodynamic technologies (motors, inverters, software and control systems, battery-management systems, and fuel cell plates); sealing solutions (gaskets, seals, cam covers, and oil pan modules); thermal-management technologies (transmission and engine oil cooling, battery and electronics cooling, charge air cooling, and thermal-acoustical protective shielding); and digital solutions (active and passive system controls and descriptive and predictive analytics). We serve our global light vehicle, medium/heavy vehicle and off-highway markets through four business units—Light Vehicle Drive Systems (Light Vehicle), Commercial Vehicle Drive and Motion Systems (Commercial Vehicle), Off-Highway Drive and Motion Systems (Off-Highway) and Power Technologies, which is the center of excellence for sealing and thermal-management technologies that span all customers in our on-highway and off-highway markets. We have a diverse customer base and geographic footprint which minimizes our exposure to individual market and segment declines. In 2020, 51% of our sales came from North American operations and 49% from operations throughout the rest of the world. Our sales by operating segment were: Light Vehicle—42.8%, Commercial Vehicle—16.6%, Off-Highway—27.7% and Power Technologies—12.9%.

Operational and Strategic Initiatives

Our enterprise strategy builds on our strong technology foundation and leverages our resources across the organization while driving a customer centric focus, expanding our global markets, and delivering innovative solutions as we evolve into the era of vehicle electrification.

Central to our strategy is *leveraging our core operations*. This foundational element enables us to infuse strong operational disciplines throughout the strategy, making it practical, actionable, and effective. It enables us to capitalize on being a major drive systems supplier across all three end-mobility markets. We are achieving improved profitability by actively seeking synergies across our engineering, purchasing, and manufacturing base. We have strengthened the portfolio by acquiring critical assets; and we are utilizing our physical and intellectual capital to amplify innovation across the enterprise. Leveraging these core elements can further expand the cost efficiencies of our common technologies and deliver a sustainable competitive advantage for Dana.

Driving customer centricity continues to be at the heart of who we are. Putting our customers at the center of our value system is firmly embedded in our culture and is driving growth by focusing customer relationships and providing value to our customers. These relationships are strengthened as we are physically where we need to be in order to provide unparalleled service and we are prioritizing our customers' needs as we engineer solutions

that differentiate their products, while making it easier to do business with Dana by digitizing their experience. Our customer centric focus has uniquely positioned us to win more than our fair share of new business and capitalize on future customer outsourcing initiatives.

We continue to enhance and expand our global footprint, optimizing it to capture growth across all of our end markets.

Expanding global markets means utilizing our global capabilities and presence to further penetrate growth markets, focusing on Asia due to its position as the largest mobility market in the world with the highest market growth rate and its lead in the adoption of new energy vehicles. We are investing across various avenues to increase our presence in Asia Pacific by forging new partnerships, expanding inorganically, and growing organically. We continue to operate in this region through wholly owned and joint ventures with local market partners. We have recently made acquisitions that have augmented our footprint in the region, specifically in India and China. All the while, we have been making meaningful organic investments to grow with existing and new customers, primarily in Thailand, India, and China. These added capabilities have enabled us to target the domestic Asia Pacific markets and utilize the capacity for export to other global markets.

Delivering innovative solutions enables us to capitalize on market growth trends as we evolve our core technology capabilities. We are also focused on enhancing our physical products with digital content to provide smart systems and we see an opportunity to become a digital systems provider by delivering software as a service to our traditional end customers. This focus on delivering solutions based on our core technology is leading to new business wins and increasing our content per vehicle. We have made significant investments—both organically and inorganically—allowing us to move to the next phase, which is to *Lead electric propulsion*.

Over the past year we have achieved our goal to accelerate hybridization and electrification through both core Dana technologies and targeted strategic acquisitions and are positioned today to lead the market. The nine recent investments in electrodynamic expertise and technologies combined with Dana's longstanding mechatronics capabilities has allowed us to develop and deliver fully integrated e-Propulsion systems that are power-dense and achieve optimal efficiency through the integration of the components that we offer due to our mechatronics capabilities. With recent electric vehicle program awards, we are well on our way to achieving our growth objectives in this emerging market.

The development and implementation of our enterprise strategy is positioning Dana to grow profitably due to increased customer focus as we leverage our core capabilities, expand into new markets, develop and commercialize new technologies including for hybrid and electric vehicles.

Capital Structure Initiatives

In addition to investing in our business, we plan to continue prioritizing the allocation of capital to reduce debt and maintain a strong financial position. We continue to drive toward investment grade metrics as part of a balanced approach to our capital allocation priorities and our goal of further strengthening our balance sheet.

Shareholder return actions—When evaluating capital structure initiatives, we balance our growth opportunities and shareholder value initiatives with maintaining a strong balance sheet and access to capital. Our strong financial position has enabled us to simplify our capital structure while providing returns to our shareholders in the form of cash dividends and a reduction in the number of shares outstanding. Our Board of Directors authorized a \$200 million share repurchase program effective in 2018 which expires at the end of 2023. Through March 31, 2021, we have used \$50 million of cash to repurchase common shares under the program. Through the first quarter of 2020, we had declared and paid quarterly common stock dividends for thirty-three consecutive quarters. In response to the global COVID-19 pandemic, we temporarily suspended the declaration and payment of dividends to common shareholders and the repurchase of common stock under our existing common stock share repurchase program.

With the impacts of the global COVID-19 pandemic largely behind us we resumed the declaration and payment of quarterly common stock dividends during the first quarter of 2021. Dividends accrue on restricted stock units granted under our stock compensation program and will be paid in cash or additional units when the underlying units vest.

Financing actions—Over the past few years we have taken advantage of the lower interest rate environment to complete refinancing transactions that resulted in lower effective interest rates while extending maturities. During 2019, we expanded the financing under our credit and guaranty agreement, incurring \$675 million of additional floating rate term loans to fund the Oerlikon Drive Systems acquisition. We also increased our revolving credit facility to \$1,000 million and extended its maturity to August 2024. We completed an offering of \$300 million in aggregate principal amount of our 2027 Notes and used the proceeds to repay \$300 million of our higher cost 6.000% Senior Notes due 2023. During 2019, we terminated one of our U.S. defined benefit pension plans, settling approximately \$165 million of previously unfunded pension obligations and eliminating future funding risk associated with interest rate and other market developments. In response to the global COVID-19 pandemic, during June 2020, we completed an offering of \$400 million in aggregate principal amount of our 2028 Notes and an offering of \$100 million additional 2027 Notes. With the impact of the global COVID-19 pandemic on our operations dissipating, we paid down \$474 million of our Term A Facility in the third and fourth quarters of 2020. In the first quarter of 2021, we further increased our revolving credit facility to \$1,150 million and extended its maturity to March 2026. On April 29, 2021, we launched and priced an offering of our 2030 Notes and we intend to use the proceeds to finance or refinance, in whole or in part, recently completed or future eligible green projects. See “Description of Other Indebtedness.” On April 29, 2021, we announced a tender for \$425 million of our 2024 Notes utilizing cash on hand. In connection with the Tender Offer, we are soliciting consents to amend the indenture pursuant to which the 2024 Notes were issued and on April 29, 2021, we commenced the redemption of the 2024 Notes. Our obligation to consummate the Tender Offer is subject to several conditions, including the consummation of the offering of the 2030 Notes. On May 13, 2021, we rescinded the notice of conditional full redemption, dated April 29, 2021, because the requisite consent of the holders of the 2024 Notes was obtained in connection with the Tender Offer and Consent Solicitation and we issued a notice of redemption pursuant to the indenture governing the 2024 Notes, as amended by a supplemental indenture, announcing that we intend to redeem all of our outstanding 2024 Notes on May 17, 2021 at a redemption price equal to 101.833% of the principal amount of the 2024 Notes, plus accrued and unpaid interest thereon to, but not including, May 17, 2021.

Other Initiatives

Aftermarket opportunities—We have a global group dedicated to identifying and developing aftermarket growth opportunities that leverage the capabilities within our existing businesses—targeting increased future aftermarket sales. Powered by recognized brands such as Dana®, Spicer®, Spicer Electrified™, Victor Reinz®, Glaser®, GWB®, Thompson®, Tru-Cool®, SVL®, and Transejes™, Dana delivers a broad range of aftermarket solutions—including genuine, all makes, and value lines—servicing passenger, commercial and off-highway vehicles across the globe.

Selective acquisitions—Although transformational opportunities like the GKN plc driveline business transaction that we pursued in 2018 will be considered when strategically and economically attractive, our acquisition focus is principally directed at “bolt-on” or adjacent acquisition opportunities that have a strategic fit with our existing core businesses, particularly opportunities that support our enterprise strategy and enhance the value proposition of our product offerings. Any potential acquisition will be evaluated in the same manner we currently consider customer program opportunities and other uses of capital—with a disciplined financial approach designed to ensure profitable growth and increased shareholder value.

Acquisitions

Ashwoods Innovations Limited—On February 5, 2020, we acquired Curtis Instruments, Inc.’s (Curtis) 35.4% ownership interest in Ashwoods Innovations Limited (Ashwoods). Ashwoods designs and manufactures permanent magnet electric motors for the automotive, material handling and off-highway vehicle markets. The acquisition of Curtis’ interest in Ashwoods, along with our existing ownership interest in Ashwoods, provided us

with a 97.8% ownership interest and a controlling financial interest in Ashwoods. We recognized a \$3 million gain to other income (expense), net on the required remeasurement of our previously held equity method investment in Ashwoods to fair value. The total purchase consideration of \$22 million is comprised of \$8 million of cash paid to Curtis at closing, the \$10 million fair value of our previously held equity method investment in Ashwoods and \$4 million related to the effective settlement of a pre-existing loan payable due from Ashwoods. During March 2020, we acquired the remaining noncontrolling interests in Ashwoods held by employee shareholders. The results of operations of Ashwoods are reported within our Off-Highway operating segment. The Ashwoods acquisition had an insignificant impact on our consolidated results of operations during 2020. See Hydro-Québec relationship discussion below for details of the subsequent change in our ownership interest in Ashwoods.

Nordresa—On August 26, 2019, we acquired a 100% ownership interest in Nordresa Motors, Inc. (Nordresa) for consideration of \$12 million, using cash on hand. Nordresa is a prominent integration and application engineering expert for the development and commercialization of electric powertrains for commercial vehicles. The investment further enhances Dana's electrification capabilities by combining its complete portfolio of motors, inverters, chargers, gearboxes, and thermal-management products with Nordresa's proprietary battery-management system, electric powertrain controls and integration expertise to deliver complete electric powertrain systems. The results of operations of Nordresa are reported within our Commercial Vehicle operating segment. Nordresa had an insignificant impact on our consolidated results of operations during 2019.

Prestolite E-Propulsion Systems (Beijing) Limited—On June 6, 2019, we acquired Prestolite Electric Beijing Limited's (PEBL) 50% ownership interest in Prestolite E-Propulsion Systems (Beijing) Limited (PEPS). PEPS manufactures and distributes electric mobility solutions, including electric motors, inverters, and generators for commercial vehicles and heavy machinery. PEPS has a state-of-the-art facility in China, enabling us to expand motor and inverter manufacturing capabilities in the world's largest electric-mobility market. The acquisition of PEBL's interest in PEPS, along with our existing ownership interest in PEPS through our TM4 subsidiary, provides us with a 100% ownership interest and a controlling financial interest in PEPS. We recognized a \$2 million gain to other income (expense), net on the required remeasurement of our previously held equity method investment in PEPS to fair value. We paid \$50 million at closing using cash on hand. Reference is made to Note 2 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for the allocation of purchase consideration to assets acquired and liabilities assumed. The results of operations of PEPS are reported within our Commercial Vehicle operating segment. The PEPS acquisition contributed \$8 million of sales and de minimis adjusted EBITDA in 2019. See Hydro-Québec relationship discussion below for details of the subsequent change in our ownership interest in PEPS.

Oerlikon Drive Systems—On February 28, 2019, we acquired a 100% ownership interest in the Oerlikon Drive Systems (ODS) segment of the Oerlikon Group. ODS is a global manufacturer of high-precision gears, planetary hub drives for wheeled and tracked vehicles, and products, controls, and software that support vehicle electrification across the mobility industry. We paid \$626 million at closing, which was primarily funded through debt proceeds. Reference is made to Note 2 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for the allocation of purchase consideration to assets acquired and liabilities assumed. The results of operations of ODS are reported primarily within our Off-Highway and Commercial Vehicle operating segments. The ODS acquisition added \$630 million of sales and \$87 million of adjusted EBITDA during 2019.

SME—On January 11, 2019, we acquired a 100% ownership interest in S.M.E. S.p.A. (SME). SME designs, engineers, and manufactures low-voltage AC induction and synchronous reluctance motors, inverters, and controls for a wide range of off-highway electric vehicle applications, including material handling, agriculture, construction, and automated-guided vehicles. The addition of SME's low-voltage motors and inverters, which are primarily designed to meet the evolution of electrification in off-highway equipment, significantly expands Dana's electrified product portfolio. We paid \$88 million at closing, consisting of \$62 million in cash on hand and a note payable of \$26 million which allows for net settlement of potential contingencies as defined in the purchase agreement. The note is payable in five years and bears annual interest of 5%. Reference is made to Note 2 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for the allocation of purchase consideration to assets acquired and liabilities assumed. The SME acquisition added

\$21 million of sales and de minimis adjusted EBITDA during 2019. See Hydro-Québec relationship discussion below for details of the subsequent change in our ownership interest in SME.

TM4—On June 22, 2018, we acquired a 55% ownership interest in TM4 Inc. (TM4) from Hydro-Québec. TM4 designs and manufactures motors, power inverters and control systems for electric vehicles, offering a complementary portfolio to Dana’s electric gearboxes and thermal-management technologies for batteries, motors and inverters. The transaction establishes Dana as the only supplier with full e-Drive design, engineering and manufacturing capabilities—offering electro mechanical propulsion solutions to each of our end markets. TM4’s technology and advanced manufacturing facility in Boucherville, Quebec will add to our global technical centers, and their 50% interest in PEPS provides an opportunity to enhance our position in the fastest growing market for electric vehicles. See PEPS acquisition discussion above for details of the subsequent change in our ownership interest in PEPS. Dana is consolidating TM4 as the governing documents provide Dana with a controlling financial interest. We paid \$125 million at closing, using cash on hand. Reference is made to Note 2 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for the allocation of purchase consideration to assets acquired and liabilities assumed. The results of operations of the TM4 business are reported in our Commercial Vehicle operating segment. The TM4 acquisition contributed \$11 million of sales and de minimis adjusted EBITDA in 2018.

Hydro-Québec Relationship

On June 22, 2018, we acquired a 55% ownership interest in TM4 from Hydro-Québec. On July 29, 2019, we broadened our relationship with Hydro-Québec, with Hydro-Québec acquiring an indirect 45% redeemable noncontrolling interest in SME and increasing its existing indirect 22.5% noncontrolling interest in PEPS to 45%. We received \$65 million at closing, consisting of \$53 million of cash and a note receivable of \$12 million. The note is payable in five years and bears annual interest of 5%. Dana will continue to consolidate SME and PEPS as the governing documents continue to provide Dana with a controlling financial interest in these subsidiaries. See Acquisitions section above for a discussion of Dana’s acquisitions of PEPS and SME. On April 14, 2020, Hydro-Québec acquired an indirect 45% redeemable noncontrolling interest in Ashwoods. We received \$9 million in cash at closing, inclusive of \$2 million in proceeds on a loan from Hydro-Québec. Dana will continue to consolidate Ashwoods as the governing documents continue to provide Dana with a controlling financial interest in this subsidiary. See the Acquisitions section above for a discussion of Dana’s acquisition of Ashwoods.

Segments

We manage our operations globally through four operating segments. Our Light Vehicle and Power Technologies segments primarily support light vehicle original equipment manufacturers (OEMs) with products for light trucks, SUVs, CUVs, vans and passenger cars. The Commercial Vehicle segment supports the OEMs of on-highway commercial vehicles (primarily trucks and buses), while our Off-Highway segment supports OEMs of off-highway vehicles (primarily wheeled vehicles used in construction, mining and agricultural applications).

Trends in Our Markets

We serve our customers in three core global end markets: light vehicle, primarily full frame trucks and SUVs; commercial vehicle, including medium-and heavy-duty trucks and busses; and off-highway, including construction, mining, and agriculture equipment.

In 2020, all of our end-markets were impacted to varying degrees by the global COVID-19 pandemic, which initially resulted in lower demand driven by production shutdowns related to virus mitigation efforts in the regions we serve. Each of our end-markets has unique cyclical dynamics and market drivers. These cycles are impacted by periods of investment where end-user vehicle fleets are refreshed or expanded in reaction to demand usage patterns, regulatory changes, or when the age of vehicles in service reach their useful life. Key market drivers include regional economic growth rates; industrial output; commodity production and pricing; and residential and nonresidential construction rates. Our multi-market coverage and broad customer base help provide stability across the cycles while mitigating secular variability.

Light vehicle markets—Our driveline business is weighted more heavily to the truck and SUV segments of the light-vehicle market versus the passenger-car segment. Our vehicle content is greater on rear-wheel drive, four-wheel drive, and all-wheel drive vehicles, as well as hybrid and electric vehicles. Global light-truck volumes have seen steady growth over the last three years, with the largest gains being in North America. The impact of COVID-19 saw the global market contract by 13% from 2019 levels. The outlook for the full year of 2021 reflects full-frame light-truck production to be up by a similar percentage, with all regions exhibiting a strong rebound and returning to 2019 levels as production constraints have eased, inventory returns to more normal levels, and constrained customer demand is fulfilled.

Commercial vehicle markets—Our primary business is driveline systems for medium and heavy-duty trucks and busses, including the emerging market for hybrid and electric vehicles. Key regional markets are North America, South America (primarily Brazil) and Asia Pacific. The Class-8 truck market in North America has experienced steady growth from 2017 through 2019, peaking at 345,000 trucks produced in 2019. Production of Class-8 trucks in 2020 was 38% below the record production in 2019 due to normal cycle dynamics and the impact of COVID-19. The outlook for 2021 is for stronger demand with production up 42% over the prior year driven by improving economic outlook and cyclical growth.

Medium-duty truck production in North America has grown steadily over the last several years before experiencing a 20% year-over-year decline from 2019 to 2020, primarily due to COVID-19. The outlook for 2021 is for a 11% increase in production over the prior year. Outside of North America, production of medium-and heavy-duty trucks in South America had been slowly improving prior to the COVID-19 pandemic as economic conditions had started to stabilize. Pandemic and economic conditions drove a 22% decline in production in 2020. The 2021 outlook for South America is for a 37% increase in production as the region recovers from the impact of the pandemic and the age of existing vehicles drives a replacement cycle for new trucks. In contrast to the rest of the world, Asia Pacific, driven by China, did not experience lower truck production in 2020, but is expected to slow output by 9% in 2021 as production matches lower demand, primarily driven by India where the recovery from the pandemic has been slower than in China.

Off-highway markets—Our off-highway business has a large presence outside of North America, with 64% of its 2020 sales coming from products manufactured in Europe; however, a large portion of these products are utilized in vehicle production outside the region. The construction equipment segment of the off-highway market is closely related to global economic growth and infrastructure investment. This segment has experienced a 5% market contraction, which began in late 2018 and further accelerated due to COVID-19, with 2020 production ending down an additional 10%. The 2021 outlook has production demand in the global construction market rebounding by 11% over the prior year. End-user investment in the mining equipment segment is driven by prices for commodity products produced by underground mining. The global mining equipment market has been mostly stable over the past several years as industry participants have maintained vehicle inventory levels to match commodity output, and this trend is expected to continue in 2021. The agriculture equipment market is the third of our key off-highway segments. Like the underground mining segment, investment in agriculture equipment is primarily driven by prices for farm commodities. From 2018 to 2019, global demand for agriculture equipment fell by 3% due to a slump in commodity prices. As prices have remained low, production in 2020 fell an additional 7%. The outlook for 2021 is for end-market demand to improve by 7% compared to the prior year, as farm subsidies in response to the global pandemic have bolstered the commodity market and is expected to drive the replacement of aging equipment.

Foreign currency—With 52% of our 2020 sales coming from outside the U.S., international currency movements can have a significant effect on our sales and results of operations. The euro zone countries and China accounted for 51% and 10% of our 2020 non-U.S. sales, respectively, while Brazil and India each accounted for 7%. Although sales in South Africa are less than 5% of our non-U.S. sales, the rand has been volatile and significantly impacted sales from time to time. International currencies weakened against the U.S. dollar in 2020, decreasing 2020 sales by \$53 million. A weaker Brazilian real, South African rand and Indian rupee more than offset a stronger euro.

Argentina has experienced significant inflationary pressures the past few years, contributing to significant devaluation of its currency among other economic challenges. Our Argentine operation supports our Light Vehicle operating segment. Our sales in Argentina for 2020 of approximately \$78 million are 1% of our consolidated sales and

our net asset exposure related to Argentina was approximately \$21 million, including \$5 million of net fixed assets, at December 31, 2020. During the second quarter of 2018, we determined that Argentina’s economy met the GAAP definition of a highly inflationary economy. In assessing Argentina’s economy as highly inflationary we considered its three-year cumulative inflation rate along with other factors. As a result, effective July 1, 2018, the U.S. dollar is the functional currency for our Argentine operations, rather than the Argentine peso. Beginning July 1, 2018, peso-denominated monetary assets and liabilities are remeasured into U.S. dollars using current Argentine peso exchange rates with resulting translation gains or losses included in results of operations. Nonmonetary assets and liabilities are remeasured into U.S. dollar using historic Argentine peso exchange rates. Reference is made to Note 1 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Commodity costs—The cost of our products may be significantly impacted by changes in raw material commodity prices, the most important to us being those of various grades of steel, aluminum, copper, brass and rare earth materials. The effects of changes in commodity prices are reflected directly in our purchases of commodities and indirectly through our purchases of products such as castings, forgings, bearings, batteries and component parts that include commodities. Most of our major customer agreements provide for the sharing of significant commodity price changes with those customers based on the movement in various published commodity indexes. Where such formal agreements are not present, we have historically been successful implementing price adjustments that largely compensate for the inflationary impact of material costs. Material cost changes will customarily have some impact on our financial results as customer pricing adjustments typically lag commodity price changes. Lower commodity prices increased year-over-year earnings in 2020 by approximately \$37 million, as compared to year-over-year earnings reductions of \$30 million from higher commodity prices in 2019. Material recovery and other pricing actions decreased year-over-year earnings by \$80 million and \$10 million in 2020 and 2019, respectively.

Consolidated Results of Operations

Summary Consolidated Results of Operations (First Quarter, 2021 versus 2020)

	Three Months Ended March 31,				Increase/ (Decrease)
	2021		2020		
	Dollars	% of Net Sales	Dollars	% of Net Sales	
<i>(in millions)</i>					
Net sales	\$2,263		\$1,926		\$337
Cost of sales	2,012	88.9%	1,720	89.3%	292
Gross margin	251	11.1%	206	10.7%	45
Selling, general and administrative expenses	119	5.3%	106	5.5%	13
Amortization of intangibles	4		3		1
Restructuring charges, net	1		3		(2)
Impairment of goodwill	—		(51)		51
Other income (expense), net	(19)		4		(23)
Earnings before interest and income taxes	108		47		61
Interest income	2		2		—
Interest expense	34		29		5
Earnings before income taxes	76		20		56
Income tax expense (benefit)	22		(16)		38
Equity in earnings of affiliates	14		2		12
Net income	68		38		30
Less: Noncontrolling interests net income	1		2		(1)
Less: Redeemable noncontrolling interests net loss	(4)		(22)		18
Net income attributable to the parent company	\$ 71		\$ 58		\$ 13

Sales—The following table shows changes in our sales by geographic region.

	Three Months Ended March 31,		Increase/ (Decrease)	Amount of Change Due to		
	2021	2020		Currency Effects	Acquisitions (Divestitures)	Organic Change
<i>(in millions)</i>						
North America	\$1,095	\$ 982	\$113	\$ 1	\$ 1	\$111
Europe	732	614	118	54	2	62
South America	120	105	15	(18)	—	33
Asia Pacific	316	225	91	11	—	80
Total	\$2,263	\$1,926	\$337	\$ 48	\$ 3	\$286

Sales in the first quarter of 2021 were \$337 million higher than in the first quarter of 2020. Stronger international currencies increased sales by \$48 million, principally due to a stronger euro and Chinese renminbi, partially offset by a weaker Brazilian real. The organic sales increase of \$286 million, or 15%, resulted from improved overall market demand and the conversion of sales backlog. Pricing actions, including material commodity price and inflationary costs adjustments, increased sales by \$4 million.

The North America organic sales increase of 11% was driven principally by stronger light and heavy duty truck production volumes and the conversion of sales backlog. First quarter 2021 full frame light truck production was up 8% and Class 8 truck production was up 10%, while Classes 5-7 were down 2% compared with the first quarter of 2020. Excluding currency and acquisition effects, sales in Europe were up 10% compared with the first quarter of 2020. With our significant Off-Highway presence in the region, stronger construction/mining and agricultural markets were a major factor. Organic sales in this operating segment were up 12% compared with the first quarter of 2020. Excluding currency effects, first quarter sales in South America increased 31% compared to 2020 due primarily to improved light and medium/heavy duty truck production. First-quarter 2021 light truck production was up 25% and medium/heavy truck production was up 35%. Excluding currency effects, sales in Asia Pacific increased 36% compared to the first quarter of 2020 due to improved light and medium/heavy duty truck production and a stronger construction/mining market. First-quarter 2021 light truck production was up 27% and medium/heavy truck production was up 46%. The global semiconductor chip shortage had a negligible impact on our first quarter 2021 sales.

Cost of sales and gross margin—Cost of sales for the first quarter of 2021 increased \$292 million, or 17% when compared to 2020. Cost of sales as a percent of sales was 40 basis points lower than in the previous year. Incremental margins provided by increased sales volumes were partially offset by higher year-over-year commodity costs of \$35 million, higher standard and premium freight costs of \$23 million and incremental investment in electrification initiatives. Commodity cost increases are being driven by higher prices for certain grades of steel and aluminum. Year-over-year freight cost increases are primarily due to higher freight rates, driven by container shortages and port congestions due to pandemic-related operational disruptions and the incurrence of premium freight to support customer demand levels. Continued material cost savings provided a partial offset, reducing costs of sales by approximately \$27 million.

Gross margin of \$251 million for the first quarter of 2021 increased \$45 million from the first quarter of 2020. Gross margin as a percent of sales was 11.1% in the first quarter of 2021, 40 basis points higher than in 2020. The improvement in gross margin as a percent of sales was driven principally by the cost of sales factors referenced above. Gross margin during the first quarter of 2021 was negatively impacted by material cost recovery mechanisms with our customers lagging material cost increases charged by our suppliers by approximately 90 days.

Selling, general and administrative expenses (SG&A)—SG&A expenses in the first quarter of 2021 were \$119 million (5.3% of sales) as compared to \$106 million (5.5% of sales) in the first quarter of 2020. The year-over-year increase of \$13 million was primarily due to higher year-over-year incentive compensation, benefits and salaried employee wages, partially offset by lower travel costs and marketing expenses.

Amortization of intangibles—Amortization expense was \$4 million in the first quarter of 2021 and \$3 million in 2020. The increase in amortization expense is primarily due to higher levels of intangible assets as the result of acquisition activity.

Restructuring charges, net—Net restructuring charges of \$1 million and \$3 million in the first quarters of 2021 and 2020 were comprised of severance and benefit costs related to integration of recent acquisitions, headcount reductions across our operations and exit costs related to previously announced actions.

Impairment of goodwill—During the first quarter of 2020, we recorded a \$51 million goodwill impairment charge. See Note 3 of our unaudited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Other income (expense), net—The following table shows the major components of other income (expense), net.

	Three Months Ended March 31,	
	2021	2020
<i>(in millions)</i>		
Non-service cost components of pension and OPEB costs	\$ (2)	\$ (2)
Government grants and incentives	3	4
Foreign exchange loss	1	5
Strategic transaction expenses	(3)	(6)
Loss on investment in Hyliion	(17)	—
Loss on disposal group held for sale	(7)	—
Other, net	6	3
Other income (expense), net	<u>\$ (19)</u>	<u>\$ 4</u>

Strategic transaction expenses in the first quarter of 2021 were primarily attributable to our pending acquisition of a portion of the thermal-management business of Modine Manufacturing Company and certain other strategic initiatives. Strategic transaction expenses in 2020 were primarily attributable to the acquisitions of the Oerlikon Drive Systems segment of the Oerlikon Group (ODS) and Nordresa Motors, Inc. and certain other strategic initiatives.

We held convertible notes receivable from our investment in Hyliion Inc. On October 1, 2020, Hyliion Inc. completed its merger with Tortoise Acquisition Corp. The business combination resulted in the combined company being renamed Hyliion Holdings Corp. (Hyliion), with its common stock being listed on the New York Stock Exchange under the ticker symbol HYLN. Effective with the completed merger, our notes receivable were converted into 2,988,229 common shares of HYLN. Our investment in Hyliion is included in noncurrent marketable securities and carried at fair value with changes in fair value included in net income. The strategic partnership with Hyliion establishes Dana as the preferred supplier for e-Propulsion systems to Hyliion as long as Dana maintains a minimum equity investment in Hyliion.

In conjunction with our acquisition of ODS, we acquired a controlling financial interest in a joint venture in China. We are required to divest of our interest in this joint venture as it violates competitive restrictions of another of our China joint venture shareholder agreements. During the first quarter of 2021 we recorded an impairment charge of \$7 million, as we determined the carrying value of the disposal group exceeded its fair value less costs to sell. The disposal group has net assets of \$2 million as of March 31, 2021. Individual asset and liability balances are not material and therefore the amounts have not been segregated as held for sale on our consolidated balance sheet. We completed the disposal of this business in April 2021.

Interest income and interest expense—Interest income was \$2 million in the first quarter of both 2021 and 2020. Interest expense increased from \$29 million in the first quarter of 2020 to \$34 million in 2021, primarily

due to higher interest rates on outstanding borrowings. Average effective interest rates, inclusive of amortization of debt issuance costs, approximated 5.5% in the first quarter of 2021 and 4.8% in 2020. The year-over-year increase in our average effective interest rate is primarily attributable to the issuance of \$400 million of our 5.625% June 2028 Notes and an additional \$100 million of our 5.375% November 2027 Notes during the second quarter of 2020 and the pay down of our Term A Facility, which bore interest at an average of 3.19% during the first quarter of 2020, in the fourth quarter of 2020.

Income tax expense (benefit)—We reported income tax expense of \$22 million and an income tax benefit of \$16 million for the three months ended March 31, 2021 and 2020, respectively. Our effective tax rates were 29% and (80)% for the first three months of 2021 and 2020. During the first quarter of 2020, a pre-tax goodwill impairment charge of \$51 million with an associated income tax benefit of \$1 million was recorded. Also, during the first quarter of 2020, we recorded tax benefits of \$37 million related to tax actions that adjusted federal tax credits, tax expense of \$2 million to record additional valuation allowance in the U.S. based on reduced income projections, and tax expense of \$4 million to record valuation allowances in foreign jurisdictions due to reduced income projections. Our effective income tax rates vary from the U.S. federal statutory rate of 21% due to establishment, release and adjustment of valuation allowances in several countries, nondeductible expenses and deemed income, local tax incentives in several countries outside the U.S., different statutory tax rates outside the U.S. and withholding taxes related to repatriations of international earnings. The effective income tax rate may vary significantly due to fluctuations in the amounts and sources, both foreign and domestic, of pretax income and changes in the amounts of nondeductible expenses.

In countries where our history of operating losses does not allow us to satisfy the “more likely than not” criterion for recognition of deferred tax assets, we have generally recognized no income tax on the pre-tax income or losses as valuation allowance adjustments offset the associated tax effects. Consequently, there is no income tax expense or benefit recognized on the pre-tax income or losses in these jurisdictions as valuation allowances are adjusted to offset the associated tax expense or benefit.

Equity in earnings of affiliates—Net earnings from equity investments was \$14 million in the first quarter of 2021 and \$2 million in the first quarter of 2020. Equity in earnings from DDAC was \$13 million in the first quarter of 2021 and a loss of \$1 million in 2020. DDAC’s operations located in China’s Hubei province, the center of the initial COVID-19 outbreak, were shut down the entire month of February 2020. Production was permitted to resume in March 2020. Equity earnings from Bendix Spicer Foundation Brake, LLC (BSFB) was \$3 million in the first quarter of 2020. On October 1, 2020 we sold our 20% ownership interest in BSFB to Bendix Commercial Vehicle Systems LLC.

Segment Results of Operations (First Quarter 2021 versus 2020)

Light Vehicle

	Three Months Ended March 31,		
	Sales	Segment EBITDA	Segment EBITDA Margin
<i>(in millions)</i>			
2020	\$808	\$ 83	10.3%
Volume and mix	178	40	
Performance	(5)	(24)	
Currency effects	10	1	
2021	<u>\$991</u>	<u>\$100</u>	10.1%

Light Vehicle sales in the first quarter of 2021, exclusive of currency effects, were 21% higher than the same period of 2020 reflecting improved global markets and the conversion of sales backlog. First quarter 2020 sales were significantly impacted by the rapid dissipation in customer demand resulting from the global

COVID-19 pandemic. Year-over-year North America full frame light truck production increased 8% while light truck production in Europe, South America and Asia Pacific increased 3%, 25% and 27%, respectively. Net customer pricing and cost recovery actions decreased year-over-year first quarter sales by \$5 million.

Light Vehicle first-quarter 2021 segment EBITDA increased by \$17 million when compared to the same period of 2020. Higher sales volumes provided a year-over-year increase of \$40 million (22.5% incremental margin). The year-over-year performance-related earnings decrease was driven by commodity cost increases of \$16 million, higher standard and premium freight costs of \$9 million, lower net pricing and material cost recovery actions of \$4 million, higher incentive compensation of \$3 million, operational inefficiencies of \$3 million and higher net foreign currency transaction losses of \$2 million. Partially offsetting these performance-related earnings decreases were material cost savings of \$13 million.

Commercial Vehicle

	Three Months Ended March 31,		
	Sales	Segment EBITDA	Segment EBITDA Margin
<i>(in millions)</i>			
2020	\$333	\$ 21	6.3%
Volume and mix	21	5	
Acquisitions	2		
Performance	3	(12)	
Currency effects	(7)		
2021	<u>\$352</u>	<u>\$ 14</u>	4.0%

Commercial Vehicle sales in the first quarter of 2021, exclusive of currency effects and the impact of acquisitions, were 7% higher than the same period of 2020 reflecting mixed markets and the conversion of sales backlog. First quarter 2020 sales were significantly impacted by the rapid dissipation in customer demand resulting from the global COVID-19 pandemic. Market recoveries by region have been mixed. Year-over-year North America Class 8 production was up 10% while Classes 5-7 production was down 2%. Medium/heavy truck production in Europe was down 11% while production in South America and Asia Pacific were up 35% and 46%, respectively. Net customer pricing and cost recovery actions increased sales year-over-year first quarter sales by \$3 million.

Commercial Vehicle first-quarter 2021 segment EBITDA decreased by \$7 million when compared to the same period of 2020. Higher sales volumes provided a year-over-year increase of \$5 million (23.8% incremental margin). The year-over-year performance-related earnings decrease was driven by higher standard and premium freight costs of \$10 million, commodity cost increases of \$9 million, operational inefficiencies of \$3 million, higher incentive compensation of \$2 million and higher net foreign currency transaction losses of \$1 million. Partially offsetting these performance-related earnings decreases were higher net pricing and material cost recovery actions of \$8 million, material cost savings of \$4 million and lower warranty costs of \$1 million.

Off-Highway

	Three Months Ended March 31,		
	Sales	Segment EBITDA	Segment EBITDA Margin
<i>(in millions)</i>			
2020	\$532	\$72	13.5%
Volume and mix	65	15	
Acquisitions	1	(1)	
Performance		(9)	
Currency effects	34	3	
2021	<u>\$632</u>	<u>\$80</u>	12.7%

Off-Highway sales in the first quarter of 2021, exclusive of currency effects and the impact of acquisitions, were 12% higher than the same period of 2020 reflecting improved markets and the conversion of sales backlog. Year-over-year construction/mining and agricultural equipment markets in Europe and Asia Pacific reflected marked improvement while North American markets continued to be weak.

Off-Highway first-quarter 2021 segment EBITDA increased by \$8 million when compared to the same period of 2020. Higher sales volumes provided a year-over-year increase of \$15 million (23.1% incremental margin). The year-over-year performance-related earnings decrease was driven by higher commodity costs of \$7 million, operational inefficiencies of \$4 million, higher incentive compensation of \$2 million, higher net foreign currency transaction losses of \$2 million, higher premium freight of \$1 million and higher warranty costs of \$1 million. Partially offsetting these performance-related earnings decreases were material cost savings of \$7 million and higher net pricing and material cost recovery actions of \$1 million.

Power Technologies

	Three Months Ended March 31,		
	Sales	Segment EBITDA	Segment EBITDA Margin
<i>(in millions)</i>			
2020	\$253	\$30	11.9%
Volume and mix	25	8	
Performance	(1)	2	
Currency effects	11	1	
2021	<u>\$288</u>	<u>\$41</u>	14.2%

Power Technologies primarily serves the light vehicle market but also sells product to the medium/heavy truck and off-highway markets. Power Technologies sales in the first quarter of 2021, exclusive of currency effects, were 9% higher than the same period of 2020 reflecting the conversion of sales backlog and mixed markets. Year-over-year light vehicle engine production was up 24% in Asia Pacific and down 1%, 2% and 10% in North America, Europe and South America, respectively. Net customer pricing and cost recovery actions decreased sales year-over-year first quarter sales by \$1 million.

Power Technologies first-quarter 2021 segment EBITDA increased by \$11 million when compared to the same period of 2020. Higher sales volumes provided a year-over-year increase of \$8 million (32.0% incremental margin). The year-over-year performance-related earning increase was driven by operational efficiencies of \$8 million, material cost savings of \$3 million and lower warranty costs of \$1 million. Partially offsetting these performance-related earning

increases were commodity cost increases of \$3 million, higher standard and premium freight costs of \$3 million, higher incentive compensation of \$2 million, higher net foreign currency transaction losses of \$1 million and lower net pricing and material recovery actions of \$1 million.

Summary Consolidated Results of Operations (2020 versus 2019)

	2020		2019		Increase/ (Decrease)
	Dollars	% of Net Sales	Dollars	% of Net Sales	
<i>(in millions)</i>					
Net sales	\$7,106		\$8,620		\$(1,514)
Cost of sales	6,485	91.3%	7,489	86.9%	(1,004)
Gross margin	621	8.7%	1,131	13.1%	(510)
Selling, general and administrative expenses	421	5.9%	508	5.9%	(87)
Amortization of intangibles	13		12		1
Restructuring charges, net	34		29		5
Impairment of goodwill	(51)		(6)		(45)
Pension settlement charges	—		(259)		259
Other income (expense), net	22		(25)		47
Earnings before interest and income taxes	124		292		(168)
Loss on extinguishment of debt	(8)		(9)		1
Interest income	9		10		(1)
Interest expense	138		122		16
Earnings (loss) before income taxes	(13)		171		(184)
Income tax expense (benefit)	58		(32)		90
Equity in earnings of affiliates	20		30		(10)
Net income (loss)	(51)		233		(284)
Less: Noncontrolling interests net income	10		13		(3)
Less: Redeemable noncontrolling interests net loss	(30)		(6)		(24)
Net income (loss) attributable to the parent company	\$ (31)		\$ 226		\$ (257)

Sales—The following table shows changes in our sales by geographic region.

	2020	2019	Increase/ (Decrease)	Amount of Change Due to		
				Currency Effects	Acquisitions (Divestitures)	Organic Change
<i>(in millions)</i>						
North America	\$3,602	\$4,473	\$ (871)	\$ (1)	\$ 30	\$ (900)
Europe	2,209	2,606	(397)	32	66	(495)
South America	358	509	(151)	(73)		(78)
Asia Pacific	937	1,032	(95)	(11)	29	(113)
Total	\$7,106	\$8,620	\$(1,514)	\$(53)	\$125	\$(1,586)

Sales in 2020 were \$1,514 million lower than in 2019. Weaker international currencies decreased sales by \$53 million, principally due to a weaker Brazilian real, South African rand and Indian rupee, partially offset by a stronger euro. The acquisitions of ODS in last year's first quarter, PEPS in last year's second quarter and Ashwoods in this year's first quarter, generated a year-over-year increase in sales of \$125 million. The organic sales decrease of \$1,586 million, or 18%, resulted from weaker light and medium/heavy truck markets and lower

global off-highway demand in January and February 2020 and the rapid dissipation in production volumes across all of our end markets beginning in March 2020 as a result of the global COVID-19 pandemic. The impact of the global COVID-19 pandemic on our operations as well as those of our customers, suppliers and the global supply chains in which we participate, was most notable during April 2020, with a measured ramp up in production beginning in May followed by a rapid increase in customer demand through the third quarter. Sales in the fourth quarter of 2020 were \$121 million higher than the same period of 2019, primarily due to strong customer demand in, and the conversion of sales backlog by, our Light Vehicle operating segment. The conversion of sales backlog contributed \$348 million on a full-year basis, while pricing actions, including material commodity price and inflationary cost adjustments, reduced sales by \$80 million.

The North America organic sales decrease of 20% was driven principally by weaker light and medium/heavy duty truck production volumes resulting from the global COVID-19 pandemic, partially offset by the conversion of sales backlog. Full frame light truck production was down 20% during 2020 while production of Class 8 and Classes 5-7 trucks were down 38% and 20%, respectively.

Excluding currency and acquisition effects, sales in Europe were down 19% compared with 2019. With our significant Off-Highway presence in the region, weakening construction/mining and agricultural markets due to the global COVID-19 pandemic were a major factor. Organic sales in this operating segment were down 22% compared with 2019.

Excluding currency effects, sales in South America decreased 15% compared to 2019 primarily due to the global COVID-19 pandemic. Medium/heavy truck production was down 22% and light truck production was down 17% compared to 2019.

Excluding currency and acquisition effects, sales in Asia Pacific decreased about 11% as China's economy showed signs of weakening even before the onset of the COVID-19 pandemic. Light truck and light vehicle engine production were down 9% and 13%, respectively, while medium/heavy truck production was up 12% compared to 2019.

Cost of sales and gross margin—Cost of sales for 2020 decreased \$1,004 million, or 13% when compared to 2019. Cost of sales as a percent of sales in 2020 was 440 basis points higher than in the previous year. Cost of sales attributed to acquisitions was approximately \$137 million. Excluding the effects of acquisitions, cost of sales as a percent of sales was 90.9%, 400 basis points higher than in the previous year. The increase in cost of sales as a percent of sales is attributable to the rapid dissipation of customer demand across all of our end markets primarily during the second quarter of 2020, as a result of the global COVID-19 pandemic, followed by a dramatic increase in demand during the third quarter of 2020. During the second quarter of 2020 actions to flex down our cost structure lagged the rapid dissipation of customer demand across all of our end markets, our inability to effectively reduce labor costs in certain countries due to government requirements, as well as our inability to reduce fixed costs including depreciation and rent expense. During the third quarter of 2020 we experienced operational inefficiencies and premium costs associated with taking a number of our plants from being idled just a few months prior to running at full capacity. Partially offsetting the impact of the global COVID-19 pandemic were lower commodity prices which lowered material costs by \$37 million and continued material cost savings of approximately \$75 million.

Gross margin of \$621 million for 2020 decreased \$510 million from 2019. Gross margin as a percent of sales was 8.7% in 2020, 440 basis points lower than in 2019. The decline in margin as a percent of sales was driven principally by the cost of sales factors referenced above.

Selling, general and administrative expenses (SG&A)—SG&A expenses in 2020 were \$421 million (5.9% of sales) as compared to \$508 million (5.9% of sales) in 2019. SG&A attributed to acquisitions was \$9 million. The year-over-year decrease of \$96 million exclusive of acquisitions was primarily due to lower year-over-year incentive compensation as well as lower salaried employee wages, benefits, travel expenses, marketing expenses and professional fees resulting from the execution of cost reduction initiatives in response to the global COVID-19 pandemic.

Amortization of intangibles—Amortization expense was \$13 million in 2020 and \$12 million in 2019. The increase in amortization expense is primarily due to higher levels of intangible assets as the result of acquisition activity.

Restructuring charges, net—Restructuring charges of \$34 million in 2020 were comprised of severance and benefit costs primarily related to headcount reductions across our operations in response to the global COVID-19 pandemic and exit costs related to previously announced actions. Restructuring charges of \$29 million in 2019 were comprised of severance and benefit costs primarily related to integration of recent acquisitions, headcount reductions across our operations and exit costs related to previously announced actions. See Note 4 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Impairment of goodwill—During the first quarter of 2020, we recorded a \$51 million goodwill impairment charge. During the fourth quarter of 2019, we wrote off the goodwill recognized as part of a 2016 acquisition. See Note 3 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Pension settlement charges—During 2019, we recorded a \$256 million settlement charge related to the termination of one of our U.S. defined benefit pension plans and a \$3 million settlement charge related to the termination of one of our Canadian defined benefit pension plans. See Note 12 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Other income (expense), net—The following table shows the major components of other income (expense), net.

	<u>2020</u>	<u>2019</u>
<i>(in millions)</i>		
Non-service cost components of pension and OPEB costs	\$ (10)	\$ (23)
Government grants and incentives	14	15
Foreign exchange loss	8	(11)
Strategic transaction expenses	(20)	(41)
Gain on investment in Hyliion	33	—
Non-income tax legal judgment	—	6
Gain on liquidation of foreign subsidiary	—	12
Other, net	(3)	17
Other income (expense), net	<u>\$ 22</u>	<u>\$ (25)</u>

Strategic transaction expenses in 2020 were primarily attributable to the acquisition of ODS and Nordresa and certain other strategic initiatives. Strategic transaction expenses in 2019 were primarily attributable to the acquisition of ODS. We held \$16 million of convertible notes receivable from our investment in Hyliion Inc. On October 1, 2020, Hyliion Inc. completed its merger with Tortoise Acquisition Corp. The business combination resulted in the combined company being renamed Hyliion Holdings Corp. (Hyliion), with its common stock being listed on the New York Stock Exchange under the ticker symbol HYLN. Effective with the completed merger, our notes receivable were converted into 2,988,229 common shares of HYLN. Our investment in Hyliion will be included in noncurrent marketable securities and carried at fair value with changes in fair value included in net income in future periods. During the first quarter of 2019, we won a legal judgment regarding the methodology used to calculate PIS/COFINS tax on imports into Brazil. During the fourth quarter of 2019, we liquidated a foreign subsidiary. The resulting non-cash gain is attributable to the recognition of accumulated currency translation adjustments. See Note 19 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Loss on extinguishment of debt—On June 19, 2020, in connection with the issuance of our June 2028 Notes, we terminated our \$500 million bridge facility and wrote off \$5 million of deferred fees associated with the bridge facility. On December 31, 2020, we fully paid down our Term A Facility. We wrote off \$3 million of previously deferred financing costs associated with the Term A Facility. During the fourth quarter of 2019, we redeemed \$300 million of our September 2023 Notes. We incurred redemption premiums of \$7 million in connection with these repayments and wrote off \$2 million of previously deferred financing costs associated with the extinguished debt. See Note 14 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Interest income and interest expense—Interest income was \$9 million in 2020 and \$10 million in 2019. Interest expense increased from \$122 million in 2019 to \$138 million in 2020 due to higher average debt levels in 2020. The increase in average debt levels is primarily attributable to outstanding borrowings under the Revolving Facility during the first half of 2020 and the issuances of \$400 million of our June 2028 Notes and an additional \$100 million of our November 2027 Notes in June 2020. Average effective interest rates, inclusive of amortization of debt issuance costs, approximated 5.0% in both 2020 and 2019.

Income tax expense (benefit)—Income taxes were an expense of \$58 million in 2020 and benefit of \$32 million in 2019. During 2020, we recognized tax expense of \$60 million for additional valuation allowances in foreign jurisdictions due to reduced income projections. We also recognized a benefit of \$26 million for the release of valuation allowance in a subsidiary in Australia, based on recent history of profitability and increased income projections. In conjunction with the completion of the intercompany sale of certain assets to a non-U.S. affiliate, net tax expense of \$12 million was recorded, including the corresponding foreign derived intangible income benefit. For the year, we also recognized tax benefits of \$37 million related to tax actions that adjusted federal tax credits. A pre-tax goodwill impairment charge of \$51 million with an associated income tax benefit of \$1 million was recorded. During 2019, we recognized a benefit of \$22 million for the release of valuation allowance in a subsidiary in Brazil based on recent history of profitability and increased income projections. A pre-tax pension settlement charge of \$259 million was recorded, resulting in income tax expense of \$11 million and a valuation allowance release of \$18 million. For the year, we also recognized benefits for the release of valuation allowance in the U.S. of \$34 million based on increased income projections and \$30 million based on the development of a tax planning strategy related to federal tax credits. Partially offsetting this benefit in the U.S. was \$6 million of expense related to a U.S. state law change. During the second quarter of 2019, we also recorded tax benefits of \$48 million related to tax actions that adjusted federal tax credits. See Note 18 to our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

In countries where our history of operating losses does not allow us to satisfy the “more likely than not” criterion for recognition of deferred tax assets, we have generally recognized no income tax on the pre-tax income or losses as valuation allowance adjustments offset the associated tax effects. In the fourth quarter of 2020, we recognized a benefit of \$26 million for the release of valuation allowance in a subsidiary in Australia. During the third quarter of 2019, we recognized a benefit of \$22 million for the release of a valuation allowance in a subsidiary in Brazil.

Equity in earnings of affiliates—Net earnings from equity investments was \$20 million in 2020 and \$30 million in 2019. Equity in earnings from Dongfeng Dana Axle Co., Ltd. (DDAC) was \$15 million in 2020 and \$18 million in 2019. After experiencing significant impacts resulting from the global COVID-19 pandemic during the first quarter of 2020, DDAC experienced higher demand levels during the balance of 2020 primarily driven by increased demand for certain medium/heavy vehicles by the Chinese government. Equity in earnings from Bendix Spicer Foundation Brake, LLC (BSFB) was \$4 million in 2020 and \$12 million in 2019. The year-over-year decrease in BSFB’s earnings is primarily attributable to the global COVID-19 pandemic and the October 1, 2020 sale of our 20% ownership interest in BSFB to Bendix Commercial Vehicle Systems LLC. See Note 22 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Segment Results of Operations (2020 versus 2019)

Light Vehicle

	<u>Sales</u>	<u>Segment EBITDA</u>	<u>Segment EBITDA Margin</u>
<i>(in millions)</i>			
2019	\$3,609	\$ 438	12.1%
Volume and mix	(495)	(140)	
Performance	(61)	(59)	
Currency effects	(15)	—	
2020	<u>\$3,038</u>	<u>\$ 239</u>	7.9%

Light Vehicle sales in 2020, exclusive of currency effects, were 15% lower than 2019. Full year 2020 full frame light truck production declined in North America, Europe, South America, and Asia Pacific by 20%, 20%, 17%, and 9%, respectively, compared to 2019. Full frame light truck production rapidly dissipated across all regions beginning in March 2020 as a result of the global COVID-19 pandemic. The impact of the global COVID-19 pandemic on our Light Vehicle operations was most notable during April 2020, with a measured ramp up in production beginning in May followed by a rapid increase in customer demand through the third quarter. Light Vehicle sales in the fourth quarter of 2020, exclusive of currency effects, were \$135 million higher than the fourth quarter of 2019 primary due to the conversion of sales backlog and continued strengthening of customer demand. Net customer pricing and cost recovery actions further decreased year-over-year sales by \$49 million.

Light Vehicle segment EBITDA decreased by \$199 million in 2020. Lower sales volumes provided a year-over-year headwind of \$140 million (28.3% decremental margin) as actions to flex down our cost structure during the second quarter of 2020 lagged the rapid dissipation of customer demand resulting from the global COVID-19 pandemic. Performance during the third and fourth quarters was negatively impacted by taking a number of our Light Vehicle plants from being idled just a few months prior to running at full capacity. The year-over-year performance-related earnings decline was driven by operational inefficiencies of \$86 million, lower net pricing and material cost recovery of \$49 million and incremental safety costs of \$2 million directly related to the global COVID-19 pandemic, including facility sanitization and personal protective equipment. Partially offsetting these performance-related earnings decreases were material cost savings of \$32 million, commodity cost decreases of \$26 million, lower salaried employee wages of \$10 million, certain benefits of the CARES Act of \$5 million, lower incentive compensation of \$3 million and lower warranty expense of \$2 million.

Commercial Vehicle

	<u>Sales</u>	<u>Segment EBITDA</u>	<u>Segment EBITDA Margin</u>
<i>(in millions)</i>			
2019	\$1,611	\$138	8.6%
Volume and mix	(378)	(98)	
Acquisition / Divestiture	8	(7)	
Performance	(11)	6	
Currency effects	(49)	(3)	
2020	<u>\$1,181</u>	<u>\$ 36</u>	3.0%

Commercial Vehicle sales in 2020, exclusive of currency effects and the impact of acquisitions, were 24% lower than 2019. Declining market conditions coming out of 2019 deteriorated further with the rapid dissipation in customer demand resulting from the global COVID-19 pandemic. Full year North America Class 8 production

was down 38% and Classes 5-7 production was down 20% from 2019. Year-over-year medium/heavy truck production in Europe and South America were down 30% and 22%, respectively. Asia Pacific was impacted by the global COVID-19 pandemic earlier than the other regions, with its most significant year-over-year production decline occurring during the first quarter of 2020. Asia Pacific medium/heavy truck production was up 12% compared to 2019. Net customer pricing and cost recovery actions further decreased year-over-year sales by \$12 million.

Commercial Vehicle segment EBITDA decreased by \$102 million in 2020. Lower sales volumes provided a year-over-year headwind of \$98 million (25.9% decremental margin) as actions to flex down our cost structure during the second and third quarters of 2020 lagged the rapid dissipation of customer demand resulting from the global COVID-19 pandemic. The year-over-year performance-related earnings improvement was driven by material cost savings of \$14 million, lower salaried employee wages of \$6 million, commodity cost decreases of \$3 million, lower incentive compensation of \$2 million, certain benefits of the CARES Act of \$2 million and lower warranty expense of \$1 million. Partially offsetting these performance-related earnings increases were lower net customer pricing and cost recovery actions of \$12 million, operational inefficiencies of \$7 million and incremental safety costs of \$3 million directly related to the global COVID-19 pandemic, including facility sanitization and personal protective equipment.

Off-Highway

	<u>Sales</u>	<u>Segment EBITDA</u>	<u>Segment EBITDA Margin</u>
<i>(in millions)</i>			
2019	\$2,360	\$ 330	14.0%
Volume and mix	(498)	(115)	
Acquisition	117	22	
Performance	(15)	(3)	
Currency effects	<u>6</u>		
2020	<u>\$1,970</u>	<u>\$ 234</u>	11.9%

Off-Highway sales in 2020, exclusive of currency effects and the impact of the ODS and Ashwoods acquisitions, were 22% lower than 2019. Already declining global construction/mining and agricultural equipment markets coming out of 2019 deteriorated further with the rapid dissipation of customer demand resulting from the global COVID-19 pandemic. Net customer pricing and cost reduction actions further decreased year-over-year sales by \$15 million.

Off-Highway segment EBITDA decreased by \$96 million in 2020. Lower sales volumes provided a year-over-year headwind of \$115 million (23.1% decremental margin) as actions to flex down our cost structure lagged the rapid dissipation of customer demand resulting from the global COVID-19 pandemic. The year-over-year performance-related earnings decline was driven by operating inefficiencies of \$23 million, lower net pricing and material recovery of \$15 million, incremental safety costs of \$4 million directly related to the global COVID-19 pandemic, including facility sanitization and personal protective equipment and higher incentive compensation of \$1 million. Partially offsetting these performance-related earnings decreases were material cost savings of \$22 million, commodity cost decreases of \$8 million, lower salaried employee wages of \$8 million, certain benefits of the CARES Act of \$1 million and lower warranty expense of \$1 million.

Power Technologies

<i>(in millions)</i>	<u>Sales</u>	<u>Segment EBITDA</u>	<u>Segment EBITDA Margin</u>
2019	\$1,040	\$117	11.3%
Volume and mix	(124)	(39)	
Performance	(4)	16	
Currency effects	<u>5</u>	<u> </u>	
2020	<u>\$ 917</u>	<u>\$ 94</u>	10.3%

Power Technologies primarily serves the light vehicle market but also sells product to the medium/heavy truck and off-highway markets. Net of currency effects, sales for 2020 were 12% lower than 2020, primarily due to lower market demand resulting from the global COVID-19 pandemic. Full year 2020 light vehicle engine production declined in North America, Europe and Asia Pacific by 18%, 22% and 13%, respectively, compared to 2019. Net customer pricing and cost reduction actions further decreased year-over-year sales by \$4 million.

Power Technologies segment EBITDA decreased by \$23 million in 2020. Lower sales volumes provided a year-over-year headwind of \$39 million (31.5% decremental margin) as actions to flex down our cost structure lagged the rapid dissipation of customer demand resulting from the global COVID-19 pandemic. The year-over-year performance-related earnings increase was driven by operational efficiencies of \$9 million, lower salaried employee wages of \$9 million, material cost savings of \$7 million and certain benefits of the CARES Act of \$1 million. Partially offsetting these performance-related earnings increases were lower net pricing and material recovery of \$4 million, higher warranty expense of \$3 million, incremental safety costs of \$2 million directly related to the global COVID-19 pandemic, including facility sanitization and personal protective equipment and higher incentive compensation of \$1 million.

Summary Consolidated Results of Operations (2019 versus 2018)

	2019		2018		Increase/ (Decrease)
	Dollars	% of Net Sales	Dollars	% of Net Sales	
<i>(in millions)</i>					
Net sales	\$8,620		\$8,143		\$ 477
Cost of sales	7,489	86.9%	6,986	85.8%	503
Gross margin	1,131	13.1%	1,157	14.2%	(26)
Selling, general and administrative expenses	508	5.9%	499	6.1%	9
Amortization of intangibles	12		8		4
Restructuring charges, net	29		25		4
Impairment of goodwill and indefinite-lived intangible asset	(6)		(20)		14
Gain on disposal group held for sale	—		3		(3)
Pension settlement charges	(259)		—		(259)
Other income (expense), net	(25)		(29)		4
Earnings before interest and income taxes	292		579		(287)
Loss on extinguishment of debt	(9)				(9)
Interest income	10		11		(1)
Interest expense	122		96		26
Earnings before income taxes	171		494		(323)
Income tax expense (benefit)	(32)		78		(110)
Equity in earnings of affiliates	30		24		6
Net income	233		440		(207)
Less: Noncontrolling interests net income	13		13		—
Less: Redeemable noncontrolling interests net loss	(6)		—		(6)
Net income attributable to the parent company	<u>\$ 226</u>		<u>\$ 427</u>		<u>\$(201)</u>

Sales—The following table shows changes in our sales by geographic region.

	2019	2018	Increase/ (Decrease)	Currency Effects	Acquisitions (Divestitures)	Organic Change
<i>(in millions)</i>						
North America	\$4,473	\$4,106	\$367	\$ (3)	\$196	\$ 174
Europe	2,606	2,484	122	(129)	322	(71)
South America	509	546	(37)	(31)	(13)	7
Asia Pacific	1,032	1,007	25	(14)	149	(110)
Total	<u>\$8,620</u>	<u>\$8,143</u>	<u>\$477</u>	<u>\$(177)</u>	<u>\$654</u>	<u>\$ —</u>

Sales in 2019 were \$477 million higher than in 2018. Weaker international currencies decreased sales by \$177 million, principally due to a weaker euro, Brazilian real, South African rand, Chinese renminbi and Indian rupee. The acquisitions of ODS and SME in the first quarter of 2019, PEPS in the second quarter of 2019, Nordresa in the third quarter of 2019 and TM4 in the second quarter of 2018, net of the divestiture of the Brazil suspension components business in the third quarter of 2018, generated a year-over-year increase in sales of \$654 million. The organic sales increase in North America driven by stronger medium/heavy truck production and the conversion of sale backlog was offset by weaker global construction/mining and agricultural equipment markets and a softening in the Chinese economy. Pricing actions, including material commodity price and inflationary cost recovery, reduced sales by \$10 million.

The North America organic sales increase of 4% was driven principally by stronger medium/heavy truck production volumes and the conversion of sales backlog. Production of Class 8 trucks was up 6% and production

of Classes 5-7 was up 2% while full frame light truck production was flat compared to 2018. In addition, realization of light truck sales backlog helped to offset the year-over-year sales volume-related decline attributable to one of our largest light vehicle customer programs for which production continued on the outgoing model, concurrent with production of the new model vehicle, during the first quarter of 2018.

A weaker euro and South African rand were the primary driver of the decreased sales in Europe due to currency effects. Excluding currency and acquisition effects, sales in Europe decreased 3% compared to 2018. Strong market demand in the first half of 2019 in our Off-Highway segment was more than offset by weak demand in the second half of 2019.

A weaker Brazilian real reduced South America sales in 2019. The region overall experienced relatively stable markets, with medium/heavy truck production being flat and light truck production down 3% compared to 2018.

A weaker Chinese renminbi and Indian rupee were the primary drivers of the decreased sales in Asia Pacific due to currency effects. Excluding currency and acquisition effects, sales decreased about 11% as China's economy showed signs of weakening. Light truck, light vehicle engine and medium/heavy truck production were down 4%, 7% and 4% respectively, from 2018.

Cost of sales and gross margin—Cost of sales for 2019 increased \$503 million, or 7% when compared to 2018. Similar to the factors affecting sales, the increase was primarily due to the inclusion of acquired businesses. Cost of sales as a percent of sales in 2019 was 110 basis points higher than in the previous year. Cost of sales attributed to net acquisitions, which included \$13 million of incremental cost assigned to inventory as part of business combination accounting, was approximately \$620 million. Excluding the effects of acquisitions and divestitures, cost of sales as a percent of sales was 86.2%, 40 basis points higher than in 2018. The increased cost of sales as a percent of sales was largely attributable to higher commodity prices which increased material costs by about \$30 million, an increase in engineering and development cost of \$4 million, higher depreciation expense of \$15 million and operational inefficiencies and other cost increases. Partially offsetting these higher costs were continued material cost savings of \$86 million, a net benefit of \$17 million from the monetization of a non-income tax claim, lower start-up and launch costs and lower premium freight.

Gross margin of \$1,131 million for 2019 decreased \$26 million from 2018. Gross margin as a percent of sales was 13.1% in 2019, 110 basis points lower than in 2018. The decline in margin as a percent of sales was driven principally by the cost of sales factors referenced above.

Selling, general and administrative expenses (SG&A)—SG&A expenses in 2019 were \$508 million (5.9% of sales) as compared to \$499 million (6.1% of sales) in 2018. SG&A attributed to net acquisitions was \$33 million. Excluding the increase associated with net acquisitions, SG&A expenses were 10 basis points lower than the same period of 2018. The year-over-year decrease of \$24 million exclusive of net acquisitions was primarily due to lower salaries and benefits expenses resulting from the voluntary retirement program and other headcount reduction actions taken in the fourth quarter of 2018.

Amortization of intangibles—The \$4 million increase in amortization expense in 2019 was attributable to intangible assets obtained through the TM4, ODS, SME, and PEPS acquisitions, partially offset by certain intangible assets becoming fully amortized. See Note 2 and Note 3 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Restructuring charges, net—Restructuring charges of \$29 million in 2019 were comprised of severance and benefit costs related to integration of recent acquisitions, headcount reductions across our operations and exit costs related to previously announced actions. Restructuring charges of \$25 million in 2018 were primarily comprised of severance and benefit costs related to a voluntary retirement program in North America, headcount reduction actions in our operations and corporate functions in Brazil and administrative cost reduction initiatives

primarily in Europe and North America. In response to continued market recovery in our Off-Highway business in Europe, management re-evaluated the economic conditions of our global Off-Highway business and determined that \$7 million of the previously approved restructuring actions are no longer economically prudent. See Note 4 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Impairment of goodwill and indefinite-lived intangible asset—During the fourth quarter of 2019, we wrote off the goodwill recognized as part of a 2016 acquisition. During the second quarter of 2018, we wrote off the in-process research and development intangible asset recognized as part of a 2012 acquisition. See Note 3 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Gain on disposal group held for sale—Upon completion of the divestiture of our Brazil suspension components business in the second quarter of 2018, we reversed \$3 million of the previously recognized \$27 million pre-tax loss.

Pension settlement charges—During 2019, we recorded a \$256 million settlement charge related to the termination of one of our U.S. defined benefit pension plans and a \$3 million settlement charge related to the termination of one of our Canadian defined benefit pension plans. See Note 12 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Other income (expense), net—The following table shows the major components of other income (expense), net.

	<u>2019</u>	<u>2018</u>
<i>(in millions)</i>		
Non-service cost components of pension and OPEB costs	\$(23)	\$(15)
Government grants and incentives	15	12
Foreign exchange loss	(11)	(12)
Strategic transaction expenses, net of transaction breakup fee income	(41)	(18)
Non-income tax legal judgment	6	—
Gain on liquidation of foreign subsidiary	12	—
Other, net	<u>17</u>	<u>4</u>
Other income (expense), net	<u>\$(25)</u>	<u>\$(29)</u>

Strategic transaction expenses in 2019 were primarily attributable to our acquisition of ODS. Strategic transaction expenses in 2018 were primarily attributable to our bid to acquire the driveline business of GKN plc., our acquisition of an ownership interest in TM4, our pending acquisition of ODS and integration costs associated with our acquisitions of BFP and BPT, and were partially offset by a \$40 million transaction breakup fee associated with the GKN plc. transaction. During the first quarter of 2019, we won a legal judgment regarding the methodology used to calculate PIS/COFINS tax on imports into Brazil. During the fourth quarter of 2019, we liquidated a foreign subsidiary. The resulting non-cash gain is attributable to the recognition of accumulated currency translation adjustments. See Note 19 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Loss on extinguishment of debt—We redeemed \$300 million of our September 2023 Notes during the fourth quarter of 2019. We incurred redemption premiums of \$7 million in connection with these repayments and wrote off \$2 million of previously deferred financing costs associated with the extinguished debt. See Note 14 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Interest income and interest expense—Interest income was \$10 million in 2019 and \$11 million in 2018. Interest expense increased from \$96 million in 2018 to \$122 million in 2019 primarily due to increased debt levels used to fund recent acquisition activities. Average effective interest rates, inclusive of amortization of debt issuance costs, approximated 5.0% and 5.2% in 2019 and 2018.

Income tax expense—Income taxes were a benefit of \$32 million in 2019 and an expense of \$78 million in 2018. During 2019, we recognized a benefit of \$22 million for the release of valuation allowance in a subsidiary in Brazil based on recent history of profitability and increased income projections. A pre-tax pension settlement charge of \$259 million was recorded, resulting in income tax expense of \$11 million and a valuation allowance release of \$18 million. For the year, we also recognized benefits for the release of valuation allowance in the U.S. of \$34 million based on increased income projections and \$30 million based on the development of a tax planning strategy related to federal tax credits. Partially offsetting this benefit in the U.S. was \$6 million of expense related to a U.S. state law change. During the second quarter of 2019, we also recorded tax benefits of \$48 million related to tax actions that adjusted federal tax credits. During 2018, we recognized a benefit of \$44 million related to U.S. state law changes and the development and implementation of a tax planning strategy which adjusted federal tax credits, along with federal and state net operating losses and the associated valuation allowances. We also recognized benefits of \$11 million relating to the reversal of a provision for an uncertain tax position, \$5 million relating to the release of valuation allowances in the U.S. based on improved income projections and \$7 million due to permanent reinvestment assertions. Partially offsetting these benefits was \$5 million of expense to settle outstanding tax matters in a foreign jurisdiction. See Note 18 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Excluding the effects of the items referenced in the preceding paragraph, our effective tax rates were 24% in 2019 and 28% in 2018. These rates vary from the applicable U.S. federal statutory rate of 21% primarily due to establishment, release and adjustment of valuation allowances in several countries, nondeductible expenses, deemed income, local tax incentives in several countries outside the U.S., different statutory tax rates outside the U.S. and withholding taxes related to repatriations of international earnings.

In countries where our history of operating losses does not allow us to satisfy the “more likely than not” criterion for recognition of deferred tax assets, we have generally recognized no income tax on the pre-tax income or losses as valuation allowance adjustments offset the associated tax effects. During the third quarter of 2019, we recognized a benefit of \$22 million for the release of a valuation allowance in a subsidiary in Brazil.

Equity in earnings of affiliates—Net earnings from equity investments was \$30 million in 2019 compared with \$24 million in 2018. Equity in earnings from BSFB was \$12 million in 2019 and \$7 million in 2018. Equity in earnings from DDAC was \$18 million in 2019 and \$15 million in 2018. See Note 22 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional information.

Segment Results of Operations (2019 versus 2018)

Light Vehicle

	<u>Sales</u>	<u>Segment EBITDA</u>	<u>Segment EBITDA Margin</u>
<i>(in millions)</i>			
2018	\$3,575	\$398	11.1%
Volume and mix	64	18	
Acquisition	1	(1)	
Performance	(10)	26	
Currency effects	(21)	(3)	
2019	<u>\$3,609</u>	<u>\$438</u>	12.1%

Light Vehicle sales in 2019, exclusive of acquisition and currency effects, were 2% higher than 2018. Conversion of sales backlog was partially offset by lower full frame truck production in Asia Pacific and the year-over-year sales volume-related decline attributable to one of our largest customer programs for which production continued on the outgoing model, concurrent with production of the new model vehicle, during last year’s first quarter. Full frame truck production in North America and Europe was flat compared to 2018. Net customer pricing and cost recovery actions resulted in a year-over-year decrease of \$13 million.

Light Vehicle segment EBITDA increased by \$40 million in 2019. Higher sales volumes provided a year-over-year benefit of \$18 million. The year-over-year performance related earnings improvement was driven by material cost savings of \$37 million and lower new program start-up and launch-related costs of \$16 million. Lower net pricing and material cost recovery actions of \$13 million, increased engineering spend of \$9 million, higher warranty costs of \$2 million and operational inefficiencies and other cost increases of \$3 million reduced performance in 2019.

Commercial Vehicle

	<u>Sales</u>	<u>Segment EBITDA</u>	<u>Segment EBITDA Margin</u>
<i>(in millions)</i>			
2018	\$1,612	\$146	9.1%
Volume and mix	10	3	
Acquisition / Divestiture	17	(2)	
Performance	16	(3)	
Currency effects	(44)	(6)	
2019	<u>\$1,611</u>	<u>\$138</u>	8.6%

Excluding currency effects and the net impact of acquisitions and divestitures, Commercial Vehicle sales increased 2% compared to last year. The volume-related increase was primarily attributable to higher production levels in North America during the first half of 2019 where Class 8 production was up 22% and Classes 5-7 production was up 7% compared to the first half of 2018. During the second half of 2019, North American production volumes declined, with Class 8 production down 9% and Classes 5-7 down 3% compared to the second half of 2018. Similarly the impact of higher 2019 first-half production volumes in Europe and Asia Pacific have been largely offset by declining production volumes in both regions during the second half of 2019. With the improving economy in Brazil, our sales volume in 2019 benefited from year-over-year higher production levels in that country of around 7%. Net customer pricing and cost recovery actions increased year-over-year sales by \$7 million.

Commercial Vehicle segment EBITDA was \$8 million lower than 2018. Higher sales volumes increased year-over-year earnings by \$3 million. The year-over-year performance related earnings decline was driven by higher commodity costs of \$21 million, increased engineering spend of \$2 million and operational inefficiencies and other cost increases of \$8 million. Material cost savings of \$19 million, higher net pricing and material cost recovery actions of \$7 million and net foreign currency transaction gains of \$2 million provided a partial offset.

Off-Highway

	<u>Sales</u>	<u>Segment EBITDA</u>	<u>Segment EBITDA Margin</u>
<i>(in millions)</i>			
2018	\$1,844	\$285	15.5%
Volume and mix	(42)	(19)	
Acquisition	636	88	
Performance	3	(15)	
Currency effects	(81)	(9)	
2019	<u>\$2,360</u>	<u>\$330</u>	14.0%

Excluding currency effects, primarily due to a weaker euro, and the impact of the ODS and SME acquisitions, Off-Highway segment sales decreased 2% compared to last year. The construction/mining and agricultural equipment markets were relatively stable during the first half of 2019 but deteriorated rapidly during the second half of 2019. Customer pricing and material cost recovery actions increased year-over-year sales by \$5 million.

Off-Highway segment EBITDA increased by \$45 million in 2019. Marginally higher market demand through the first half of 2019 was more than offset by rapid market deterioration in the second half of 2019. The \$15 million performance-related deterioration in 2019 earnings was impacted by higher commodity costs of \$6 million and operational inefficiencies and other cost increases of \$36 million, partially offset by material cost savings of \$22 million and customer pricing and material cost recovery actions of \$5 million.

Power Technologies

	<u>Sales</u>	<u>Segment EBITDA</u>	<u>Segment EBITDA Margin</u>
<i>(in millions)</i>			
2018	\$1,112	\$149	13.4%
Volume and mix	(36)	(13)	
Performance	(5)	(15)	
Currency effects	<u>(31)</u>	<u>(4)</u>	
2019	<u>\$1,040</u>	<u>\$117</u>	11.3%

Power Technologies primarily serves the light vehicle market but also sells product to the medium/heavy truck and off-highway markets. Net of currency effects, sales for 2019 were 4% lower than 2018, primarily due to program roll offs and lower market demand. Light vehicle engine production declined across all regions during 2019. Net customer pricing and material cost recovery actions decreased year-over-year sales by \$9 million.

Power Technologies segment EBITDA decreased \$32 million compared to 2019. The \$15 million performance deterioration resulted from higher commodity costs of \$2 million, operational inefficiencies and other cost increases of \$4 million and lower net pricing and material cost recovery actions of \$9 million.

Non-U.S. GAAP Financial Measures

Adjusted EBITDA

We have defined adjusted EBITDA as net income (loss) before interest, income taxes, depreciation, amortization, equity grant expense, restructuring expense, non-service cost components of pension and other postretirement benefits (OPEB) 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 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.

The following table provides a reconciliation of net income to adjusted EBITDA for the three months ended March 31, 2021 and 2020.

	Three Months Ended March 31,	
	2021	2020
<i>(in millions)</i>		
Net income	\$ 68	\$ 38
Equity in earnings of affiliates	14	2
Income tax expense (benefit)	22	(16)
Earnings (loss) before income taxes	76	20
Depreciation and amortization	95	89
Restructuring charges, net	1	3
Interest expense, net	32	27
Impairment of goodwill	—	51
Loss on investment in Hyliion	17	—
Loss on disposal group held for sale	7	—
Other*	6	15
Adjusted EBITDA	<u>\$234</u>	<u>\$205</u>

* Other includes stock compensation expense, non-service cost components of pension and OPEB costs, strategic transaction expenses, net of transaction breakup fees and other items. See Note 19 of our unaudited consolidated financial statements (included elsewhere in this offering memorandum) for additional details.

The following table provides a reconciliation of net income (loss) to adjusted EBITDA for the years ending 2020, 2019 and 2018.

	2020	2019	2018
<i>(in millions)</i>			
Net income (loss)	\$(51)	\$ 233	\$440
Equity in earnings of affiliates	20	30	24
Income tax expense (benefit)	58	(32)	78
Earnings (loss) before income taxes	(13)	171	494
Depreciation and amortization	365	339	270
Restructuring charges, net	34	29	25
Interest expense, net	129	112	85
Impairment of goodwill and indefinite-lived intangible assets	51	6	20
Gain on investment in Hyliion	(33)	—	—
Loss on extinguishment of debt	8	9	—
Pension settlement charge	—	259	—
Acquisition related inventory adjustments	—	13	—
(Gain) on disposal group held for sale	—	—	(3)
Other*	52	81	66
Adjusted EBITDA	<u>\$593</u>	<u>\$1,019</u>	<u>\$957</u>

* Other includes stock compensation expense, non-service cost components of pension and OPEB costs, strategic transaction expenses, net of transaction breakup fees and other items. See Note 21 of our audited consolidated financial statements (included elsewhere in this offering memorandum) for additional details.

Free Cash Flow and Adjusted Free Cash Flow

We have defined free cash flow as cash provided by operating activities less purchases of property, plant and equipment. We have defined adjusted free cash flow as cash provided by operating activities excluding discretionary 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 operating activities reported in accordance with GAAP. Free cash flow and adjusted free cash flow may not be comparable to similarly titled measures reported by other companies.

The following table reconciles net cash flows provided by (used in) operating activities to adjusted free cash flow for the three months ended March 31, 2021 and 2020.

	Three Months Ended March 31,	
	2021	2020
<i>(in millions)</i>		
Net cash provided by (used in) operating activities	\$ 27	\$ (51)
Purchases of property, plant and equipment	(53)	(63)
Free cash flow	26	(114)
Discretionary pension contribution	—	—
Adjusted free cash flow	<u>\$ (26)</u>	<u>\$ (114)</u>

The following table reconciles net cash flows provided by (used in) operating activities to adjusted free cash flow for the years ending 2020, 2019 and 2018.

	2020	2019	2018
<i>(in millions)</i>			
Net cash provided by operating activities	\$ 386	\$ 637	\$ 568
Purchases of property, plant and equipment	(326)	(426)	(325)
Free cash flow	60	211	243
Discretionary pension contribution	—	61	—
Adjusted free cash flow	<u>\$ 60</u>	<u>\$ 272</u>	<u>\$ 243</u>

Liquidity

The following table provides a reconciliation of cash and cash equivalents to liquidity, a non-GAAP measure, at March 31, 2021 and December 31, 2020:

	March, 31, 2021	December 31, 2020
<i>(in millions)</i>		
Cash and cash equivalents	\$ 483	\$ 559
Less: Deposits supporting obligations	(2)	(3)
Available cash	481	556
Additional cash availability from Revolving Facility	1,129	979
Marketable securities	26	21
Total liquidity	<u>\$1,636</u>	<u>\$1,556</u>

Cash deposits are maintained to provide credit enhancement for certain agreements and are reported as part of cash and cash equivalents. For most of these deposits, the cash may be withdrawn if a comparable security is provided in the form of letters of credit. Accordingly, these deposits are not considered to be restricted. Marketable securities are included as a component of liquidity as these investments can be readily liquidated at our discretion. We had availability of \$1,129 million at March 31, 2021 and \$979 million at December 31, 2020 under the Revolving Facility, respectively, after deducting \$21 million of outstanding letters of credit.

The components of our March 31, 2021 consolidated cash balance were as follows:

	<u>U.S.</u>	<u>Non-U.S.</u>	<u>Total</u>
<i>(in millions)</i>			
Cash and cash equivalents	\$ 10	\$379	\$389
Cash and cash equivalents held as deposits	—	2	2
Cash and cash equivalents held at less than wholly-owned subsidiaries	4	88	92
Consolidated cash balance	<u>\$ 14</u>	<u>\$469</u>	<u>\$483</u>

A portion of the non-U.S. cash and cash equivalents is utilized for working capital and other operating purposes. Several countries have local regulatory requirements that restrict the ability of our operations to repatriate this cash. Beyond these restrictions, there are practical limitations on repatriation of cash from certain subsidiaries because of the resulting tax withholdings and subsidiary by-law restrictions which could limit our ability to access cash and other assets.

On March 25, 2021, we amended our credit and guaranty agreement, increasing the Revolving Facility to \$1,150 million and extending its maturity to March 25, 2026. At March 31, 2021, we were in compliance with the covenants of our financing agreements. Under the Term B Facility, the Revolving Facility and our senior notes, we are required to comply with certain incurrence-based covenants customary for facilities of these types. The incurrence-based covenants in the Term B Facility and the Revolving Facility permit us to, among other things, (i) issue foreign subsidiary indebtedness, (ii) incur additional secured indebtedness subject to a pro forma first lien net leverage ratio not to exceed 1.50:1.00 in the case of first lien debt and a pro forma secured net leverage ratio of 2.50:1.00 in the case of debt secured on a junior lien basis and (iii) incur additional unsecured debt subject to a pro forma total net leverage ratio not to exceed 3.50:1.00, tested at the time of incurrence, or, at our option, the date a definitive acquisition agreement is entered into in the case of certain acquisition financing. We may also make dividend payments in respect of our common stock as well as certain investments and acquisitions subject to a pro forma total net leverage ratio of 2.75:1.00. In addition, the Revolving Facility is subject to a financial covenant requiring us to maintain a first lien net leverage ratio not to exceed 2.00:1.00, which ratio is tested on the last day of each fiscal quarter. The indentures governing the senior notes include other incurrence-based covenants that may subject us to additional specified limitations.

The components of our December 31, 2020 consolidated cash balance were as follows:

	<u>U.S.</u>	<u>Non-U.S.</u>	<u>Total</u>
<i>(in millions)</i>			
Cash and cash equivalents	\$ 35	\$425	\$460
Cash and cash equivalents held as deposits	—	3	3
Cash and cash equivalents held at less than wholly-owned subsidiaries	3	93	96
Consolidated cash balance	<u>\$ 38</u>	<u>\$521</u>	<u>\$559</u>

In response to the COVID-19 pandemic we have taken controlled and measured actions to preserve liquidity including but not limited to flexing our cost structure, reducing capital spending and investments in research and development activities where and when appropriate, taking advantage of various government programs and subsidies including certain provisions of the CARES Act, temporarily suspending the declaration and payment of dividends to common shareholders and temporarily suspending the repurchase of common stock under our existing common stock share repurchase program. During June 2020, we completed the sale of \$400 million in senior unsecured notes due June 15, 2028 (June 2028 Notes) as well as a \$100 million add on to our senior unsecured notes due November 15, 2027 (November 2027 Notes).

On April 16, 2020, we amended certain provisions of our credit and guaranty agreement including gradually increasing the first lien net leverage ratio from a maximum of 2.00 to 1.00 to a maximum of 4.00 to 1.00 for the quarter ending December 31, 2020 and then, starting with the quarter ending December 31, 2021, decrease the

ratio quarterly until it returns to its prior level of 2.00 to 1.00 for and after the quarter ending September 30, 2022, unless Dana, in its sole discretion, elects to return the first lien net leverage ratio to its prior level of 2.00 to 1.00 earlier than such date. We also amended certain restrictive covenants to provide additional limitations on incurring additional liens, taking on additional debt, paying dividends, entering into certain transactions with affiliates, making certain investments and disposing of certain assets until December 31, 2021, unless Dana, in its sole discretion, elects to return the first lien net leverage ratio to its prior level prior to December 31, 2021.

While varied, the markets in which we participate generally saw marked improvement during the third and fourth quarters of 2020, returning to near pre-pandemic levels. Based on our strengthening operating results and improved adjusted free cash flow generation, we fully paid down our Term A Facility in the third and fourth quarters of 2020 and elected to return the maximum first lien net leverage ratio to its prior level of 2.00 to 1.00 in December 2020.

At December 31, 2020, we were in compliance with the covenants of our financing agreements. Under the Term B Facility, the Revolving Facility and our senior notes, we are required to comply with certain incurrence-based covenants customary for facilities of these types. The incurrence-based covenants in the Term B Facility and the Revolving Facility permit us to, among other things, (i) issue foreign subsidiary indebtedness, (ii) incur additional secured indebtedness subject to a pro forma first lien net leverage ratio not to exceed 1.50:1.00 in the case of first lien debt and a pro forma secured net leverage ratio of 2.50:1.00 in the case of debt secured on a junior lien basis and (iii) incur additional unsecured debt subject to a pro forma total net leverage ratio not to exceed 3.50:1.00, tested at the time of incurrence, or, at our option, the date a definitive acquisition agreement is entered into in the case of certain acquisition financing. We may also make dividend payments in respect of our common stock as well as certain investments and acquisitions subject to a pro forma total net leverage ratio of 2.75:1.00. In addition, the Revolving Facility is subject to a financial covenant requiring us to maintain a first lien net leverage ratio not to exceed 2.00:1.00. The indentures governing the senior notes include other incurrence-based covenants that may subject us to additional specified limitations.

From time to time, depending upon market, pricing and other conditions, as well as our cash balances and liquidity, we may seek to acquire our senior notes or other indebtedness or our common stock through open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise, upon such terms and at such prices as we may determine (or as may be provided for in the indentures governing the notes), for cash, securities or other consideration. There can be no assurance that we will pursue any such transactions in the future, as the pursuit of any alternative will depend upon numerous factors such as market conditions, our financial performance and the limitations applicable to such transactions under our financing and governance documents.

The principal sources of liquidity available for our future cash requirements are expected to be (i) cash flows from operations, (ii) cash and cash equivalents on hand and (iii) borrowings from our Revolving Facility. We believe that our overall liquidity and operating cash flow will be sufficient to meet our anticipated cash requirements for capital expenditures, working capital, debt obligations and other commitments during the next twelve months. While uncertainty surrounding the current economic environment could adversely impact our business, based on our current financial position, we believe it is unlikely that any such effects would preclude us from maintaining sufficient liquidity.

Cash Flow

The following table summarizes our consolidated statement of cash flows as of the three months ended March 31, 2021 and 2020.

	Three Months Ended March 31,	
	2021	2020
<i>(in millions)</i>		
Cash used for changes in working capital	\$(133)	\$(183)
Other cash provided by operations	<u>160</u>	<u>132</u>
Net cash provided by (used in) operating activities	27	(51)
Net cash used in investing activities	(73)	(85)
Net cash provided by (used in) financing activities	<u>(16)</u>	<u>283</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ (62)</u>	<u>\$ 147</u>

Operating activities—Exclusive of working capital, other cash provided by operations was \$160 million in the first quarter of 2021 and \$132 million in the first quarter of 2020. The year-over-year increase is primarily attributable to higher operating earnings.

Working capital used cash of \$133 million and \$183 million in the first quarter of 2021 and 2020. Cash of \$257 million and \$43 million was used to finance receivables in the first quarter of 2021 and 2020. The lower level of cash required for receivables in the first quarter of 2020 was due primarily to the rapid dissipation of customer demand during March 2020 as a result of the global COVID-19 pandemic. Cash of \$137 million and \$56 million was used to fund higher inventory levels during the first quarter of 2021 and 2020. The lower level of cash required for inventory in 2020 was due primarily to actions taken to reduce inventory levels, preserving working capital, in response to the global COVID-19 pandemic. Increases in accounts payable and other net liabilities provided cash of \$261 million in the first quarter of 2021, while decreases in accounts payable and other net liabilities used cash of \$84 million in the first quarter of 2020. The reduction in accounts payable in 2020 was principally driven by lower raw material purchases in March 2020 due to the rapid dissipation of customer demand resulting from the global COVID-19 pandemic.

Investing activities—Expenditures for property, plant and equipment were \$53 million and \$63 million during the first quarter of 2021 and 2020. During the first quarter of 2021, we paid \$17 million, net of cash acquired, to acquire an additional 51% interest in Pi Innovo. The acquisition of the additional ownership interest provides us with a 100% ownership interest in Pi Innovo. During the first quarter of 2020, we paid \$8 million to acquire Curtis' 35.4% ownership interest in Ashwoods. The acquisition of Curtis's interest in Ashwoods, along with our existing ownership interest in Ashwoods, provided us with a controlling financing interest in Ashwoods. During the first quarter of 2021 and 2020, purchases of marketable securities were largely funded by proceeds from sales and maturities of marketable securities.

Financing activities—During the first quarter of 2020, we drew \$300 million on our revolving credit facility as part of our contingency planning activities related to the global COVID-19 pandemic. During the first quarter of 2021, we paid financing costs of \$2 million to amend our credit and guaranty agreement, increasing the Revolving Facility to \$1,150 million and extending its maturity to March 25, 2026. We used \$14 million and \$15 million for dividend payments to common stockholders during the first quarter of 2021 and 2020.

The following table summarizes our consolidated statement of cash flows as of the years ending 2021 and 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>(in millions)</i>			
Cash used for changes in working capital	\$ 47	\$ (17)	\$(113)
Other cash provided by operations	339	654	681
Net cash provided by operating activities	386	637	568
Net cash used in investing activities	(327)	(1,123)	(462)
Net cash provided by (used in) financing activities	(12)	479	(180)
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ 47</u>	<u>\$ (7)</u>	<u>\$ (74)</u>

Operating activities—Exclusive of working capital, other cash provided by operations was \$339 million during 2020 compared to \$654 million during 2019 and \$681 million during 2018. The decrease in 2020 is primarily attributable to lower operating earnings, as a result of the global COVID-19 pandemic, and higher year-over-year cash paid for interest of \$12 million due to increased debt levels, partially offset by lower year-over-year pension contributions of \$40 million, cash paid for income taxes of \$27 million, cash paid for restructuring of \$21 million and cash paid for strategic transaction expenses of \$21 million. The decrease in 2019 is principally due to the \$61 million of discretionary pension contributions, higher year-over-year cash paid for interest of \$27 million, cash paid for strategic transaction expenses of \$30 million and cash paid for restructuring of \$19 million, partially offset by higher operating earnings and lower year-over-year cash paid for income taxes of \$20 million.

Working capital provided cash of \$47 million in 2020 and used cash of \$17 million in 2019 and \$113 million in 2018. Higher levels of receivables used cash of \$66 million in 2020 while lower levels of receivables generated cash of \$135 million in 2019. The cash used for receivables in 2020 is reflective of higher year-over-year fourth quarter sales resulting from stronger market demand. The cash generated from receivables in 2019 is reflective of lower year-over-year fourth quarter sales resulting from lower market demand. Lower inventories generated cash of \$69 million in 2020 and \$35 million in 2019 while higher inventory levels consumed cash of \$110 million in 2018. During the fourth quarter of 2020 we continued to closely monitor inventory levels across our facilities, as the recovery from the global COVID-19 pandemic has varied by end market. Inventory levels began to decline at the end of 2019 in response to lower market demand. Increases in accounts payable and other net liabilities provided cash of \$44 million in 2020 while decreases in accounts payable and other net liabilities used cash of \$187 million in 2019. Increases in accounts payable and other liabilities provided cash of \$110 million in 2018. Cash generated by accounts payable and other net liabilities in 2020 is primarily attributable to negotiating temporary extensions of payment terms with certain suppliers and service providers in response to the global COVID-19 pandemic. Cash used by accounts payable and other net liabilities in 2019 is primarily attributable to lower levels of purchasing during the fourth quarter of 2019 resulting from lower market demand, lower year-over-year accruals for professional service fees and strategic transaction expenses and the payment of higher incentive compensation accrued in 2018.

Investing activities—Expenditures for property plant and equipment were \$326 million, \$426 million and \$325 million in 2020, 2019 and 2018. Capital spending increased in 2019 in support of new business sales backlog and for needed improvements at several ODS facilities. During 2020, capital spending was delayed where and when appropriate in response to the global COVID-19 pandemic. During 2020, we paid \$8 million to acquire Curtis' 35.4% ownership interest in Ashwoods. The acquisition of Curtis' interest in Ashwoods, along with our existing ownership interest in Ashwoods, provided us with a controlling financial interest in Ashwoods. During 2019, we paid \$545 million, net of cash and restricted cash acquired, to purchase ODS, we paid \$61 million to acquire SME, we paid \$48 million, net of cash acquired, to purchase PEPS and we paid \$10 million to acquire Nordresa. During 2019, we paid \$21 million to settle the undesignated Swiss franc notional deal contingent forward related to the ODS acquisition. In 2018, we paid \$125 million to acquire a 55% ownership interest in TM4 and, pursuant to our purchase and sale agreement for the Brevini Fluid Power S.p.A. (BFP) and Brevini Power Transmission S.p.A. (BPT) acquisitions in 2017, we made a net payment of

\$20 million to complete a required purchase of real estate and settle purchase price adjustment amounts owed by the seller. During 2020, we sold our 20% ownership interest in Bendix Spicer Foundation Brake, LLC for \$50 million, consisting of \$21 million in cash, a note receivable of \$25 million and deferred proceeds of \$4 million. During 2018, we completed the sale of our Brazil suspension components business resulting in a net cash outflow of \$6 million, as the cash transferred to the buyer in the transaction exceeded the proceeds received from the buyer. During all three years, purchases of marketable securities were largely funded by proceeds from sales and maturities of marketable securities.

Financing activities—During 2020, we completed the issuance of \$400 million of our June 2028 Notes and the issuance of an additional \$100 million of our November 2027 Notes, paying financing costs of \$8 million. During 2020, we entered into a \$500 million bridge facility, paying financing costs of \$5 million. We subsequently terminated the bridge facility. During 2020 we fully paid down the Term A Facility, making principle payments of \$474 million. During 2019, we entered into an amended credit and guaranty agreement comprised of a \$500 million Term A Facility, a \$450 million Term B Facility and a \$1,000 million Revolving Facility. The Term A Facility was an expansion of our existing \$275 million term facility. We drew the \$225 million available under the Term A Facility and the \$450 million available under the Term B Facility. The proceeds from the Term Facilities were used to acquire ODS and pay for related integration activities. We paid financing costs of \$16 million to amend the credit and guaranty agreement. During 2019, we made combined principle payments of \$117 million on the Term Facilities. Also during 2019, we completed the issuances of \$300 million of our November 2027 Notes, paying financing cost of \$4 million. We used the proceeds of the November 2027 Notes issuance to redeem all \$300 million of our September 2023 Notes, paying a redemption premium of \$7 million. During 2019, we broadened our relationship with Hydro-Québec, with Hydro-Québec acquiring an indirect 45% redeemable noncontrolling interest in SME and increasing its existing indirect 22.5% noncontrolling interest in PEPS to an indirect 45% redeemable noncontrolling interest. We received \$53 million of cash at closing. During 2020, Hydro-Québec paid us \$7 million to acquire an indirect 45% redeemable noncontrolling interest in Ashwoods. During 2018, we paid \$43 million to acquire Intrafind S.p.A.’s (formerly Brevini Group S.p.A.) remaining 20% ownership interests in BFP and BPT. Also during 2018, Yulon Motor Co., Ltd. (Yulon) paid \$22 million to acquire a direct ownership interest in two of our consolidated operating subsidiaries. Yulon’s ownership interest in the two consolidated operating subsidiaries did not change as a result of the transactions, as it previously owned the same percentages indirectly through a series of consolidated holding companies. The \$22 million, less withholding taxes, was returned to Yulon in the form of a dividend in 2018. During 2020 we sold a portion of our ownership interest in ROC-Spicer, Ltd. (ROC-Spicer) to China Motor Corporation, reducing our ownership interest in ROC-Spicer to 50%. In conjunction with the decrease in our ownership interest, the ROC-Spicer shareholders agreement was amended, eliminating our controlling financial interest in ROC-Spicer. Upon our loss of control, we deconsolidated ROC-Spicer, including \$14 million of cash and cash equivalents. We used cash of \$25 million to repurchase common shares under our share repurchase program in each of 2019 and 2018. We used \$15 million, \$58 million and \$58 million for dividend payments to common stockholders in 2020, 2019 and 2018. During the second quarter of 2020, we temporarily suspended the declaration and payment of dividends to common stockholders and temporarily suspended the repurchase of common stock under our existing common stock repurchase program in response to the global COVID-19 pandemic. Distributions to noncontrolling interests totaled \$11 million, \$19 million and \$42 million in 2020, 2019 and 2018. Distributions to noncontrolling interest in 2018 includes the dividend to Yulon discussed above.

Off-Balance Sheet Arrangements

In connection with the divestiture of our Structural Products business in 2010, leases covering three U.S. facilities were assigned to a U.S. affiliate of the new owner, Metalsa S.A. de C.V. (Metalsa). Under the terms of the sale agreement, we guarantee the affiliate’s performance under the leases, which run through June 2025, including approximately \$6 million of annual payments. In the event of a required payment by Dana as guarantor, we are entitled to pursue full recovery from Metalsa of the amounts paid under the guarantee and to take possession of the leased property.

Contractual Obligations

We are obligated to make future cash payments in fixed amounts under various agreements. The following table summarizes our significant contractual obligations as of December 31, 2020.

Contractual Cash Obligations	Payments Due by Period				
	Total	2021	2022 - 2023	2024 - 2025	After 2025
<i>(in millions)</i>					
Long-term debt(1)	\$2,390	\$—	\$ 9	\$ 857	\$1,524
Interest payments(2)	686	125	249	205	107
Operating leases(3)	226	50	70	45	61
Financing leases(4)	86	9	17	11	49
Unconditional purchase obligations(5)	164	153	8	2	1
Pension contribution(6)	16	16	—	—	—
Retiree health care benefits(7)	50	5	10	10	25
Uncertain income tax positions(8)	—	—	—	—	—
Total contractual cash obligations	\$3,618	\$358	\$363	\$1,130	\$1,767

- (1) Principal payments on long-term debt.
- (2) Interest payments are based on long-term debt in place at December 31, 2020 and the interest rates applicable to such obligations.
- (3) Operating lease obligations, including interest, related to real estate, manufacturing and material handling equipment, vehicles and other assets.
- (4) Finance lease obligations, including interest, related to real estate and manufacturing and material handling equipment.
- (5) Unconditional purchase obligations are comprised of commitments for the procurement of fixed assets, the purchase of raw materials and the fulfillment of other contractual obligations.
- (6) This amount represents estimated 2021 minimum required contributions to our global defined benefit pension plans. We have not estimated pension contributions beyond 2021 due to the significant impact that return on plan assets and changes in discount rates might have on such amounts.
- (7) This amount represents estimated payments under our retiree health care programs. Obligations under the retiree health care programs are not fixed commitments and will vary depending on various factors, including the level of participant utilization and inflation. Our estimates of the payments to be made in the future consider recent payment trends and certain of our actuarial assumptions.
- (8) We are not able to reasonably estimate the timing of payments related to uncertain tax positions because the timing of settlement is uncertain. The above table does not reflect unrecognized tax benefits at December 31, 2020 of \$104 million. See Note 18 of our audited consolidated financial statements for additional discussion.

At December 31, 2020, we maintained cash balances of \$3 million on deposit with financial institutions primarily to support property insurance policy deductibles, certain employee retirement obligations and specific government approved environmental remediation efforts.

Contingencies

For a summary of litigation and other contingencies, see Note 16 of our audited consolidated financial statements and Note 14 of our unaudited consolidated financial statements. Based on information available to us at the present time, we do not believe that any liabilities beyond the amounts already accrued that may result from these contingencies will have a material adverse effect on our liquidity, financial condition or results of operations.

Critical Accounting Estimates

The preparation of our consolidated financial statements in accordance with GAAP requires us to use estimates and make judgments and assumptions about future events that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. Considerable judgment is often involved in making these determinations. Critical estimates are those that require the most difficult, subjective or complex judgments in the preparation of the financial statements and the accompanying notes. We evaluate these estimates and judgments on a regular basis. We believe our assumptions and estimates are reasonable and appropriate. However, the use of different assumptions could result in significantly different results and actual results could differ from those estimates. The following discussion of accounting estimates is intended to supplement the Summary of Significant Accounting Policies presented as Note 1 of our audited consolidated financial statements and unaudited consolidated financial statements.

Income taxes—Accounting for income taxes is complex, in part because we conduct business globally and therefore file income tax returns in numerous tax jurisdictions. Significant judgment is required in determining the income tax provision, uncertain tax positions, deferred tax assets and liabilities and the valuation allowances recorded against our net deferred tax assets. A valuation allowance is provided when, in our judgment based upon available information, it is more likely than not that a portion of such deferred tax assets will not be realized. To make this assessment, we consider the historical and projected future taxable income or loss by tax jurisdiction. We consider all components of comprehensive income and weigh the positive and negative evidence, putting greater reliance on objectively verifiable historical evidence than on projections of future profitability that are dependent on actions that have not taken place as of the assessment date. We also consider changes to historical profitability of actions that occurred through the date of assessment and objectively verifiable effects of material forecasted events that would have a sustained effect on future profitability, as well as the effect on historical profits of nonrecurring events. We also incorporate the changes to historical and prospective income from tax planning strategies expected to be implemented.

In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is less than certain. We are regularly under audit by the various applicable tax authorities. Although the outcome of tax audits is always uncertain, we believe that we have appropriate support for the positions taken on our tax returns and that our annual tax provisions include amounts sufficient to pay assessments, if any, upon final determination by the taxing authorities. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. See additional discussion of our deferred tax assets and liabilities in Note 18 of our audited consolidated financial statements.

Retiree benefits—Accounting for pension benefits and other postretirement benefits (OPEB) involves estimating the cost of benefits to be provided well into the future and attributing that cost to the time period each employee works. These plan expenses and obligations are dependent on assumptions developed by us in consultation with our outside advisers such as actuaries and other consultants and are generally calculated independently of funding requirements. The assumptions used, including inflation, discount rates, investment returns, life expectancies, turnover rates, retirement rates, future compensation levels and health care cost trend rates, have a significant impact on plan expenses and obligations. These assumptions are regularly reviewed and modified when appropriate based on historical experience, current trends and future outlook. Changes in one or more of the underlying assumptions could result in a material impact to our consolidated financial statements in any given period. If actual experience differs from expectations, our financial position and results of operations in future periods could be affected.

Mortality rates are based in part on the company's plan experience and actuarial estimates. The inflation assumption is based on an evaluation of external market indicators, while retirement and turnover rates are based primarily on actual plan experience. Health care cost trend rates are developed based on our actual historical claims experience, the near-term outlook and an assessment of likely long-term trends. For our largest plans,

discount rates are based upon the construction of a yield curve which is developed based on a subset of high-quality fixed-income investments (those with yields between the 40th and 90th percentiles). The projected cash flows are matched to this yield curve and a present value developed which is then calibrated to develop a single equivalent discount rate. Pension benefits are funded through deposits with trustees that satisfy, at a minimum, the applicable funding regulations. For our largest defined benefit pension plans, expected investment rates of return are based on input from the plans' investment advisers and actuary regarding our expected investment portfolio mix, historical rates of return on those assets, projected future asset class returns, the impact of active management and long-term market conditions and inflation expectations. We believe that the long-term asset allocation on average will approximate the targeted allocation and we regularly review the actual asset allocation to periodically re-balance the investments to the targeted allocation when appropriate. OPEB and the majority of our non-U.S. pension benefits are funded as they become due.

Actuarial gains or losses may result from changes in assumptions or when actual experience is different from that which was expected. Under the applicable standards, those gains and losses are not required to be immediately recognized in our results of operations as income or expense, but instead are deferred as part of AOCI and amortized into our results of operations over future periods.

U.S. retirement plans—Our U.S. defined benefit pension plans comprise 65% of our consolidated defined benefit pension obligations at December 31, 2020. These plans are frozen and no service-related costs are being incurred. Changes in our net obligations are principally attributable to changing discount rates and the performance of plan assets. In October 2017, upon authorization by the Dana Board of Directors, we commenced the process of terminating one of our U.S. defined benefit pension plans. During the second quarter of 2019, payments were made from plan assets to those plan participants that elected to take the lump-sum payout option. In June 2019, we entered into (a) a definitive commitment agreement by and among Dana, Athene Annuity and Life Company (Athene) and State Street Global Advisors, as independent fiduciary to the plan, and (b) a definitive commitment agreement by and among Dana, Companion Life Insurance Company (Companion) and State Street Global Advisors, as independent fiduciary to the plan. Pursuant to the definitive commitment agreements, the plan purchased group annuity contracts that irrevocably transferred to the insurance companies the remaining future pension benefit obligations of the plan. Plan participant's benefits are unchanged as a result of the termination. We contributed \$59 million to the plan prior to the purchase of the group annuity contracts. The purchase of group annuity contracts was then funded directly by the assets of the plan in June 2019. By irrevocably transferring the obligations to Athene and Companion, we reduced our unfunded pension obligation by approximately \$165 million and recognized a pre-tax pension settlement charge of \$256 million in 2019.

Rising discount rates decrease the present value of future pension obligations—a 25 basis point increase in the discount rate would decrease our U.S. pension liability by about \$20 million. As indicated above, when establishing the expected long-term rate of return on our U.S. pension plan assets, we consider historical performance and forward looking return estimates reflective of our portfolio mix and investment strategy. Based on the most recent analysis of projected portfolio returns, we concluded that the use of a 3.5% expected return in 2021 is appropriate for our U.S. pension plans. See Note 12 to our audited consolidated financial statements and Note 10 to our unaudited consolidated financial statements for information about the investing and allocation objectives related to our U.S. pension plan assets.

We elected to use the Society of Actuaries (SOA) MP-2020 Mortality Improvement Scale. This update from the plan-specific mortality tables used in prior years did not have a material effect on our pension obligations.

We use a full yield curve approach to estimate the service (where applicable) and interest components of the annual cost of our pension and other postretirement benefit plans. This method estimates interest and service expense using the specific spot rates, from the yield curve, that relate to projected cash flows. We believe this method is a more precise measurement of interest and service costs by improving the correlation between the projected cash flows and the corresponding interest rates. The determination of the projected benefit obligation at year end is unchanged.

At December 31, 2020, we have \$142 million of unrecognized losses relating to our U.S. pension plans. Actuarial gains and losses, which are primarily the result of changes in the discount rate and other assumptions and differences between actual and expected asset returns, are deferred in AOCI and amortized to expense following the corridor approach. We use the average remaining service period of active participants unless almost all of the plan's participants are inactive, in which case we use the average remaining life expectancy of inactive participants.

Based on the current funded status of our U.S. plans, we do not expect to make any contributions during 2021.

See Note 12 to our audited consolidated financial statements and Note 10 to our unaudited consolidated financial statements for additional discussion of our pension and OPEB obligations.

Acquisitions—From time to time, we make strategic acquisitions that have a material impact on our consolidated results of operations or financial position. We allocate the purchase price of acquired businesses to the identifiable tangible and intangible assets acquired, liabilities assumed and any redeemable noncontrolling interests or noncontrolling interests based upon their estimated fair values as of the acquisition date. We determine the estimated fair values using information available to us and engage independent third-party valuation specialists when necessary. Estimating fair values can be complex and subject to significant business judgment. We believe the assumptions and estimates we have made in the past have been reasonable and appropriate, they are based, in part, on historical experience and information obtained from management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain of the intangible assets we have acquired include, but are not limited to, future expected cash flows from product sales, customer contracts and acquired technologies, and discount rates. The discount rates used to discount expected future cash flows to present value are typically derived from a weighted-average cost of capital analysis and adjusted to reflect inherent risks. Unanticipated events and circumstances may occur that could affect either the accuracy or validity of such assumptions, estimates or actual results. Generally, we have, if necessary, up to one year from the acquisition date to finalize our estimates of acquisition date fair values.

Goodwill and other indefinite-lived intangible assets—Our goodwill and other indefinite-lived intangible assets are tested for impairment annually as of October 31 for all of our reporting units, and more frequently if events or circumstances warrant such a review. We make significant assumptions and estimates about the extent and timing of future cash flows, including revenue growth rates, projected gross margins, discount rates, terminal growth rates, and exit earnings multiples. The cash flows are estimated over a significant future period of time, which makes those estimates and assumptions subject to a high degree of uncertainty. Our utilization of market valuation models requires us to make certain assumptions and estimates regarding the applicability of those models to our assets and businesses. We use our internal forecasts, which we update quarterly, to make our cash flow projections. These forecasts are based on our knowledge of our customers' production forecasts, our assessment of market growth rates, net new business, material and labor cost estimates, cost recovery agreements with customers and our estimate of savings expected from our restructuring activities.

The most likely factors that would significantly impact our forecasts are changes in customer production levels and loss of significant portions of our business. We believe that the assumptions and estimates used in the assessment of the goodwill and other indefinite-lived intangible assets as of October 31, 2020 were reasonable.

Long-lived assets with definite lives—We perform impairment assessments on our property, plant and equipment and our definite-lived intangible assets whenever events and circumstances indicate that the carrying amounts of the assets may not be recoverable. When indications are present, we compare the estimated future undiscounted net cash flows of the operations to which the assets relate to the carrying amounts of such assets. We utilize the cash flow projections discussed above for property, plant and equipment and amortizable intangibles. We group the assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the undiscounted

future cash flows using the life of the primary assets. If the carrying amounts of the long-lived assets are not recoverable from future cash flows and exceed their fair value, an impairment loss is recognized to reduce the carrying amounts of the long-lived assets to their fair value. Fair value is determined based on discounted cash flows, third-party appraisals or other methods that provide appropriate estimates of value. Determining whether a triggering event has occurred, performing the impairment analysis and estimating the fair value of the assets require numerous assumptions and a considerable amount of management judgment.

Investments in affiliates—We had aggregate investments in affiliates of \$152 million at December 31, 2020 and \$182 million at December 31, 2019. We monitor our investments in affiliates for indicators of other-than-temporary declines in value on an ongoing basis in accordance with GAAP. If we determine that an other-than-temporary decline in value has occurred, we recognize an impairment loss, which is measured as the difference between the recorded carrying value and the fair value of the investment. Fair value is generally determined using the discounted cash flows (an income approach) or guideline public company (a market approach) methods.

Warranty—Costs related to product warranty obligations are estimated and accrued at the time of sale with a charge against cost of sales. Warranty accruals are evaluated and adjusted as appropriate based on occurrences giving rise to potential warranty exposure and associated experience. Warranty accruals and adjustments require significant judgment, including a determination of our involvement in the matter giving rise to the potential warranty issue or claim, our contractual requirements, estimates of units requiring repair and estimates of repair costs. If actual experience differs from expectations, our financial position and results of operations in future periods could be affected.

Contingency reserves—We have numerous other loss exposures, such as product liability and warranty claims and matters involving litigation. Establishing loss reserves for these matters requires the use of estimates and judgment regarding risk of exposure and ultimate liability. Product liability and warranty claims are generally estimated based on historical experience and the estimated costs associated with specific events giving rise to potential field campaigns or recalls. In the case of legal contingencies, estimates are made of the likely outcome of legal proceedings and potential exposure where reasonably determinable based on the information presently known to us. New information and other developments in these matters could materially affect our recorded liabilities.

BUSINESS

General

Dana is headquartered in Maumee, Ohio and was incorporated in Delaware in 2007. We are a world leader in providing power-conveyance and energy-management solutions for vehicles and machinery. The company's portfolio improves the efficiency, performance, and sustainability of light vehicles, commercial vehicles, and off-highway equipment. From axles, driveshafts, and transmissions to electrodynamic, thermal, sealing and digital solutions, the company enables the propulsion of conventional, hybrid, and electric-powered vehicles by supplying nearly every major vehicle and engine manufacturer in the world. We also serve the stationary industrial market. As of December 31, 2020 we employed approximately 38,200 people, operated in 33 countries and had 141 major facilities around the world.

The terms "Dana," "we," "our" and "us" are references to Dana. These references include the subsidiaries of Dana unless otherwise indicated or the context requires otherwise.

Overview of our Business

We have aligned our organization around four operating segments: Light Vehicle Drive Systems (Light Vehicle), Commercial Vehicle Drive and Motion Systems (Commercial Vehicle), Off-Highway Drive and Motion Systems (Off-Highway) and Power Technologies. These operating segments have global responsibility and accountability for business commercial activities and financial performance.

External sales by operating segment for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020		2019		2018	
	Dollars	% of Total	Dollars	% of Total	Dollars	% of Total
<i>(in millions)</i>						
Light Vehicle	\$3,038	42.8%	\$3,609	41.9%	\$3,575	43.9%
Commercial Vehicle	1,181	16.6%	1,611	18.7%	1,612	19.8%
Off-Highway	1,970	27.7%	2,360	27.4%	1,844	22.6%
Power Technologies	917	12.9%	1,040	12.0%	1,112	13.7%
Total	\$7,106		\$8,620		\$8,143	

Refer to Segment Results of Operations in "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein and Note 21 to our audited consolidated financial statements for further financial information about our operating segments.

Our business is diversified across end-markets, products and customers. The following table summarizes the markets, products and largest customers of each of our operating segments as of December 31, 2020:

Segment	Markets	Products	Largest Customers
Light Vehicle	Light vehicle market: Light trucks (full frame) Sport utility vehicles Crossover utility vehicles Vans Passenger cars	Axles Driveshafts Transmissions e-Axles Electrodynamic and drivetrain components	Ford Motor Company Fiat Chrysler Automobiles* Toyota Motor Company Renault-Nissan-Mitsubishi Alliance General Motors Company Tata Motors / Jaguar Land Rover
Commercial Vehicle	Medium/heavy vehicle market: Medium duty trucks Heavy duty trucks Buses Specialty vehicles	Axles Driveshafts e-Axles e-Transmissions Electrodynamic and drivetrain components Electric vehicle integration services Software as a service	PACCAR Inc Traton Group AB Volvo Navistar International Corp. Daimler AG Ford Motor Company
Off-Highway	Off-Highway market: Construction Earth moving Agricultural Mining Forestry Material handling Industrial stationary	Axles Driveshafts Transmissions Planetary hub drives e-Axles e-Drives Electrodynamic, hydraulic and drivetrain components	Deere & Company CNH Industrial N.V. AGCO Corporation Oshkosh Corporation Manitou Group Sany Group
Power Technologies	Light vehicle market Medium/heavy vehicle market Off-Highway market	Gaskets Cover modules Heat shields Engine sealing systems Cooling Heat transfer products	Ford Motor Company General Motors Company Volkswagen AG (including Traton Group) Cummins Inc. Fiat Chrysler Automobiles Caterpillar Inc.

* Via a directed supply relationship

Geographic Operations

We maintain administrative and operational organizations in North America, Europe, South America and Asia Pacific to support our operating segments, assist with the management of affiliate relations and facilitate financial and statutory reporting and tax compliance on a worldwide basis. Our operations are located in the following countries:

North America	Europe		South America	Asia Pacific
Canada	Belgium	Netherlands	Argentina	Australia
Mexico	Denmark	Norway	Brazil	China
United States	Finland	Russia	Colombia	India
	France	South Africa	Ecuador	Japan
	Germany	Spain		New Zealand
	Hungary	Sweden		Singapore
	Ireland	Switzerland		South Korea
	Italy	Turkey		Thailand
	Lithuania	United Kingdom		

Our non-U.S. subsidiaries and affiliates manufacture and sell products similar to those we produce in the United States. Operations outside the U.S. may be subject to a greater risk of changing political, economic and social environments, changing governmental laws and regulations, currency revaluations and market fluctuations than our domestic operations. See “Risk Factors.”

Sales reported by our non-U.S. subsidiaries comprised \$3,702 million, or 52%, of our 2020 consolidated sales of \$7,106 million. A summary of sales and long-lived assets by geographic region can be found in Note 21 to our audited consolidated financial statements.

Customer Dependence

We are largely dependent on light vehicle, medium- and heavy-duty vehicle and off-highway original equipment manufacturer (OEM) customers. Ford Motor Company (Ford) and Fiat Chrysler Automobiles (FCA) were the only individual customers accounting for 10% or more of our consolidated sales in 2020. As a percentage of total sales from operations, our sales to Ford were approximately 20% in 2020, 20% in 2019 and 20% in 2018, and our sales to FCA (via a directed supply relationship), our second largest customer, were approximately 12% in 2020, 11% in 2019 and 11% in 2018. PACCAR Inc, Deere & Company and Volkswagen AG (including Traton Group) were our third, fourth and fifth largest customers in 2020. Our 10 largest customers collectively accounted for approximately 54% of our sales in 2020.

Loss of all or a substantial portion of our sales to Ford, FCA or other large volume customers would have a significant adverse effect on our financial results until such lost sales volume could be replaced and there is no assurance that any such lost volume would be replaced.

Sources and Availability of Raw Materials

We use a variety of raw materials in the production of our products, including steel and products containing steel, stainless steel, forgings, castings, bearings, and batteries and related rare earth materials. Other commodity purchases include aluminum, brass, copper and plastics. These materials are typically available from multiple qualified sources in quantities sufficient for our needs. However, some of our operations remain dependent on single sources for certain raw materials.

While our suppliers have generally been able to support our needs, our operations may experience shortages and delays in the supply of raw material from time to time due to strong demand, capacity limitations, short lead

times, production schedule increases from our customers and other problems experienced by the suppliers. A significant or prolonged shortage of critical components from any of our suppliers could adversely impact our ability to meet our production schedules and to deliver our products to our customers in a timely manner.

Seasonality

Our businesses are generally not seasonal. However, in the light vehicle market, our sales are closely related to the production schedules of our OEM customers and those schedules have historically been weakest in the third quarter of the year due to a large number of model year change-overs that occur during this period. Additionally, third-quarter production schedules in Europe are typically impacted by the summer vacation schedules and fourth-quarter production is affected globally by year-end holidays.

Backlog

A substantial amount of the new business we are awarded by OEMs is granted well in advance of a program launch. These awards typically extend through the life of the given program. This backlog of new business does not represent firm orders. We estimate future sales from new business using the projected volume under these programs.

Competition

Within each of our markets, we compete with a variety of independent suppliers and distributors, as well as with the in-house operations of certain OEMs. With a focus on product innovation, we differentiate ourselves through efficiency and performance, reliability, materials and processes, sustainability and product extension.

The following table summarizes our principal competitors by operating segment as of December 31, 2020:

Segment	Principal Competitors	
Light Vehicle	American Axle & Manufacturing Holdings, Inc. BorgWarner Inc. Hofer Powertrain GmbH IFA ROTARION Holding GmbH	Schaeffler Group Wanxiang Group Corporation ZF Friedrichshafen AG Vertically integration OEM operations
Commercial Vehicle	Allison Transmission American Axle & Manufacturing Holdings, Inc. BorgWarner Inc. Klein Products Inc.	Meritor, Inc. Tirsan Kardan ZF Friedrichshafen AG Vertically integrated OEM operations
Off-Highway	Bonfiglioli Bosch Rexroth AG Carraro Group Comer Industries	Danfoss Kessler & Co. ZF Friedrichshafen AG Vertically integrated OEM operations
Power Technologies	Denso Corporation ElringKlinger AG Freudenberg NOK Group Hanon Systems	MAHLE GmbH Tenneco Inc. Valeo Group YinLun Co., LTD

Properties

<u>Type of Facility</u>	<u>North America</u>	<u>Europe</u>	<u>South America</u>	<u>Asia Pacific</u>	<u>Total</u>
Light Vehicle					
Manufacturing/Distribution	14	4	4	9	31
Service/Assembly	1	—	—	1	2
Technical and Engineering Centers	—	—	—	1	1
Commercial Vehicle					
Manufacturing/Distribution	6	5	3	7	21
Service/Assembly	1	—	—	—	1
Administrative Offices	—	—	—	1	1
Technical and Engineering Centers	1	1	—	—	2
Off-Highway					
Manufacturing/Distribution	3	20	—	7	30
Service/Assembly	3	13	1	4	21
Administrative Offices	—	3	—	1	4
Technical and Engineering Centers	—	1	—	—	1
Power Technologies					
Manufacturing/Distribution	9	4	—	2	15
Administrative Offices	1	—	—	—	1
Technical and Engineering Centers	1	—	—	—	1
Corporate and Other					
Administrative Offices	3	1	1	2	7
Multiple Segments	—	—	—	2	2
	<u>43</u>	<u>52</u>	<u>9</u>	<u>37</u>	<u>141</u>

As of December 31, 2020, we operated in 33 countries and had 141 major facilities housing manufacturing and distribution operations, service and assembly operations, technical and engineering centers and administrative offices. In addition to the seven stand-alone technical and engineering centers in the table above, we have nineteen technical and engineering centers housed within manufacturing sites. We lease 68 of these facilities and own the remainder. We believe that all of our property and equipment is properly maintained.

Our world headquarters is located in Maumee, Ohio. This facility and other facilities in the greater Detroit, Michigan and Maumee, Ohio areas house functions that have global or North American regional responsibility for finance and accounting, tax, treasury, risk management, legal, human resources, procurement and supply chain management, communications and information technology.

Intellectual Property

Our proprietary driveline and power technologies product lines have strong identities in the markets we serve. Throughout these product lines, we manufacture and sell our products under a number of patents that have been obtained over a period of years and expire at various times. We consider each of these patents to be of value and aggressively protect our rights throughout the world against infringement. We are involved with many product lines and the loss or expiration of any particular patent would not materially affect our sales and profits.

We own or have licensed numerous trademarks that are registered in many countries, enabling us to market our products worldwide. For example, our Spicer[®], Victor Reinz[®], Long[®] and TM4[®] trademarks are widely recognized in their market segments.

Engineering and Research and Development

Since our introduction of the automotive universal joint in 1904, we have been focused on technological innovation. Our objective is to be an essential partner to our customers and we remain highly focused on offering superior product quality, technologically advanced products, world-class service and competitive prices. To enhance quality and reduce costs, we use statistical process control, cellular manufacturing, flexible regional production and assembly, global sourcing and extensive employee training.

We engage in ongoing engineering and research and development activities to improve the reliability, performance and cost-effectiveness of our existing products and to design and develop innovative products that meet customer requirements for new applications. We are integrating related operations to create a more innovative environment, speed product development, maximize efficiency and improve communication and information sharing among our research and development operations. At December 31, 2020, we had seven stand-alone technical and engineering centers and nineteen additional sites at which we conduct research and development activities. Our research and development costs were \$146 million in 2020, \$112 million in 2019 and \$103 million in 2018. Total engineering expenses including research and development were \$246 million in 2020, \$271 million in 2019 and \$252 million in 2018. During 2020, we reduced our total engineering spend in response to the global COVID-19 pandemic, taking advantage of various government programs and subsidies in the countries in which we operate. We also made the strategic decision to focus our engineering spend more heavily on research and development activities, continuing to progress key electrification initiatives despite the global pandemic.

Our research and development is targeted to create unique value for our customers. Our technologies are enabling the electrification of vehicles and accessories to improve efficiency and reduce the impact of carbon emissions. Our advanced drivelines are more efficient than ever before and include mechatronic systems to enhance performance. The power technologies group is developing new ways to keep batteries and power electronics at optimum temperatures to improve their efficiency and operation. We have developed innovative fuel cell products to help keep vehicles running in near continuous operation.

Human Capital

Our talented people power a customer-centric organization that is continuously improving the performance and efficiency of vehicles and machines around the globe. The following table summarizes our employees by operating segment and geographical region as of December 31, 2020:

<u>Segment</u>	<u>Employees</u>	<u>Region</u>	<u>Employees</u>
Light Vehicle	13,800	North America	14,800
Commercial Vehicle	6,200	Europe	10,000
Off-Highway	11,100	South America	3,800
Power Technologies	5,400	Asia Pacific	9,600
Technical and administrative	1,700	Total	<u>38,200</u>
Total	<u>38,200</u>		

Safety—The health and safety of employees remain our highest priority and we believe our company has an essential responsibility to safeguard life, health, property, and the environment for the well-being of all involved. Through effective feedback and positive recognition, we actively promote and pursue safety in all that we do. This is achieved through a consistent commitment to excellence in, health, safety, security management, and risk elimination. Dana’s health, safety and security programs ensure that all employees receive training, guidance, and assistance in safety awareness and risk prevention. An implemented, verified, audited, and communicated occupational health and safety management system reflects Dana’s internal and external commitment to all our stakeholders in identifying and reducing the health and safety risk of our employees around the world. Dana has developed robust safety systems, including detailed work instructions and processes for standard and

non-standard work, as well as regular layer process audits to ensure that we carefully consider safety in each of our work functions.

COVID-19 Response—The company’s response to the global COVID-19 pandemic was comprehensive, swift, and decisive with an emphasis on health and safety. Our top priorities were to protect our employees, communities, customers, and our future. For our employees, we implemented protocols throughout our global footprint to ensure their health and safety including, but not limited to: temporarily closing a significant number of our facilities; restricting access to all facilities; increasing cleaning and disinfecting protocols of those facilities that continued to operate; use of personal protection equipment; adhering to social distancing guidelines; instituting remote work; and restricting travel. In our communities, we provided support to initiatives across the globe, including light manufacturing and assembly for personal protection equipment and ventilator-related components. As our customers focused on managing through the challenges of the pandemic, we carefully managed our supply chain and inventory, while preparing our facilities for a safe restart.

Inclusion and Diversity—Our vision is to maintain an inclusive and diverse, global organization that develops, fosters, and attracts great people whose perspectives are heard, valued, and supported. We embrace our team members, suppliers, and customers. Their unique backgrounds, experiences, thoughts, views, and talents shape the ever-changing world. We are continuously building upon our diverse strengths to further grow a strong, inclusive work environment. Dana remains focused on embracing inclusion and diversity while enhancing the cultural competence of the global workforce. To achieve this, we have emphasized three core areas: retention and employee development, resources for employees, and recruiting of new team members.

Retention and Employee Development—Dana believes the development of its people is critical to the company’s success. The company empowers individuals to lead their development by articulating their professional, personal, and career growth aspirations to their manager. Development of all Dana people is strongly encouraged and should be considered each year as a part of their goals. Dana as an organization has the responsibility to set the tone, culture, and organizational expectations. The company also provides regular training opportunities for our associates across the globe to ensure they have the skills and information to keep pace with technological change. This development is supported and measured with robust performance management and development plans that encourages employees to continuously improve upon their past performance and build on critical skills the company requires to remain competitive. The company has a mentorship program for diverse employees to help guide and coach employees to positions of leadership and ensure the company is developing a diverse talent pool.

Resources—Dana has established an expanding network of Business Resource Groups (BRGs) to enhance Dana’s ability to develop, retain, and attract employees of varied backgrounds. By embracing inclusion and diversity, we create an environment that inspires the best from everyone and maximizes the value of our most important asset—Dana people. These BRGs are executive leadership-supported, employee-led initiatives with the mission to inspire growth and innovation and foster diversity for all employees. Our BRGs currently include:

- Dana Women’s Network (DAWN)—The company’s DAWN group is focused on providing professional networking and career development for women at Dana. They also promote activities that engage Dana’s senior leaders to better understand how the company can support women at work.
- African American Resource Group (AARG)—Dana’s AARG group is committed to supporting the career development of African American talent through thought-leadership workshops and community events. The group provides insight to Dana into the best practices for sourcing and retaining top talent.
- LGBT+A—The LGBT+A group focuses on maintaining an inclusive working environment that enables the company to leverage a diverse leadership pipeline. It has assisted in providing educational resources and community activities to engage the Dana team on best ways to support our LGBT+A colleagues.
- Live Green—Dana’s Live Green resource group helps to advance Dana’s mission to be sustainably responsible in our business practices. The group helps to inform and drive grassroots employee initiatives on reducing our impact on the environment.

- **New to Dana (NTD)**—The NTD group is open to all new Dana employees to help acclimate them to the Dana business culture and understand the company’s rich history. It provides resources, support, and professional development opportunities to new employees as they transition into their job responsibilities at Dana.
- **Dana Alumni**—With more than a century of rich history, Dana leverages its vast network of Alumni, including retirees and former long-time employees to help them remain informed about the company’s latest initiatives and to gather ideas on how to best continue to engage our workforce.
- **Military and Veterans**—The military and veterans group supports active-duty and veteran military personnel by understanding their unique needs and finding the best ways to support them. This group’s understanding of the needs of those who have served also allows the company to consider the best way to engage candidates and recruit them to Dana.

Recruiting—As a company, we are always collaborating with internationally recognized organizations to reach out to diverse talent and implement best practices for recruiting individuals who work within our core business functions.

Health and Wellness—Dana understands the importance of advocating for the health and well-being of our employees. Health initiatives can have a long-lasting, sustainable impact on employee well-being, but healthy habits do not develop overnight. The company is continuously evaluating new opportunities for programs that help address factors that influence health-related behaviors, which can have a long-lasting impact on an employee’s well-being. Dana understands the needs of individuals are unique and continues to offer initiatives spanning the spectrum of health and wellness to help provide a supportive work environment where employees strive for balance in their lives.

We encourage you to review the “Empowering People” section of our annual Sustainability and Social Responsibility Report (located on our website) for more detailed information regarding our Human Capital programs and initiatives. Nothing on our website, including our annual Sustainability and Social Responsibility Report or sections thereof, shall be deemed incorporated by reference into this offering memorandum.

Environmental Compliance

We make capital expenditures in the normal course of business as necessary to ensure that our facilities are in compliance with applicable environmental laws and regulations. The cost of environmental compliance has not been a material part of capital expenditures and did not have a material adverse effect on our earnings or competitive position in 2020.

Legal Proceedings

We are a party to various pending judicial and administrative proceedings that arose in the ordinary course of business. After reviewing the currently pending lawsuits and proceedings (including the probable outcomes, reasonably anticipated costs and expenses and our established reserves for uninsured liabilities), we do not believe that any liabilities that may result from these proceedings are reasonably likely to have a material adverse effect on our liquidity, financial condition or results of operations. Legal proceedings are also discussed in Note 16 to our audited consolidated financial statements.

MANAGEMENT

The following table provides information regarding our executive officers and the members of the Board of Directors of the Company:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
James K. Kamsickas	54	Chairman, President, Chief Executive Officer and Director
Aziz S. Aghili	62	Executive Vice President
Jonathan M. Collins	41	Executive Vice President and Chief Financial Officer
Douglas H. Liedberg	53	Senior Vice President, General Counsel, Secretary and Chief Compliance and Sustainability Officer
Robert D. Pyle	54	Executive Vice President
Antonio Valencia	55	President of Power Technologies
Rachel A. Gonzalez	51	Director
Virginia A. Kamsky	67	Director
Bridget Karlin	64	Director
Raymond E. Mabus, Jr.	72	Director
Michael J. Mack, Jr.	64	Director
R. Bruce McDonald	60	Director
Diarmuid B. O’Connell	57	Director
Keith E. Wandell	71	Director

Board of Directors

Our Board currently has eight non-management directors and one management director. All of our directors are elected annually serving a one-year term expiring at the next annual meeting of shareholders. The following section provides information as of February 22, 2021 about each Director. The information provided includes the individual’s principal occupation and special qualifications; employment and business experience during the past five years, including employment with Dana; other public company or registered investment company directorships held during the past five years; and the year in which the director became a director of Dana.

Rachel A. Gonzalez has been Executive Vice President, General Counsel and Secretary of Starbucks Coffee Company, a roaster and retailer of specialty coffee, since April 2018. From May 2017 to April 2018, she served as Chief Administrative Officer of Sabre, a leading technology solutions provider to the global travel and tourism industry. From September 2014 to May 2017, she served as Executive Vice President and General Counsel of Sabre. Prior to that she held executive positions with Dean Foods Company, Affiliated Computer Services, Inc. and was partner in the law firm of Morgan, Lewis & Bockius. Ms. Gonzalez’s significant experience as a General Counsel and Corporate Secretary to three publicly traded companies provides in-depth experience to Dana in terms of corporate governance and Board of Director “best practices.” In addition, her international experience gives the Board an excellent resource as it evaluates Dana’s end markets. Also, Ms. Gonzalez’s extensive background in corporate finance and strategy provides a strong resource as Dana executes its own strategy and considers business opportunities. Finally, Ms. Gonzalez’s experience outside of the industrial sector provides the opportunity for a fresh perspective with respect to Dana’s strategy and operations.

James K. Kamsickas has served as Chairman of the Board of Directors since December 2019 and President and Chief Executive Officer of Dana Incorporated since August 2015. Prior to joining Dana, Mr. Kamsickas served as President and Chief Executive Officer of International Automotive Components (IAC) Group S.A., a leading global supplier of automotive interior components and systems. He also served as a member of IAC’s Board of Directors from 2007-2015. Prior to that, he spent 18 years at Lear Corporation in numerous domestic and international positions, ultimately as leader of its Interior Systems Division. Mr. Kamsickas currently serves on the Board of Trustees of the United Way of Greater Toledo. Mr. Kamsickas’ 14 years of experience as a CEO

of global manufacturers of powertrains, interiors, acoustics, exteriors, seating, electrodynamics, sealing, thermal, industrial motion, aftermarket components, and systems provide him unique insight and strategic leadership capabilities to address Dana's business challenges and opportunities.

Virginia A. Kamsky has been Chairman and Chief Executive Officer of Kamsky Associates, Inc., a strategic advisory firm since 1980. She also served as an Executive Vice President of Foamex International, Inc., and in various leadership roles at then-Chase Manhattan Bank, including as a credit and lending officer and second vice president in charge of the Chase Corporate Division-China. Ms. Kamsky has served on the Boards of the following public companies: Spectrum Brands Holdings, Inc., W.R. Grace and Company, Sealed Air Corporation, Shorewood Packing Corporation, Foamex International, Inc., Tecumseh Products Company, Tate & Lyle PLC, Ingram-Micro Inc. and Olin Corporation. Ms. Kamsky has a strong background in strategy as well as a vast knowledge of the Asia-Pacific market that provides Dana's Board with a unique perspective into one of Dana's growth markets. In addition, she has served as a board member of several other publicly traded companies giving Dana's Board a great resource to assist in evaluating best practices.

Bridget E. Karlin is the Global Managing Director, Chief Technology Officer and VP of IBM Corporation, a global technology company that creates, develops and manufactures technologies, including computer systems, software, networking systems, storage devices and microelectronics, enabling digital transformation leveraging a secure, open, hybrid multicloud IT environment powered by AI, since 2017. Prior to her current position, Ms. Karlin served as General Manager of Intel Corporation from 2011 to 2017. Ms. Karlin has over thirty years of advanced technology experience, as well as executive management, financial and business operations experience which provide the Board with insights to strategic growth areas in guiding Dana to be successful in global markets.

Raymond E. Mabus, Jr. is Founding Principal and CEO of The Mabus Group, a strategic advisory firm specializing in creating strategies for companies to grow their presence within the Federal market. He served as the 75th United States Secretary of the Navy from 2009 to 2017. He was the U.S. Ambassador to the Kingdom of Saudi Arabia from 1994 to 1996, the Governor of Mississippi from 1988 to 1992, and Auditor of the State of Mississippi from 1984 to 1988. During his career in the private sector, Mr. Mabus served as Chairman and Chief Executive Officer of Foamex International, Inc. and on the Board of Directors of Enersys. Mr. Mabus is currently a board member of Hilton Worldwide Holdings, Inc. Mr. Mabus, over the last four decades, has served domestically and globally in a variety of high-level state and federal government roles. He has also held leadership positions in the private sector. This broad experience provides Dana with a strong source to draw upon as it enhances its leadership development capabilities. Further, Mr. Mabus' recent global experiences as Secretary of the U.S. Navy provides "real time" perspective to Dana with respect to international strategy and business opportunities.

Michael J. Mack, Jr. is retired. Most recently, Mr. Mack served as Group President, John Deere Financial Services, Global Human Resources and Public Affairs at Deere & Company, a manufacturer of agricultural, construction, and forestry machinery, diesel engines used in heavy equipment, and lawn care equipment, from October 2014 to November 2016. In addition, Mr. Mack served as the company's President, Worldwide Construction & Forestry Division from June 2009 to October 2014. Mr. Mack also served as Senior Vice President and Chief Financial Officer of Deere from January 2006 to May 2009. He served as the company's Vice President and Treasurer from June 2004 to January 2006. Also, Mr. Mack served as Senior Vice President, Marketing and Administration for the company's Worldwide Commercial & Consumer Equipment Division from 1999 to 2004. He held assignments in dealer systems, business development, treasury, engineering, purchasing, manufacturing and marketing during his career at Deere. Mr. Mack began his career at the John Deere Des Moines Works as a summer intern engineer. Mr. Mack brings a strong background in executive management, serving in three different senior executive roles at a global corporation. In addition, Mr. Mack brings to the Board his expertise in corporate finance, financial reporting and accounting gained as the Chief Financial Officer of a large public company. The Board also benefits from Mr. Mack's extensive knowledge related to the business operations of the off-highway vehicle market.

R. Bruce McDonald is retired. Most recently, Mr. McDonald served as Chairman and Chief Executive Officer of Adient plc, a global automotive supplier from October 2016 to June 2018. He previously served as Executive Vice President and Vice Chairman of Johnson Controls, Inc., a global manufacturer of automotive, power and building solutions, from September 2014 to October 2016. Mr. McDonald also served as Executive Vice President and Chief Financial Officer from 2005 to September 2014. Mr. McDonald joined Johnson Controls in November 2001 as Vice President and Corporate Controller and was promoted to Assistant Chief Financial Officer in 2004. Mr. McDonald's extensive experience as Chairman and CEO of a global automotive parts supplier as well as his former roles as Vice Chairman and Chief Financial Officer of a global manufacturer provides him with an informed understanding of the financial issues and risks that affect Dana. Additionally, Mr. McDonald's international experience provides the Board with a global perspective helping our Board identify opportunities and minimize risks.

Diarmuid B. O'Connell is the former Vice President of Business Development and was a member of the executive team at Tesla, Inc., a global designer, developer, manufacturer and seller of fully electric vehicles. He served in this role from July 2006 to September 2017. Mr. O'Connell served as Chief Strategy Officer, Global Head of Business Development and Partnerships of Fair, a vehicle leasing subscription service, from January 2018 to April 2019. Mr. O'Connell previously served as Chief of Staff for Political Military Affairs at the United States State Department, where he was involved in policy and operational support to the United States military in various theaters of operation. Before his tenure in Washington, Mr. O'Connell worked in corporate strategy as a management consultant for Accenture, as a founder of educational software developer, Real Time Learning, and as a senior executive with both McCann Erickson Worldwide and Young and Rubicam. Mr. O'Connell is currently a board member of Albemarle Corporation and The Mobility House GmbH. Mr. O'Connell's strong background as a senior executive of a global automotive manufacturer such as Tesla provides the Board of Directors a valuable resource in the areas of automotive electrification and technology. Mr. O'Connell also has an extensive background in corporate strategy that the Board will be able to leverage as a part of Dana's overall enterprise strategy. Additionally, Mr. O'Connell provides the Board a unique perspective as a former executive of a global original equipment manufacturer.

Keith E. Wandell is retired and has served as Lead Independent Director since December 2019. Prior to his current position, he served as Chairman of the Board of Directors from September 2016 to December 2019. Mr. Wandell served as President and Chief Executive Officer of Harley-Davidson, Inc., a global motorcycle manufacturer, from May 2009 to May 2015 as well as its Chairman from 2012 to May 2015. Mr. Wandell served as President and Chief Operating Officer of Johnson Controls, Inc. from July 2006 until May 2009. He was Executive Vice President of Johnson Controls from August 2003 to July 2006 and President of its Automotive and Battery Division from August 2003 to July 2006. Mr. Wandell was a board member of Harley-Davidson, Inc. and is currently a board member of Dover Corporation. He is a past chairman of the board of directors of Exide Technologies and prior member of the board of directors of Constellation Brands, Inc. Mr. Wandell is the former Chairman and Chief Executive Officer of one of the world's largest motorcycle manufacturers, bringing to our Board the perspective of a leader facing a set of external economic, social, and governance issues similar to those faced by Dana.

Corporate Governance

Our Board of Directors has established guidelines that it follows in matters of corporate governance. Our *Corporate Governance Guidelines* describe our corporate governance practices and address corporate governance issues such as Board composition and responsibilities, compensation of directors and executive succession planning. The following summary provides highlights of those guidelines. A complete copy of our *Corporate Governance Guidelines* is available online at <http://www.dana.com>.

Role of Board

The business of Dana is conducted by its employees, managers and corporate officers led by our CEO, with oversight from the Board. The Board selects the CEO and works with the CEO to elect/appoint other corporate

officers who are charged with managing the business of Dana. The Board has the responsibility of overseeing, counseling and directing the corporate officers to ensure that the long-term interests of Dana and its shareholders are being served. The Board and the corporate officers recognize that the long-term interests of Dana and its shareholders are advanced when they take into account the concerns of employees, customers, suppliers and communities.

Responsibilities of the Board

The basic responsibility of our directors is to exercise their reasonable business judgment on behalf of Dana. In discharging this obligation, directors rely on, among other things, Dana's corporate officers, outside advisors and auditors.

- Pursuant to the Board's general oversight responsibilities, among other things, the Board:
- Evaluates the CEO's performance and reviews Dana's succession plan for the CEO and other officers;
- Reviews the long-range business plans of Dana and monitors performance relative to achievement of those plans;
- Considers long-range strategic issues and risks to Dana; and
- Approves policies of corporate conduct that continue to promote and maintain the integrity of Dana.

Executive Sessions of the Board

Executive sessions of our non-management directors are held, without Dana management, in conjunction with each regularly scheduled Board meeting and between such Board meetings as requested, from time to time, by our Lead Independent Director or other non-management directors. These sessions are chaired by our Lead Independent Director.

Access to Management and the Independent Registered Public Accounting Firm

Our non-management directors may meet with senior management, other employees and the independent registered public accounting firm at any time, either separately or jointly, as they deem appropriate. Senior personnel of Dana and of the registered public accounting firm regularly attend portions of our Board and Committee meetings, and other personnel may be invited to attend particular meetings where appropriate.

Board Performance Assessment

The Board conducts an annual self-evaluation to determine whether it and its committees are functioning effectively. Our Nominating and Corporate Governance Committee reviews the self-evaluation process. An annual report is made to the Board on the assessment of the performance of the Board and its committees. The assessment evaluates the contribution of the Board and its committees to Dana and specifically focuses on areas in which the Board believes it or its committees could improve.

Board Leadership Structure

Under Dana's Bylaws, the positions of Chairman of the Board and the CEO may each be held separately, or together by one person. The Board's analysis as to whether the two positions should be combined or held separately takes into account many factors including the specific needs of Dana and the Board, the strong role of the Lead Independent Director, the specific needs of Dana, and the best interests of Dana's shareholders. While the Board had maintained a separation of the Chairman and CEO positions since 2011, in 2019 the Board determined, after careful consideration during its annual evaluation of its leadership structure, that combining the two positions would enhance Dana's governance structure and best serve Dana's strategic objectives.

In addition to serving as Dana's President and CEO since August 2015, Mr. Kamsickas was also appointed to the Chairman position in December 2019, which reflects the Board's confidence in his ability to provide oversight and to most effectively drive Dana to achieve its strategic objectives through unified leadership. The Board determined that combining the two positions provides Dana with distinct advantages, including:

- Leveraging Mr. Kamsickas's deep institutional knowledge and industry experience from his service as CEO;
- Providing critical leadership, organizational stability, and a strong bridge between the Board and the management team; and
- Driving efficient decision making and enhanced accountability.

Importantly, the Board also determined that having Mr. Wandell, serve as Lead Independent Director, establishes an effective balance to the combined role of Chairman and CEO.

Dana's Bylaws and Corporate Governance Guidelines provide that when the Board determines that the Chairman and CEO positions should be combined, the Board should also have a Lead Independent Director to complement the Chairman's role, and to serve as the principal liaison between the Chairman and the independent Directors. The duties and responsibilities of the Lead Independent Director include: (i) presiding at all meetings of the Board at which the Chairman is not present, including any executive sessions of the independent directors; (ii) serving as the liaison between the Chairman and the independent directors; (iii) coordinating the activities of the independent directors; (iv) developing the agenda for the executive sessions and other meetings of the independent directors; (v) advising the Chairman regarding the timing, scheduling, structuring, and the agenda of Board meetings; (vi) consulting with and providing feedback to the Chairman regarding matters discussed in executive sessions and regarding other Board matters as appropriate; and (vii) advising the Chairman regarding the flow of information from management to the Board. The duties of the Lead Independent Director help ensure the effective and independent leadership of our Board. Dana's Bylaws and Corporate Governance Guidelines require that the Lead Independent Director be elected annually, which helps to ensure that the Board evaluates Dana's Board leadership structure at least annually.

Succession Planning

A key responsibility of our Board is ensuring that an effective process is in place to provide continuity of leadership over the long term at all levels of Dana. Each year, succession planning reviews are held at every significant organizational level of Dana, culminating in a full review of senior leadership talent. During this review, the Board discusses future candidates for senior leadership positions, succession timing for those positions and development plans for the highest-potential candidates. This process ensures continuity of leadership over the long term, and it forms the basis on which Dana makes ongoing leadership assignments.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows information about beneficial ownership of our securities as of April 30, 2021, by persons who have either filed reports with the SEC indicating that they beneficially own more than 5% of our securities and/or a review of our shareholder records as of April 30, 2021. Unless otherwise stated, to report this information Dana relied solely on reports filed with the SEC.

<u>Name and Address of Beneficial Owner</u>	<u>Title of Class</u>	<u>Number of Shares Beneficially Owned</u>	<u>Percent of Class</u>
BlackRock, Inc.(1) 55 East 52nd Street New York, NY 10055	Common	16,557,492	11.44%
The Vanguard Group(2) 100 Vanguard Blvd. Malvern, PA 19355	Common	12,958,129	8.97%
Icahn Capital LP(3) 16690 Collins Avenue, PH Sunny Isles Beach, FL 33160	Common	10,758,079	7.45%
Dimensional Fund Advisors LP(4) 6300 Bee Cave Road, Building One Austin, TX 78746	Common	7,402,812	5.12%

- (1) BlackRock, Inc. and related entities (collectively, BlackRock) reported on a Form 13G/A filed with the SEC on January 27, 2021 holdings of common stock. It has sole voting power with respect to 16,240,033 shares of common stock and sole dispositive power with respect to 16,557,492 shares of common stock.
- (2) The Vanguard Group reported on a Form 13G/A filed with the SEC on February 10, 2021 holdings of common stock. It has sole dispositive power with respect to 12,686,678 shares of common stock and shared dispositive power with respect to 271,451 shares of common stock.
- (3) Carl C. Icahn and related entities (collectively, Icahn) reported on a Form 13G/A filed with the SEC on February 4, 2021 holdings of common stock. Icahn has shared voting power with respect to 10,758,079 shares of common stock and shared dispositive power with respect to 10,758,079 shares of common stock.
- (4) Dimensional Fund Advisors LP (Dimensional) reported on a Form 13G filed with the SEC on February 12, 2021 holdings of common stock. It has sole voting power with respect to 7,152,550 shares of common stock and sole dispositive power with respect to 7,402,812 shares of common stock.

The following tables show the amount of Dana common stock beneficially owned as of February 22, 2021 by our current Directors and named executive officers and by our Directors and executive officers as a group.

<u>Name of Beneficial Owner</u>	<u>Shares(1)</u>	<u>Restricted Stock Units(2)</u>	<u>Shares Acquirable within 60 Days</u>	<u>Percent of Class</u>
Aziz S. Aghili	119,504		0	*
Jonathan M. Collins	26,047		0	*
Rachel A. Gonzalez	26,031		0	*
James K. Kamsickas	603,561		0	*
Virginia A. Kamsky	36,829		0	*
Bridget E. Karlin	8,452		0	*
Douglas H. Liedberg	35,126		0	*
Raymond E. Mabus, Jr.	26,031	2,241	0	*
Michael J. Mack, Jr.	20,032		0	*
R. Bruce McDonald	46,656		0	*
Diarmuid B. O’Connell	20,032		0	*
Robert D. Pyle	51,660		0	*
Keith E. Wandell	53,919		0	*
All Directors and executive officers as a group (16 persons)	1,081,023	2,241	0	*%

* Represents holdings of less than one percent of Dana’s common stock

- (1) The number of shares shown includes shares that are individually or jointly owned, as well as shares over which the individual has either sole or shared investment or voting authority. None of the persons listed above has pledged his or her shares of common stock.
- (2) Reflects the number of restricted stock units (RSUs) credited as of April 30, 2021 to the accounts of certain non-employee Directors who elected to defer a percentage of their annual retainer into restricted stock units under our 2017 Dana Incorporated Omnibus Incentive Plan. RSUs are payable in shares of Dana common stock or, at the election of Dana, cash equal to the market value per share as described under the caption “Compensation of Directors” above. RSUs do not have current voting or investment power. Excludes RSUs awarded to Non-employee Directors and certain executive officers that have not vested under their vesting schedules.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Director Independence and Transaction of Directors with Dana

Independence and Transactions of Directors

The Board of Directors has determined that the eight non-management directors are independent within the meaning of the listing standards of the NYSE. Our Board determines whether each director qualifies as an “independent director” when first elected to the Board and annually thereafter. To assist in making these determinations of independence, Dana adopted categorical standards set forth in our *Director Independence Standards*, a current copy of which is available to security holders on Dana’s website at www.dana.com.

Under our *Director Independence Standards*, if a director has a relationship with Dana (either directly or as a partner, shareholder, or officer of an organization that has a relationship with Dana), the Board considers all relevant facts and circumstances in determining whether the relationship will interfere with the exercise of the director’s independence from Dana and our management, taking into account, among other things, the significance of the relationship to Dana, to the director, and to the persons or organizations with which the director is affiliated.

The Board has affirmatively determined that the following directors, constituting a majority of our Board of Directors, meet the categorical standards for independence and that such directors have no material relationship with Dana (either directly or as a partner, shareholder or officer of an organization that has a relationship with Dana) other than as a director: Rachel A. Gonzalez, Virginia A. Kamsky, Bridget E. Karlin, Raymond E. Mabus, Jr., Michael J. Mack, Jr., R. Bruce McDonald, Diarmuid B. O’Connell, and Keith E. Wandell.

Review of Transactions with Related Persons

Dana has procedures and policies for reviewing transactions between Dana and its directors and executive officers, their immediate family members and entities with which they have a position or relationship. These procedures are intended to determine whether any such transaction impairs the independence of a director or presents a conflict of interest on the part of a director or executive officer.

Annually, each director and executive officer is required to complete a director, director nominee and executive officer questionnaire, and each non-management director is required to complete an independence certification. Both of these documents elicit information about related person transactions. The Nominating and Corporate Governance Committee and the Board of Directors annually review the transactions and relationships disclosed in the questionnaire and certification, prior to the Board of Directors making a formal determination regarding the directors’ independence. To assist them in their review, the Nominating and Corporate Governance Committee and the Board of Directors use the categorical standards found in Dana’s *Director Independence Standards*, as discussed above.

In order to monitor transactions that occur between the annual reviews, the independence certification also obligates the directors to immediately notify our General Counsel in writing if they discover that any statement in the certification was untrue or incomplete when made, or if any statement in the certification becomes subsequently untrue or incomplete. Likewise, under our *Standards of Business Conduct for the Board of Directors*, any situation that involves, or may involve, a conflict of interest with Dana is required to be promptly disclosed to the Chairman of the Board, who will consult with the Chairman of the Nominating and Corporate Governance Committee. Executive officers are bound by the *Standards of Business Conduct for Employees*.

Our Board has adopted a *Related-Party Transactions Policy* that sets forth standards with respect to related party transactions with Dana or our subsidiaries. A current copy of this policy is available to shareholders on Dana’s website at www.dana.com.

Under the *Related-Party Transactions Policy*, (i) a director, nominee for director or executive officer of Dana (since the beginning of the last fiscal year), (ii) any beneficial holder of greater than five percent (5%) of Dana's voting securities or (iii) any immediate family member of any of the foregoing, are required to seek the prior approval of the Audit Committee of any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (i) the aggregate amount involved will or may reasonably be expected to exceed \$120,000 in any calendar year, (ii) Dana, or any of its subsidiaries is a participant, and (iii) any related party has or will have a direct or indirect interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity).

In making its determination, the Audit Committee considers such factors as (i) the extent of the related party's interest in the interested transaction, (ii) if applicable, the availability of other sources of comparable products or services, (iii) whether the terms of the interested transaction are fair to Dana and no less favorable than terms generally available in unaffiliated third-party transactions under like circumstances, (iv) whether the interested transaction would impair the independence of an outside director, (v) the benefit to Dana, and (vi) whether the interested transaction is material, taking into account: (a) the importance of the interest to the related party, (b) the relationship of the related party to the interested transaction and of the related parties to each other, (c) the dollar amount involved, and (d) the significance of the transaction to Dana's investors in light of all the circumstances.

Notwithstanding the foregoing, our Board may determine certain interested transactions deemed to be pre-approved, even if the aggregate amount involved will exceed \$120,000. Those pre-approved transactions are described in the *Related-Party Transactions Policy*.

All interested transactions, except certain pre-approved transactions, must be disclosed in Dana's applicable SEC filings as, and to the extent, required by applicable SEC rules and regulations.

The questionnaire, certification, *Director Independence Standards, Standards of Business Conduct for the Board of Directors, Standards of Business Conduct for Employees*, and *Related-Party Transactions Policy* are all in writing.

Transactions of Executive Officers with Dana

None of the executive officers of Dana or members of their immediate families or entities with which they have a position or relationship had any transactions with Dana since January 1, 2018.

For information on procedures and policies for reviewing transactions between Dana and its executive officers, their immediate family members and entities with which they have a position or relationship, see "Director Independence and Transactions of Directors with Dana—Review of Transactions with Related Persons."

DESCRIPTION OF OTHER INDEBTEDNESS

Senior Facilities

On April 16, 2020, we entered into Amendment No. 4 to the Credit and Guaranty Agreement and Amendment No. 2 to the Security Agreement, among the Company, as a term loan borrower and a revolving credit borrower, Dana International Luxembourg S.à r.l., as a revolving credit borrower, certain domestic subsidiaries of the Company party thereto (the “Guarantors”), Citibank, N.A., as administrative agent and collateral agent, and a syndicate of other banks party thereto, which amended the credit and guaranty agreement that governs our Senior Facilities.

On March 25, 2021, we entered into Amendment No. 5 to the Credit and Guaranty Agreement and Amendment No. 3 to the Security Agreement. The amendments, among other things, increased the committed principal amount under our Revolving Facility by \$150 million to an aggregate principal amount of \$1,150 million, and the maturity under the Revolving Facility was extended to March 2026.

Our Senior Facilities consist of the Term B Facility in an original aggregate principal amount of \$450 million, which matures in February 2026, and the Revolving Facility in an aggregate committed principal amount of \$1,150 million, which matures in March 2026.

The Senior Facilities are guaranteed by, subject to certain exceptions, substantially all of our domestic wholly-owned subsidiaries and secured by a first-priority lien on substantially all of the assets of the Company and the Guarantors, other than Dana Credit Corporation and its subsidiaries, and subject to certain other exceptions.

Availability under the Revolving Facility is reduced for outstanding credit advances and letter of credit issuances. As of March 31, 2021, \$349 million was outstanding under the Term B Facility and no borrowings were outstanding under the Revolving Facility (excluding \$21 million utilized for letters of credit).

The Revolving Facility bears interest at LIBOR (or, with respect to euro borrowings under the Revolving Facility, EURIBOR, or with respect to Sterling borrowings under the Revolving Facility, Sterling LIBOR) plus an applicable margin ranging between 1.25% and 1.75% per annum based on Dana’s total net leverage ratio. In addition, the Company is required to pay a commitment fee to the lenders in respect of the unutilized commitments at a rate between 0.25% and 0.50% per annum that is determined by reference to the Company’s total net leverage ratio. The Term B Facility bears interest at LIBOR plus 2.25% per annum. Commencing with the fiscal year ending December 31, 2019, the Term B Facility is subject to an annual excess cash flow sweep of 50%, stepping down to 0% based on the Company’s first lien net leverage ratio, of any excess cash flow greater than \$10 million.

The lenders have the ability, subject to certain cure rights of the Company, to accelerate loan payment dates and charge default interest rates for certain breaches by the Company and the Guarantors of their covenants and other obligations under the Senior Facilities.

The Senior Facilities do not have any financial maintenance covenants, other than a first lien net leverage ratio covenant solely for the benefit of our lenders under the Revolving Facility. The covenant does not permit our first lien net leverage ratio to exceed 2.00 to 1.00 as of the last day of each fiscal quarter.

Existing Senior Notes

2030 Notes

In April 2021, we launched and priced an offering of \$400 million aggregate principal amount of 4.250% Senior Notes due 2030 (the “2030 Notes”) maturing on September 1, 2030. The offering of the 2030 Notes closed on May 13, 2021. Interest on the 2030 Notes is payable on March 1 and September 1 of each year.

The 2030 Notes (i) are unsecured senior obligations of the Company and rank equally with all of our other unsecured senior indebtedness, (ii) are not guaranteed by any of our subsidiaries and (iii) are effectively subordinated to any of our secured indebtedness, to the extent of the assets securing such indebtedness, and to all of the debt and other liabilities of our subsidiaries.

At any time on or after May 1, 2026, we may redeem some or all of the 2030 Notes at specified redemption prices, plus accrued and unpaid interest. Prior to May 1, 2026, we may redeem some or all of the 2030 Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, plus a “make-whole” premium.

Under the terms of the indenture governing the 2030 Notes, we, and each of our restricted subsidiaries, are subject to covenants that limit, among other things, our ability to: (i) incur additional debt, (ii) pay dividends and make other restricted payments, (iii) create or permit certain liens, (iv) use the proceeds from sales of assets and subsidiary stock, (v) create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us, (vi) enter into transactions with affiliates and (vii) consolidate or merge or sell all or substantially all of our assets.

2028 Notes

In June 2020, we completed the sale of \$400 million aggregate principal amount of 5.625% Senior Notes due 2028 (the “2028 Notes”) maturing on June 15, 2028. Interest on the 2028 Notes is payable on June 15 and December 15 of each year.

The 2028 Notes (i) are unsecured senior obligations of the Company and rank equally with all of our other unsecured senior indebtedness, (ii) are not guaranteed by any of our subsidiaries and (iii) are effectively subordinated to any of our secured indebtedness, to the extent of the assets securing such indebtedness, and to all of the debt and other liabilities of our subsidiaries.

At any time on or after June 15, 2023, we may redeem some or all of the 2028 Notes at specified redemption prices, plus accrued and unpaid interest. Prior to June 15, 2023, we may redeem some or all of the 2028 Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, plus a “make-whole” premium.

Under the terms of the indenture governing the 2028 Notes, we, and each of our restricted subsidiaries, are subject to covenants that limit, among other things, our ability to: (i) incur additional debt, (ii) pay dividends and make other restricted payments, (iii) create or permit certain liens, (iv) use the proceeds from sales of assets and subsidiary stock, (v) create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us, (vi) enter into transactions with affiliates and (vii) consolidate or merge or sell all or substantially all of our assets.

2027 Notes

In November 2019, we completed the sale of \$300 million aggregate principal amount of 5.375% Senior Notes due 2027 (the “original 2027 Notes”) maturing on November 15, 2027. Interest on the 2027 Notes is payable on May 15 and November 15 of each year.

In June 2020, we completed an add on offering of \$100 million aggregate principal amount of the 2027 Notes (the “new 2027 Notes” and, together with the “original 2027 Notes”, the “2027 Notes”) maturing on November 15, 2027. Interest on the 2027 Notes is payable on May 15 and November 15 of each year.

The 2027 Notes (i) are unsecured senior obligations of the Company and rank equally with all of our other unsecured senior indebtedness, (ii) are not guaranteed by any of our subsidiaries and (iii) are effectively subordinated to any of our secured indebtedness, to the extent of the assets securing such indebtedness, and to all of the debt and other liabilities of our subsidiaries.

At any time on or after November 15, 2022, we may redeem some or all of the 2027 Notes at specified redemption prices, plus accrued and unpaid interest. Prior to November 15, 2022, we may redeem some or all of the 2027 Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, plus a “make-whole” premium.

Under the terms of the indenture governing the 2027 Notes, we, and each of our restricted subsidiaries, are subject to covenants that limit, among other things, our ability to: (i) incur additional debt, (ii) pay dividends and make other restricted payments, (iii) create or permit certain liens, (iv) use the proceeds from sales of assets and subsidiary stock, (v) create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us, (vi) enter into transactions with affiliates and (vii) consolidate or merge or sell all or substantially all of our assets.

2026 Notes

In May 2016, the Issuer completed the sale of \$375 million aggregate principal amount of the 2026 Notes maturing on June 1, 2026. Interest on the 2026 Notes is payable on June 15 and December 15 of each year. The 2026 Notes are fully and unconditionally guaranteed by the Company.

The 2026 Notes (i) are unsecured senior obligations of the Company and the Issuer and rank equally with all of the Company and the Issuer’s other unsecured senior indebtedness, (ii) are not guaranteed by any of the Company’s subsidiaries and (iii) are effectively subordinated to any of the Company and the Issuer’s secured indebtedness, to the extent of the assets securing such indebtedness, and to all of the debt and other liabilities of the Company’s subsidiaries.

At any time on or after June 1, 2021, we may redeem some or all of the 2026 Notes at specified redemption prices, plus accrued and unpaid interest. In addition, prior to June 1, 2019, the Issuer may redeem up to 35% of original aggregate principal amount of the 2026 Notes in an aggregate amount equal to the proceeds of certain equity offerings at a price equal to 106.500% of the principal amount thereof, plus accrued and unpaid interest, provided that at least 50% of the original aggregate principal amount of the 2026 Notes remains outstanding after giving effect to any such redemption. Prior to June 1, 2021, the Issuer may redeem some or all of the 2026 Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, plus a “make-whole” premium.

Under the terms of the indenture governing the 2026 Notes, we, and each of our restricted subsidiaries, including the Issuer, are subject to covenants that limit, among other things, our ability to: (i) incur additional debt, (ii) pay dividends and make other restricted payments, (iii) create or permit certain liens, (iv) issue or sell capital stock of restricted subsidiaries, (v) use the proceeds from sales of assets and subsidiary stock, (vi) create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us, (vii) enter into transactions with affiliates and (viii) consolidate or merge or sell all or substantially all of our assets.

In addition, the indenture governing the 2026 Notes restricts (i) the Company from ceasing to beneficially own 100% of the voting stock of the Issuer and (ii) the Issuer from conducting business operations or owning any material assets or property, subject to certain exceptions, and from incurring material liabilities, other than those in connection with the 2026 Notes, those notes offered hereby and certain other indebtedness permitted under the indenture.

2025 Notes

In April 2017, the Issuer completed the sale of \$400 million aggregate principal amount of the 5.75% Senior Notes due 2025 (the “2025 Notes”) maturing on April 15, 2025. Interest on the 2025 Notes is payable on April 15 and October 15 of each year. The 2025 Notes are fully and unconditionally guaranteed by the Company.

The 2025 Notes (i) are unsecured senior obligations of the Company and the Issuer and rank equally with all of the Company and the Issuer's other unsecured senior indebtedness, (ii) are not guaranteed by any of the Company's subsidiaries and (iii) are effectively subordinated to any of the Company and the Issuer's secured indebtedness, to the extent of the assets securing such indebtedness, and to all of the debt and other liabilities of the Company's subsidiaries.

At any time on or after April 15, 2020, the Issuer may redeem some or all of the 2025 Notes at specified redemption prices, plus accrued and unpaid interest.

Under the terms of the indenture governing the 2025 Notes, we, and each of our restricted subsidiaries, including the Issuer, are subject to covenants that limit, among other things, our ability to: (i) incur additional debt, (ii) pay dividends and make other restricted payments, (iii) create or permit certain liens, (iv) use the proceeds from sales of assets and subsidiary stock, (v) create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us, (vi) enter into transactions with affiliates and (vii) consolidate or merge or sell all or substantially all of our assets.

In addition, the indenture governing the 2025 Notes restricts (i) the Company from ceasing to beneficially own 100% of the voting stock of the Issuer and (ii) the Issuer from conducting business operations or owning any material assets or property, subject to certain exceptions, and from incurring material liabilities, other than those in connection with the 2025 Notes, the 2026 Notes and certain other indebtedness permitted under the indenture.

2024 Notes

In December 2014, we completed the sale of \$425 million aggregate principal amount of 5.500% Senior Notes due 2024 (the "2024 Notes") maturing on December 15, 2024. Interest on the 2024 Notes is payable on June 15 and December 15 of each year.

The 2024 Notes (i) are unsecured senior obligations of the Company and rank equally with all of our other unsecured senior indebtedness, (ii) are not guaranteed by any of our subsidiaries and (iii) are effectively subordinated to any of our secured indebtedness, to the extent of the assets securing such indebtedness, and to all of the debt and other liabilities of our subsidiaries.

At any time on or after December 15, 2019, we may redeem some or all of the 2024 Notes at specified redemption prices, plus accrued and unpaid interest.

Under the terms of the indenture governing the 2024 Notes, we, and each of our restricted subsidiaries, are subject to covenants that limit, among other things, our ability to: (i) incur additional debt, (ii) pay dividends and make other restricted payments, (iii) create or permit certain liens, (iv) issue or sell capital stock of restricted subsidiaries, (v) use the proceeds from sales of assets and subsidiary stock, (vi) create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us, (vii) enter into transactions with affiliates and (viii) consolidate or merge or sell all or substantially all of our assets.

On April 29, 2021, we commenced the Tender Offer. In connection with the Tender Offer, we are soliciting consents to amend the indenture pursuant to which the 2024 Notes were issued to, among other things, eliminate substantially all of the restrictive covenants, certain events of default and certain other provisions contained in that indenture, and shorten the advance notice period required for us to redeem any of the 2024 Notes from 30 days to two business days prior to the redemption date. If irrevocable tenders and consents from the holders of a majority in principal amount of the outstanding 2024 Notes are obtained on or prior to May 12, 2021 (the deadline for providing consents (which date may be extended)), then a supplement to the indenture governing the 2024 Notes will be executed that will amend the indenture to eliminate substantially all of the restrictive covenants, certain events of default and certain other provisions contained in that indenture, and shorten the advance notice period required for redemption. Our obligation to consummate the Tender Offer is subject to

several conditions, including the consummation of the offering of the 2024 Notes. See “Summary—Recent Developments—Tender Offer and Consent Solicitation” for more information regarding the Tender Offer.

On April 29, 2021, we commenced the 2024 Notes Redemption. Our obligation to consummate the 2024 Notes Redemption is subject to the Financing Condition and the Consent Condition. See “Summary—Recent Developments—Redemptions” for more information regarding the Redemption.

On May 13, 2021, Dana announced that it exercised its right to accept for early payment all of the 2024 Notes tendered prior to 5:00 p.m., New York City time on May 12, 2021, and entered into a supplemental indenture that gives effect to the 2024 Notes Amendments.

DESCRIPTION OF THE NOTES

In this “Description of the Notes,” the term “Company” refers only to Dana Incorporated and not to any of its Subsidiaries; the terms “we,” “our” and “us” refer to Dana Incorporated and, where the context so requires, certain or all of its Subsidiaries; and the term “Issuer” refers to Dana Financing Luxembourg S.à r.l. The definitions of certain other terms used in this description are set forth throughout the text or under “—Certain Definitions.” The Company will Guarantee the notes but none of the Company’s Subsidiaries will initially Guarantee the notes. The Company’s Subsidiaries will in the future Guarantee the notes only in those limited circumstances described under “—Certain Covenants—Future Subsidiary Guarantors.” Each Person that Guarantees the notes is referred to in this section as a “Guarantor” and each Subsidiary that Guarantees the notes is referred to in this section as a “Subsidiary Guarantor.” Each such Guarantee is termed a “Note Guarantee.”

The Issuer will issue the 3.000% Senior Notes due 2029 (the “*notes*”) under an indenture, to be dated as of the Issue Date (the “*Indenture*”), among the Issuer, the Company and Wells Fargo Bank, National Association, as trustee (the “*Trustee*”). The Indenture will contain provisions that define your rights under the notes. In addition, the Indenture will govern the obligations of the Issuer and the Company under the notes. The notes will be issued in a private transaction that is not subject to the registration requirements of the Securities Act. See “Transfer Restrictions.” The Indenture will not be subject to the provisions of the TIA.

The following description is meant to be only a summary of the provisions of the Indenture and the notes that we consider material. It does not restate the terms of the Indenture or the notes in their entirety. We urge that you carefully read the Indenture because the Indenture, and not this description, governs your rights as Holders. The Issuer will have no material assets other than advances or intercompany loans to the Company and its affiliates that it has made or will make with a portion of the proceeds from the sale of the notes and other debt securities issued by it. You may request copies of the Indenture at the Company’s address set forth under the heading “Where You Can Find More Information.”

Overview of the Notes

The Notes and the Note Guarantee by the Company

The indebtedness evidenced by the notes and the Note Guarantee by the Company:

- will be unsecured general obligations of the Company and the Issuer, as the case may be;
- will be senior in right of payment to all future Subordinated Indebtedness of the Company and the Issuer, as the case may be;
- will be effectively junior to all existing and future secured Indebtedness of the Company and the Issuer, as the case may be, to the extent of the value of the assets securing such secured Indebtedness; and
- will be structurally subordinated to all existing and future Indebtedness and other liabilities of the Company’s Subsidiaries that do not provide Note Guarantees (other than the Issuer).

General

The Company will Guarantee the notes but none of the Company’s Subsidiaries will initially Guarantee the notes. The Company’s Subsidiaries will in the future Guarantee the notes only in those limited circumstances described under “—Certain Covenants—Future Subsidiary Guarantors.” In the event of a bankruptcy, liquidation or reorganization of any non-guarantor Subsidiaries of the Company (other than the Issuer), such non-guarantor Subsidiaries will be required to repay financial and trade creditors before distributing any assets to the Company, the Issuer or a Subsidiary Guarantor.

As of the Issue Date, all of the Company’s Subsidiaries, including the Issuer, will be “Restricted Subsidiaries.” However, under the circumstances described below under the caption “—Certain Covenants—Limitation on Designations of Unrestricted Subsidiaries,” the Company will be permitted to designate certain of

its Subsidiaries (other than the Issuer) as “Unrestricted Subsidiaries.” Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture and will not Guarantee the notes.

In addition, under the Indenture, we also may Incur additional Indebtedness ranking *pari passu* in right of payment with the notes and the Company’s Note Guarantee and Indebtedness secured by liens on our property and assets as described below under “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness” and “—Certain Covenants—Limitation on Liens.”

Principal, Maturity and Interest

The Issuer will initially issue the notes in an aggregate principal amount of €325.0 million. The notes will mature on July 15, 2029. Each note the Issuer issues will bear interest at a rate of 3.000% per annum beginning on May 28, 2021 or from the most recent date to which interest has been paid.

The Issuer will pay interest on the notes semiannually to Holders of record at the close of business on the January 1 or July 1 immediately preceding the interest payment date on January 15 and July 15 of each year. The first interest payment date will be January 15, 2022.

The Issuer will issue the notes offered hereby in fully registered form, without coupons, in denominations of €100,000 and higher integral multiples of €1,000.

Indenture May Be Used for Future Issuances

Additional notes having identical terms and conditions to the notes that the Issuer is currently offering (the “***Additional Notes***”) may be issued under the Indenture from time to time; *provided, however*, that the Issuer will only be permitted to issue such Additional Notes if at the time of and after giving effect to such issuance the Issuer, the Company and all Restricted Subsidiaries are in compliance with the covenants contained in the Indenture, including the covenant relating to the Incurrence of additional Indebtedness. To the extent required by applicable tax regulations, Additional Notes that are issued with a given amount of original issue discount may not trade fungibly with other notes, may trade under a separate CUSIP number and may be treated as a separate class for purposes of transfer and exchange. Nevertheless, any Additional Notes subsequently issued under the Indenture will be treated as part of the same issue as the notes that the Issuer is currently offering and will vote on all matters with the notes for all other purposes under the Indenture, including waivers, amendments, redemptions and offers to purchase.

Paying Agent and Registrar

The Issuer will pay the principal of, premium, if any, and interest on the notes at any office of ours or any agency designated by us. The Issuer has initially designated Elavon Financial Services DAC (the “***Paying Agent***”) to act as the agent of the Issuer in such matters.

The Issuer will also maintain a registrar (the “***Registrar***”), a transfer agent (the “***Transfer Agent***”) and common depository (the “***Common Depository***”). The initial Registrar will be Elavon Financial Services DAC, the initial Transfer Agent will be Elavon Financial Services DAC and the initial Common Depository will be Elavon Financial Services DAC. The Registrar, Transfer Agent and Paying Agent, as applicable, will maintain a register reflecting ownership of the notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the notes on behalf of the Issuer. The location of the designated corporate trust office for payment on the notes is Elavon Financial Services DAC, Building 8, Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland, D18 W319.

Holders may exchange or transfer their notes at the same location given in the preceding paragraph. No service charge will be made for any registration of transfer or exchange of notes. However, we may require

Holders to pay any transfer tax or other similar governmental charge payable in connection with any such transfer or exchange.

Principal, premium, if any, interest and Additional Amounts, if any, with respect to the notes represented by one or more global notes held by a common depositary of Euroclear and Clearstream and registered in the name of its nominee will be made through the Paying Agent by wire transfer of immediately available funds to the accounts specified by the registered Holder or Holders thereof (initially being the common depositary or its nominee for Euroclear and Clearstream).

The rights of Holders to receive the payments of interest on such notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Optional Redemption

Except as set forth under this section, the Issuer may not redeem the notes prior to July 15, 2024. After this date, the Issuer may redeem the notes, in whole or in part, on not less than 10 nor more than 60 days' prior notice, at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest to, but excluding, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on July 15 of the years set forth below:

<u>Year</u>	<u>Redemption Price</u>
2024	101.500%
2025	100.750%
2026 and thereafter	100.000%

Prior to July 15, 2024, the Issuer may, on one or more occasions, also redeem up to a maximum of 40% of the original aggregate principal amount of the notes (calculated giving effect to any issuance of Additional Notes) in an aggregate amount not to exceed the Net Cash Proceeds of one or more Equity Offerings by the Company, at a redemption price equal to 103.000% of the principal amount thereof, plus accrued and unpaid interest to, but excluding, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that:

- (1) at least 50% of the original aggregate principal amount of the notes (calculated giving effect to any issuance of Additional Notes) remains outstanding after giving effect to any such redemption; and
- (2) any such redemption by the Issuer must be made within 90 days after the closing of such Equity Offering and must be made in accordance with certain procedures set forth in the Indenture.

In addition, prior to July 15, 2024, the Issuer may at its option redeem the notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the notes plus the Applicable Premium as of, and accrued and unpaid interest to, but excluding, the redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date). Notice of such redemption must be mailed by first-class mail to each Holder's registered address (or delivered electronically if held by Euroclear or Clearstream), not less than 10 nor more than 60 days prior to the redemption date. Calculation of the redemption price will be made by the Company or on the Company's behalf by such person as the Company shall designate.

"Applicable Premium" means, at any redemption date, the greater of (1) 1.00% of the principal amount of the notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption price of the

notes on July 15, 2024 (such redemption price being described in the first paragraph in this section exclusive of any accrued interest), plus (ii) all required remaining scheduled interest payments due on the notes through July 15, 2024 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate plus 50 basis points, over (B) the principal amount of such note on such redemption date.

“Bund Rate” means as selected by the Issuer, the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bunds or Bundesanleihen) with a constant maturity as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Issuer) most nearly equal to the period from the redemption date to July 15, 2024; provided, however, that if the period from the redemption date to July 15, 2024 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to July 15, 2024 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used; and provided, further, that in no case shall the Bund Rate be less than zero.

Payment of Additional Amounts

If the Issuer or other applicable withholding agent is required by law to deduct or withhold taxes imposed by Luxembourg or another Relevant Tax Jurisdiction on payments to Holders under or with respect to the notes, the Issuer will pay additional amounts on those payments to the extent described in this section. **“Relevant Tax Jurisdiction”** means Luxembourg, or another jurisdiction in which the Issuer, or a successor of the Issuer, is organized, is resident or engaged in business for tax purposes or through which payments are made on or in connection with the notes.

The Issuer will pay or cause to pay to any Holder so entitled all additional amounts (**“Additional Amounts”**) that may be necessary so that every net payment of interest, principal, premium or other amount on that note will not be less than the amount provided for in that note. “Net payment” refers to the amount the Issuer or any paying agent pays the Holder after deducting or withholding an amount for or on account of any present or future tax, assessment or other governmental charge imposed with respect to that payment by a taxing authority in a Relevant Tax Jurisdiction (including any withholding or deduction attributable to Additional Amounts payable hereunder).

The Issuer will also indemnify and reimburse Holders for:

- taxes (including any interest, penalties and related expenses) imposed on the Holders by a Relevant Tax Jurisdiction if and to the same extent that a Holder would have been entitled to receive Additional Amounts if the Issuer had been required to deduct or withhold those taxes from payments on the notes; and
- stamp, court, documentary or similar taxes or charges (including any interest, penalties and related expenses) imposed by a Relevant Tax Jurisdiction in connection with the notes or the execution, delivery, enforcement, registration of the notes, or payment under or with respect to other related documents and obligations.

This obligation to pay Additional Amounts is subject to several important exceptions, however. The Issuer will not pay Additional Amounts to any Holder for or on account of any of the following:

- any tax, assessment or other governmental charge imposed solely because at any time there is or was a connection between the Holder (or between a fiduciary, settlor, beneficiary, partner, member or

shareholder or possessor of power over the relevant Holder if the Holder is an estate, nominee, trust, partnership, limited liability company, or corporation) and the jurisdiction imposing the tax (other than the mere receipt of a payment or the acquisition, ownership, disposition or holding of, or enforcement of rights under, a note);

- any estate, inheritance, gift or any similar tax, assessment or other governmental charge;
- any tax, assessment or other governmental charge imposed solely because the Holder (or if the Holder is not the beneficial owner, the beneficial owner) that is legally able to do so fails to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the taxing jurisdiction of the Holder or any beneficial owner of the note, if (i) compliance is required by law as a precondition to exemption from the tax, assessment or other governmental charge, (ii) the Issuer has given the Holders at least 60 days' notice that Holders will be required to provide such information and identification and (iii) the information required on such certification, identification or other reporting requirement is not materially more onerous than the information required to be provided on any of Internal Revenue Service Forms W-8 or Form W-9, or any successor form thereto;
- any tax, assessment or other governmental charge with respect to a note presented for payment more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to Holders, whichever occurs later, except to the extent that the Holder of the note would have been entitled to Additional Amounts on presenting the note for payment on any date during the 30-day period;
- any withholding or deduction imposed on a payment to a Luxembourg resident individual that is required to be made pursuant to the Luxembourg laws of December 23, 2005; and
- any stamp, court, documentary or similar taxes or charges due in case of registration of the notes, where such registration is not necessary to assert, maintain or preserve the rights of a Holder under the notes.

The obligations described under this heading will survive any termination, defeasance or discharge of the Indenture and will apply mutatis mutandis to any successor Person to the Issuer and to any jurisdiction in which such successor is organized, doing business or is otherwise resident for tax purposes or any jurisdiction from or through which payment is made by such successor or its respective agents. Whenever the Indenture or this "Description of the Notes" refers to, in any context, the payment of principal, premium, if any, interest or any other amount payable under or with respect to any note, such reference includes the payment of Additional Amounts or indemnification payments as described hereunder, if applicable.

Neither the Trustee nor the Paying Agent shall have any obligation to confirm whether Additional Amounts are owed to the Holders or to calculate the payment of Additional Amounts hereunder.

Redemption for Taxation Reasons

The Issuer will be entitled, at its option, to redeem the notes in whole if at any time it becomes obligated to pay Additional Amounts on any notes on the next interest payment date with respect to such notes, but only if its obligation results from a change in, or an amendment to, the laws (including any regulations or rulings promulgated thereunder) of a Relevant Tax Jurisdiction (or a political subdivision or taxing authority thereof or therein), or from a change in any official position regarding the interpretation, administration or application of those laws, regulations or rulings (including a change resulting from a holding, judgment or order by a court of competent jurisdiction), that is announced and becomes effective after the Issue Date (or, if the Relevant Tax Jurisdiction became a Relevant Taxing Jurisdiction on a later date, after such later date) and provided the Issuer cannot avoid the obligation after taking reasonable measures to do so. If the Issuer redeems the notes in these circumstances, it will do so at a redemption price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, and any other amounts due to the redemption date.

If the Issuer becomes entitled to redeem the notes in these circumstances, it may do so at any time on a redemption date of its choice. However, the Issuer must give the Holders of the notes being redeemed notice of

the redemption not less than 30 days or more than 60 days before the redemption date and not more than 90 days before the next date on which it would be obligated to pay Additional Amounts. In addition, the Issuer's obligation to pay Additional Amounts must remain in effect when it gives the notice of redemption. Notice of the Issuer's intent to redeem the notes shall not be effective until such time as it delivers to the Trustee both an officer's certificate stating that the obligation to pay Additional Amounts cannot be avoided by taking reasonable measures and an opinion of independent legal counsel or an independent auditor of recognized international standing stating that the Issuer is obligated to pay Additional Amounts because of an amendment to or change in law or position as described in the preceding paragraph.

Selection and Redemption

If the Issuer partially redeems the notes, the Trustee, subject to the procedures of Euroclear or Clearstream, will select the notes to be redeemed on a *pro rata* basis, by lot or in accordance with procedures of Clearstream or Euroclear (as applicable), unless otherwise required by law or applicable stock exchange or depository requirements, *provided, however*, that, although no note less than €100,000 in original principal amount will be redeemed in part. If the Issuer redeems any note in part only, the notice of redemption relating to such note shall state the portion of the principal amount thereof to be redeemed. A new note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original note. On and after the redemption date, interest will cease to accrue on notes or portions thereof called for redemption so long as we have deposited with the Paying Agent funds sufficient to pay the principal of the notes to be redeemed, plus accrued and unpaid interest thereon.

Any redemption or notice of any redemption may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of an Equity Offering or Change of Control, other offering, issuance of Indebtedness, or other transaction or event. Notice of any redemption in respect thereof will be given prior to the completion thereof and may be partial as a result of only some of the conditions being satisfied. If any redemption is so subject to the satisfaction of one or more conditions precedent, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (or waived by the Issuer in its sole discretion) and the Issuer has provided the Trustee written notice of such satisfaction (or waiver) by at least one Business Day prior to the redemption date (but may not be delayed for more than 60 days after the applicable notice of redemption), and/or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in its sole discretion) or if the Issuer determines in its sole discretion that any or all of such conditions will not be satisfied (or waived). The Issuer may provide in such notice that payment of the redemption price and the performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

Note Guarantees

Any Guarantor, as primary obligor and not merely as surety, will irrevocably and unconditionally Guarantee, jointly and severally with any other Guarantors, on a senior unsecured basis the performance and full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all obligations of the Issuer under the Indenture (including obligations to the Trustee) and the notes, whether for payment of principal or interest on the notes, expenses, indemnification or otherwise (all such obligations guaranteed, if any, by such Guarantors being herein called the "**Guaranteed Obligations**"). Each of the Guarantors will agree to pay, in addition to the amount stated above, any and all costs and expenses (including reasonable counsel fees and expenses) Incurred by the Trustee or the Holders in enforcing any rights under the Note Guarantees. Each Note Guarantee will be limited in amount to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Guarantor without rendering the Note Guarantee, as it relates to such Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. Federal and state statutes allow courts, under specific circumstances, to void a guarantee and the liens securing such guarantee and require noteholders to return payments received from the entity providing such guarantee.

Each Note Guarantee will be a continuing guarantee and shall (a) remain in full force and effect until payment in full of all the Guaranteed Obligations, (b) be binding upon each Guarantor and its successors and (c) inure to the benefit of, and be enforceable by, the Trustee, the Holders and their successors, transferees and assigns.

Change of Control

Upon the occurrence of any of the following events (each a “*Change of Control*”), each Holder will have the right to require the Issuer to purchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof; provided that notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder’s notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent the Issuer has previously or concurrently elected to redeem the notes as described under “—Overview of the Notes—Optional Redemption”:

(1) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company to any Person or group of related Persons for purposes of Section 13(d) of the Exchange Act (a “*Group*”), together with any Affiliates thereof (whether or not otherwise in compliance with the provisions of the Indenture);

(2) the approval by the holders of Capital Stock of the Company of any plan or proposal for the liquidation or dissolution of the Company (whether or not otherwise in compliance with the provisions of the Indenture); or

(3) any Person or Group shall become the beneficial owner, directly or indirectly, of shares representing more than 50 percent of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock of the Company.

Within 30 days following any Change of Control, except to the extent that the Issuer has exercised its right to redeem the notes by delivery of a notice of redemption as described under “—Overview of the Notes—Optional Redemption,” the Issuer shall mail (or send electronically if the notes are held through Euroclear or Clearstream) a notice to each Holder with a copy to the Trustee (the “*Change of Control Offer*”), stating:

(1) that a Change of Control has occurred and that such Holder has the right to require the Issuer to purchase all or a portion of such Holder’s notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date);

(2) the circumstances and relevant facts regarding such Change of Control;

(3) the purchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed (or sent if the notes are held through Euroclear or Clearstream)), except in the case of a conditional Change of Control Offer made in advance of a Change of Control as described below (in which case the expected repurchase date will be stated and may be based on a date relative to the closing of the transaction that is expected to result in the Change of Control and which may be tolled until the closing of such transaction);

(4) the instructions determined by the Issuer, consistent with this covenant, that a Holder must follow in order to have its notes purchased; and

(5) if such notice is delivered prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all notes validly tendered and not withdrawn under such Change of Control Offer. In addition, the Issuer will not be required to make a Change of Control Offer upon a Change of Control if the notes have been or are called for redemption by the Issuer prior to it being required to mail (or send electronically if the notes are held through Euroclear or Clearstream) notice of the Change of Control Offer, and thereafter redeems all notes called for redemption in accordance with the terms set forth in such redemption notice. Notwithstanding anything to the contrary contained herein, a revocable Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

For so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notices relating to the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date in a newspaper with general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the purchase of notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

If Holders of not less than 90% in aggregate principal amount of the outstanding notes validly tender and do not withdraw such notes in a Change of Control Offer and the Issuer, or any third party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right, upon not less than 10 days nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all notes that remain outstanding following such purchase at a price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest to but excluding the date of redemption.

Notes repurchased by the Issuer pursuant to a Change of Control Offer will have the status of notes issued but not outstanding or will be retired and cancelled at the option of the Issuer. Notes purchased by a third party pursuant to the preceding paragraph will have the status of notes issued and outstanding.

The Change of Control purchase feature is a result of negotiations between the Company, the Issuer and the initial purchasers. Management has no present intention to engage in a transaction involving a Change of Control, although it is possible that the Company would decide to do so in the future. Subject to the limitations discussed below, the Company could, in the future, enter into certain transactions, including acquisitions, refinancings or recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect the Company's capital structure or credit ratings. Restrictions on the ability of the Company to Incur additional Indebtedness are contained in the covenants described under "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" and "—Limitation on Liens." However, except for the limitations contained in such covenants, the Indenture does not contain any covenants or provisions that may afford Holders protection in the event of a highly leveraged transaction.

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company (as determined on a consolidated basis). Although there is a developing body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under New York

law. As a consequence, in the event the Holders elected to exercise their rights under the Indenture and the Issuer elects to contest such election, there could be no assurance how a court interpreting New York law would interpret such phrase. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to purchase the notes as described above. In addition, Holders will not be entitled to require the Issuer to repurchase their notes in certain circumstances involving a significant change in the composition of the Board of Directors of the Company.

The occurrence of certain of the events that would constitute a Change of Control may constitute a default under the Credit Agreement. Future Indebtedness of the Company or the Issuer may contain prohibitions of certain events that could constitute a Change of Control or require such Indebtedness to be repurchased or repaid upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the notes upon a Change of Control could cause a default under such Indebtedness, even if the Change of Control itself does not cause a default under such Indebtedness, due to the financial effect of such repurchase on the Company. Finally, the Issuer's ability to pay cash to the Holders upon a purchase may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required purchases.

The provisions in the Indenture relating to the Issuer's obligation to make a Change of Control Offer may be waived or modified with the written consent of the Holders of a majority in principal amount of the notes.

Certain Covenants

The Indenture will contain, among others, the following covenants:

Limitation on Incurrence of Additional Indebtedness

The Company will not, and will not permit any Restricted Subsidiary to Incur any Indebtedness (other than Permitted Indebtedness); *provided, however*, that if no Default or Event of Default shall have occurred and be continuing at the time of or as a consequence of the Incurrence of any such Indebtedness, the Company, the Issuer or any Subsidiary Guarantor may Incur Indebtedness (including, without limitation, Acquired Indebtedness) if on the date of the Incurrence of such Indebtedness, after giving effect to the Incurrence thereof, the Consolidated Fixed Charge Coverage Ratio of the Company would be at least 2.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of any of the following items of Indebtedness (collectively, "***Permitted Indebtedness***"):

(1) Indebtedness Incurred pursuant to a Credit Facility in an aggregate principal amount at any time outstanding not to exceed the greater of:

(x) \$1,250.0 million (reduced by any required permanent repayments with the proceeds of Asset Sales (which are accompanied by a corresponding permanent commitment reduction) thereunder);

(y) the sum of (A) 80 percent of the net book value of the accounts receivable of the Company and the Restricted Subsidiaries and (B) 60 percent of the net book value of the inventory of the Company and the Restricted Subsidiaries; and

(z) an amount of Indebtedness such that, on a *pro forma* basis after giving effect to the Incurrence of such Indebtedness, the Secured Indebtedness Leverage Ratio (with all Indebtedness Incurred under this clause (1) deemed to be secured for this purpose) would not exceed 1.5 to 1.00.

(2) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Issue Date (other than Indebtedness referenced in clauses (1), (3) and (6));

(3) Indebtedness represented by the notes and the related Note Guarantees (other than Additional Notes);

(4) Indebtedness represented by (i) any Sale and Leaseback Transaction or (ii) Capitalized Lease Obligations, mortgage financings or purchase money obligations, in each case in this subclause (ii), Incurred for the purpose of financing all or any part of the purchase price or cost of construction, improvement, repair or replacement of property (real or personal), plant or equipment (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) used in the business of the Company, the Issuer or such Restricted Subsidiary (including any reasonably related fees, expenses, taxes or other transaction costs Incurred in connection with such acquisition, construction or improvement), in an aggregate amount pursuant to this clause (4), including all Refinancing Indebtedness Incurred to refund, refinance or replace any Indebtedness Incurred pursuant to this clause (4), not to exceed at any time outstanding the greater of \$300.0 million and 6.0% of Total Assets;

(5) Refinancing Indebtedness in exchange for, or the net cash proceeds of which are used to refund, refinance or replace Indebtedness that was permitted by the Indenture to be Incurred under the first paragraph of this covenant or clauses (2), (3), (4), (5), (10), (11) or (18) of this paragraph;

(6) the Incurrence by the Company or any Restricted Subsidiary of Indebtedness owing to and held by the Company or any Restricted Subsidiary; *provided, however*, that:

(a) if the Company, the Issuer or any Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly subordinated in right of payment to the prior payment in full in cash of all Obligations with respect to the notes, in the case of the Issuer, or the Note Guarantee, in the case of the Company or a Subsidiary Guarantor; and

(b) any event that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary (except for any pledge of such Indebtedness constituting a Permitted Lien until the pledgee commences actions to foreclose on such Indebtedness) will be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the Guarantee by the Company or any Restricted Subsidiary of Indebtedness of the Company or a Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant;

(8) Hedging Obligations that are not Incurred for speculative purposes;

(9) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price, earn out or similar obligations, or Guarantees or letters of credit, surety bonds or performance bonds securing any obligations of the Company or any Restricted Subsidiary pursuant to such agreements, in any case Incurred in connection with the acquisition or disposition of any business or assets, including the Capital Stock of a Restricted Subsidiary, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business or assets, including the Capital Stock, for the purpose of financing or in contemplation of any such acquisition;

(10) Indebtedness of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Restricted Subsidiary was merged with or into or acquired by the Company or a Restricted Subsidiary (other than Indebtedness Incurred in contemplation of, in connection with, as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a subsidiary of or was otherwise acquired by the Company); *provided, however*, that, (i) the Company would have been able to Incur \$1.00 of additional Indebtedness pursuant to the foregoing paragraph (a) after giving effect to the Incurring of such Indebtedness, pursuant to this clause (10) or (ii) the Consolidated Fixed Charge Coverage Ratio immediately after giving effect to such Incurrence and related transaction would be equal to or greater than such ratio immediately prior to such transaction;

(11) Indebtedness of the Company or a Restricted Subsidiary in an amount, including all Refinancing Indebtedness Incurred to refund, refinance or replace any Indebtedness Incurred pursuant to this clause (11), not to exceed \$50.0 million Incurred in contemplation of, in connection with, as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Subsidiary of or was otherwise acquired by the Company whether by means of the acquisition of assets or the Capital Stock of such entity or by merger; *provided, however,* that (i) the Company would have been able to Incur \$1.00 of additional Indebtedness pursuant to the foregoing paragraph (a) after giving effect to the Incurrence of such Indebtedness pursuant to this clause (11) or (ii) the Consolidated Fixed Charge Coverage Ratio immediately after giving effect to such Incurrence and related transaction would be equal to or greater than such ratio immediately prior to such transaction;

(12) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, *provided, however,* that such Indebtedness is extinguished within ten Business Days of its Incurrence;

(13) Indebtedness of the Company or any Restricted Subsidiary (i) supported by a letter of credit or bank guarantee issued pursuant to Indebtedness under Credit Facilities, in a principal amount not in excess of the stated amount of such letter of credit or (ii) in respect of cash management services in the ordinary course of business or consistent with past practice or industry norm;

(14) Indebtedness constituting reimbursement obligations with respect to letters of credit or bankers' acceptances issued in the ordinary course of business, and obligations in respect of performance, surety or appeal bonds, workers' compensation claims, health, disability or other benefits to employees or former employees or their families or property, casualty or liability insurance or self-insurance, and letters of credit in connection with the maintenance of, or pursuant to the requirements of, environmental or other permits or licenses from governmental authorities, or other Indebtedness with respect to reimbursement obligations regarding workers' compensation claims;

(15) Indebtedness to the extent the net cash proceeds thereof are promptly deposited to defease or to satisfy and discharge the notes as described under “—Legal Defeasance and Covenant Defeasance” or “—Satisfaction and Discharge;”

(16) (x) Indebtedness in a Qualified Receivables Transaction that is without recourse to the Company or to any other Subsidiary of the Company or their assets (other than a Receivables Entity and its assets and, as to the Company or any Restricted Subsidiary of the Company, other than pursuant to Standard Receivables Undertakings) and is not guaranteed by any such Person and (y) Indebtedness in respect of any Permitted Factoring Transaction;

(17) Indebtedness of Foreign Subsidiaries of the Company in an aggregate principal amount not to exceed the greater of \$600.0 million and 15.0% of Total Foreign Assets at any one time outstanding (it being understood that any Indebtedness incurred pursuant to this clause (17) shall cease to be deemed incurred or outstanding for purposes of this clause (17) but shall be deemed incurred for the purposes of the first paragraph of this covenant from and after the first date on which the Company or such Restricted Subsidiary could have incurred such Indebtedness under the first paragraph of this covenant without reliance upon this clause (17));

(18) additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any one time outstanding, including all Refinancing Indebtedness Incurred to refund, refinance or replace any Indebtedness Incurred pursuant to this clause (18), not to exceed the greater of \$550.0 million and 7.5% of Total Assets (it being understood that any Indebtedness incurred pursuant to this clause (18) shall cease to be deemed incurred or outstanding for purposes of this clause (18) but shall be deemed incurred for the purposes of the first paragraph of this covenant from and after the first date on which the Company or such Restricted Subsidiary could have incurred such Indebtedness under the first paragraph of this covenant without reliance upon this clause (18));

(19) Indebtedness Incurred on behalf of, or representing guarantees of Indebtedness of, joint ventures of the Company or any Restricted Subsidiary; *provided, however*, that the aggregate principal amount of Indebtedness Incurred under this clause (19), when aggregated with the principal amount of all other Indebtedness then outstanding and Incurred pursuant to this clause (19), does not exceed at any time outstanding the greater of \$200.0 million and 3.0% of Total Assets (it being understood that any Indebtedness incurred pursuant to this clause (19) shall cease to be deemed incurred or outstanding for purposes of this clause (19) but shall be deemed incurred for the purposes of the first paragraph of this covenant from and after the first date on which the Company or such Restricted Subsidiary could have incurred such Indebtedness under the first paragraph of this covenant without reliance upon this clause (19));

(20) Guarantees of Indebtedness of suppliers, licensees, franchisees or customers in the ordinary course of business, in an aggregate amount at any time outstanding under this clause (20) not to exceed the greater of \$150.0 million and 2.0% of Total Assets; or

(21) Indebtedness consisting of (i) the financing of insurance premiums in the ordinary course of business, (ii) take-or-pay obligations contained in supply arrangements in the ordinary course of business or (iii) obligations under deferred compensation to employees in the ordinary course of business.

For purposes of determining compliance with this covenant:

(x) in the event that any proposed Indebtedness (or any portion thereof) meets the criteria of more than one of the categories described in clauses (1) through (21) above, or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Company will be permitted to divide, classify, and may later reclassify, such item of Indebtedness or a part thereof in any manner that complies with this covenant and such item of Indebtedness will be treated as having been Incurred pursuant to one or more such clauses or pursuant to the first paragraph hereof;

(y) at the time of Incurrence, the Company will be entitled to divide and classify, and later reclassify, an item of Indebtedness in more than one of the types of Indebtedness described in the first paragraph of this covenant and clauses (1) through (21) above without giving *pro forma* effect to the Indebtedness Incurred on such date of Incurrence pursuant to clauses (1) through (21) (or any portion thereof) when calculating the amount of Indebtedness that may be Incurred pursuant to the first paragraph of this covenant; and

(z) in connection with the Incurrence of (x) revolving loan Indebtedness under this covenant or (y) any commitment relating to the Incurrence of Indebtedness under this covenant and the granting of any Lien to secure such Indebtedness, the Company or applicable Restricted Subsidiary may designate such Incurrence and the granting of any Lien thereof as having occurred on the date of first Incurrence of such revolving loan Indebtedness or commitment (such date, the "Deemed Date"), and any related subsequent actual Incurrence and granting of such Lien therefor will be deemed for all purposes under the Indenture to have been Incurred and granted on such Deemed Date, including, without limitation, for purposes of calculating the Consolidated Fixed Charge Coverage Ratio, usage of any baskets hereunder (if applicable), the Secured Indebtedness Leverage Ratio, the Total Leverage Ratio and Consolidated EBITDA (and all such calculations on and after the Deemed Date until the termination or funding of such commitment shall be made on a *pro forma* basis giving effect to the deemed Incurrence, the granting of any Lien therefor and related transactions in connection therewith).

Notwithstanding the foregoing, Indebtedness under the Credit Agreement outstanding on the Issue Date will be deemed to have been Incurred on such date in reliance on the exception provided by clause (1) above.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred (or first committed, in the case of revolving credit debt); *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the

applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced.

The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

Neither the Company, the Issuer nor any Subsidiary Guarantors will Incur or suffer to exist any Indebtedness that is subordinated in right of payment to any other Indebtedness of the Company, the Issuer or such Subsidiary Guarantors, as the case may be, unless such Indebtedness is at least equally subordinated in right of payment to the notes and any Note Guarantee. For purposes of the foregoing, no Indebtedness will be deemed to be subordinated in right of payment to any other Indebtedness of the Company, the Issuer or any Subsidiary Guarantor, as applicable, solely by reason of any Liens or Guarantees arising or created in respect thereof or by virtue of the fact that the holders of any secured Indebtedness have entered into intercreditor agreements giving one or more of such holders priority over the other holders in the collateral held by them.

Limitation on Restricted Payments

The Company will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly:

(a) declare or pay any dividend or make any distribution (other than dividends or distributions payable in Qualified Capital Stock of the Company) on or in respect of shares of its Capital Stock to holders of such Capital Stock other than the Company or any of its Restricted Subsidiaries;

(b) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company;

(c) make any principal payment on, or purchase, redeem, defease, retire or otherwise acquire for value, prior to any scheduled principal payment, sinking fund or maturity, any Subordinated Indebtedness (other than the principal payment on, or the purchase, redemption, defeasance, retirement or other acquisition for value of, (i) Subordinated Indebtedness made in satisfaction of or anticipation of satisfying a sinking fund obligation, principal installment or final maturity within one year of the due date of such obligation, installment or final maturity) and (ii) Indebtedness permitted under clause (6) of the second paragraph of the covenant described under “—Limitation on Incurrence of Additional Indebtedness;” or

(d) make any Investment (other than Permitted Investments) (each of the foregoing actions set forth in clauses (a), (b), (c) and (d) being referred to as a “***Restricted Payment***”), if at the time of such Restricted Payment or immediately after giving effect thereto:

(1) a Default or an Event of Default shall have occurred and be continuing;

(2) the Company is not able to Incur at least \$1.00 of additional Indebtedness (other than Permitted Indebtedness) in compliance with the covenant described under “—Limitation on Incurrence of Additional Indebtedness;” or

(3) the aggregate amount of Restricted Payments (including such proposed Restricted Payment) made after the Issue Date (the amount expended for such purpose, if other than in cash, being the Fair Market Value of such property as determined reasonably and in good faith by the Board of Directors of the Company) shall exceed the sum of (without duplication):

(a) 50 percent of the cumulative Consolidated Net Income (or if cumulative Consolidated Net Income shall be a loss, minus 100 percent of such loss) of the Company earned during the period

beginning on the first day of the fiscal quarter commencing on July 1, 2013 and through the end of the most recent fiscal quarter for which financial statements are available prior to the date such Restricted Payment occurs (the “*Reference Date*”) (treating such period as a single accounting period); plus

(b) the aggregate net cash proceeds or Fair Market Value of property other than cash received by the Company from any Person (other than a Subsidiary of the Company) since the Issue Date as a contribution to its common equity capital or from the issuance and sale of Qualified Capital Stock of the Company or from the issuance of Indebtedness of the Company subsequent to the Issue Date that has been converted into or exchanged for Qualified Capital Stock of the Company on or prior to the Reference Date; plus

(c) an amount equal to the sum of (i) the net reduction in the Investments (other than Permitted Investments but including Investments in Unrestricted Subsidiaries) made by the Company or any Restricted Subsidiary in any Person after the Issue Date resulting from repurchases, repayments or redemptions of such Investments by such Person, proceeds (including the Fair Market Value of property other than cash) realized on the sale of such Investment and proceeds representing the return of capital, in each case received by the Company or any Restricted Subsidiary, (ii) the amount of any Guarantee or similar arrangement that has terminated or expired or by which it has been reduced to the extent that it was treated as a Restricted Payment after the Issue Date that reduced the amount available under this clause (3) or clause (11) of the next paragraph net of any amounts paid by the Company or a Restricted Subsidiary in respect of such Guarantee or similar arrangement; *provided, however*, that the amounts set forth in subclauses (i) and (ii) of this clause (c) above shall not exceed, in the case of any such Person, the amount of Investments (excluding Permitted Investments) previously made and treated as a Restricted Payment by the Company or any Restricted Subsidiary after the Issue Date that reduced the amount available under this clause (3) or clause (11) of the next paragraph in such Person or Unrestricted Subsidiary; plus

(d) in the event any Unrestricted Subsidiary has been redesignated as a Restricted Subsidiary or has been merged, consolidated or amalgamated with or into, or transfers or conveys its assets to, or is liquidated into, the Company or a Restricted Subsidiary, the Fair Market Value (as determined in good faith by the Company) of the Investment of the Company or the Restricted Subsidiaries in such Unrestricted Subsidiary at the time of such redesignation, combination or transfer (or of the assets transferred or conveyed, as applicable) (other than in each case to the extent that the designation of such Subsidiary as an Unrestricted Subsidiary constituted a Permitted Investment).

Notwithstanding the foregoing, the provisions set forth in the immediately preceding paragraph do not prohibit:

(1) the payment of any dividend or the consummation of any redemption within 60 days after the date of declaration of such dividend or giving notice of such redemption, as the case may be, if the dividend or redemption would have been permitted on the date of declaration or notice;

(2) a Restricted Payment, either (i) solely in exchange for shares of Qualified Capital Stock of the Company or (ii) through the application of net proceeds of a substantially concurrent sale for cash (other than to a Subsidiary of the Company) of shares of Qualified Capital Stock of the Company or substantially concurrent cash contribution to the common equity of the Company;

(3) so long as no Default or Event of Default shall have occurred and be continuing, repurchases, redemptions or other acquisitions of Capital Stock (or rights or options therefor) of the Company from current or former officers, directors, employees or consultants or their respective estates, spouses, former spouses or family members pursuant to equity ownership or compensation plans or stockholders agreements not to exceed \$50.0 million in the aggregate subsequent to the Issue Date;

(4) dividends and distributions paid on Common Stock of a Restricted Subsidiary on a *pro rata* basis or on a basis more favorable to the Company;

(5) any purchase or redemption of Subordinated Indebtedness utilizing any Net Cash Proceeds remaining after the Company has complied with the requirements of the covenants described under “—Limitation on Asset Sales” and “—Change of Control;”

(6) the declaration and payment of dividends to holders of any class or series of Disqualified Capital Stock of the Company or Disqualified Capital Stock or Preferred Stock of any Restricted Subsidiary issued in accordance with the covenant described under “—Limitation on the Incurrence of Additional Indebtedness;” *provided* that such dividends are included in Consolidated Fixed Charges; and payment of any mandatory redemption price or liquidation value of any such Disqualified Capital Stock or Preferred Stock when due in accordance with its terms in effect upon the issuance of such Disqualified Capital Stock or Preferred Stock;

(7) any purchase, redemption, defeasance, retirement, payment or prepayment of principal of Subordinated Indebtedness either (i) solely in exchange for shares of Qualified Capital Stock of the Company, (ii) through the application of net proceeds of a substantially concurrent sale for cash (other than to a Subsidiary of the Company) of shares of Qualified Capital Stock of the Company or (iii) Refinancing Indebtedness;

(8) repurchases of Capital Stock deemed to occur upon the exercise of stock options if the Capital Stock represents all or a portion of the exercise price thereof (or related withholding taxes), and Restricted Payments by the Company to allow the payment of cash in lieu of the issuance of fractional shares upon the exercise of options or warrants or upon the conversion or exchange of Capital Stock of the Company;

(9) purchases of receivables pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Transaction and the payment and distribution of related fees;

(10) Restricted Payments if, at the time of making such payments, and after giving effect thereto (including, without limitation, the Incurrence of any Indebtedness to finance such payment), the Total Leverage Ratio would not exceed 3.75 to 1.00; *provided, however*, that at the time of each such Restricted Payment, no Default or Event of Default shall have occurred and be continuing (or result therefrom); and

(11) other Restricted Payments in an amount not to exceed the greater of (a) \$500.0 million and (b) 7.5% of Total Assets in the aggregate since the Issue Date.

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date in accordance with clause (3) of the first paragraph of this covenant “—Limitation on Restricted Payments,” only amounts expended pursuant to clauses (1), (2)(ii), (7)(ii), (10) and (11) shall be included in such calculation.

For the purposes of determining compliance with this covenant, (A) a Restricted Payment or Permitted Investment need not be permitted solely by reference to one category of permitted Restricted Payments (or any portion thereof) or Permitted Investments (or any portion thereof) described in the above clauses or the definitions thereof but may be permitted in part under any combination thereof and (B) in the event that a Restricted Payment (or any portion thereof) or Permitted Investment (or any portion thereof) meets the criteria of more than one of the types of Restricted Payments (or any portion thereof) or Permitted Investments (or any portion thereof) described in the above clauses or the definitions thereof, the Issuer, in its sole discretion, may divide and classify, and from time to time may divide and reclassify (based on circumstances existing at the time of such division or reclassification), such Restricted Payment (or any portion thereof) or Permitted Investment (or any portion thereof) if it would have been permitted at the time such Restricted Payment or Permitted Investment was made and at the time of any such reclassification, except that the Issuer may not reclassify any Restricted Payment or Permitted Investment as having been made under clause (10) of the second paragraph above if originally made under another clause of the second paragraph, under clause (3) of the first paragraph of this covenant “—Limitation on Restricted Payments” or as a Permitted Investment.

In connection with any commitment, definitive agreement, declaration, notice, action or similar event relating to the payment or making of an Investment or Restricted Payment, the Company, the Issuer or applicable

Restricted Subsidiary may designate such Investment or Restricted Payment as having occurred on the date of the commitment, definitive agreement, declaration, notice, action or similar event relating thereto (such date, the “*Election Date*”) if, after giving *pro forma* effect to such Investment or Restricted Payment and all related transactions in connection therewith and any related *pro forma* adjustments, the Company, the Issuer or any of its Restricted Subsidiaries would have been permitted to make such Investment or Restricted Payment on the relevant Election Date in compliance with the Indenture, and any related subsequent actual declaration, payment or making of such Investment or Restricted Payment will be deemed for all purposes under the Indenture to have been made on such Election Date, including, without limitation, for purposes of calculating any ratio, compliance with any test, usage of any baskets hereunder (if applicable) and Consolidated EBITDA and for purposes of determining whether there exists any Default or Event of Default (and all such calculations on and after such Election Date until the termination, expiration, passing, rescission, retraction or rescindment of such commitment, definitive agreement, declaration, notice, action or similar event shall be made on a *pro forma* basis giving effect thereto and all related transactions in connection therewith).

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate an Asset Sale unless:

(1) the Company or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the assets sold or otherwise disposed of;

(2) at least 75 percent of the consideration received by the Company or the Restricted Subsidiary, as the case may be, from such Asset Sale shall be in the form of cash or Cash Equivalents and is received at the time of such disposition; *provided* that for purposes of this clause (2) only, (A) the assumption by the purchaser of Indebtedness or other obligations (other than Subordinated Indebtedness or intercompany obligations) that releases the Company or a Restricted Subsidiary from future liability pursuant to a customary written novation agreement, (B) instruments or securities received from the purchaser that are promptly, but in any event within 180 days of the closing, converted by the Company to cash, to the extent of the cash actually so received, (C) Indebtedness of any Restricted Subsidiary (other than Subordinated Indebtedness or intercompany obligations) that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Company and each other Restricted Subsidiary are released from any guarantee of payment of such Indebtedness in connection with the Asset Sale, (D) the Fair Market Value of any Replacement Assets received by the Company or any Restricted Subsidiary and (E) any Designated Non-cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (E) that is at that time outstanding, not to exceed the greater of (x) \$150.0 million (with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value) and (y) 2.0% of Total Assets shall be deemed to be Cash Equivalents for purposes of this provision; and

(3) upon the consummation of an Asset Sale, the Company shall apply, or cause such Restricted Subsidiary to apply, the Net Cash Proceeds relating to such Asset Sale within 365 days after receipt thereof either (A) to prepay any secured Indebtedness of the Company or a Restricted Subsidiary and, in the case of any such Indebtedness under any revolving credit facility, effect a permanent reduction in the availability under such revolving credit facility (or effect a permanent reduction in availability under such revolving credit facility, regardless of the fact that no prepayment is required), (B) to permanently reduce Obligations under the notes, (C) to permanently reduce Obligations under any unsecured Indebtedness of the Company or any Restricted Subsidiary so long as Obligations under the notes are reduced equally and ratably, (D) to permanently reduce Obligations under Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor, (E) to acquire Replacement Assets or (F) a combination of prepayment and investment permitted by the foregoing clauses (3)(A), (B), (C), (D) and (E); *provided*, that reductions of Obligations under the notes under clauses (B) or (C) of this clause (3) will be under either (x) as provided under “—Optional Redemption” or (y) through open market

purchases or by making a Net Proceeds Offer to all Holders to repurchase their notes, in each case, at not less than 100% of the principal amount thereof, plus accrued and unpaid interest.

In the case of clause (3) above, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the 18-month anniversary of the date of the receipt of such Net Cash Proceeds; *provided* that in the event such binding commitment is later canceled or terminated for any reason before such Net Cash Proceeds are so applied, then such Net Cash Proceeds shall constitute a Net Proceeds Offer Amount unless the Company or such Restricted Subsidiary enters into another binding commitment (a “**Second Commitment**”) within six months of such cancellation or termination of the prior binding commitment; *provided, further*, that the Company or such Restricted Subsidiary may only enter into a Second Commitment under the foregoing provision one time with respect to each Asset Sale and to the extent such Second Commitment is later cancelled or terminated for any reason before such Net Cash Proceeds are applied or are not applied within 180 days of such Second Commitment, then such Net Cash Proceeds shall constitute a Net Proceeds Offer Amount.

Pending the final application of the Net Cash Proceeds, the Company and the Restricted Subsidiaries may invest such Net Cash Proceeds in any manner not prohibited by the Indenture. On the 366th day after an Asset Sale or such earlier date, if any (each, a “**Net Proceeds Offer Trigger Date**”), as the Board of Directors of the Company or of such Restricted Subsidiary determines not to apply the Net Cash Proceeds relating to such Asset Sale as set forth in the first paragraph under this “Limitation on Asset Sales,” such aggregate amount of Net Cash Proceeds (each, a “**Net Proceeds Offer Amount**”) which have not been applied on or before such Net Proceeds Offer Trigger Date as permitted in the preceding paragraph shall be applied by the Issuer to make an offer to purchase (the “**Net Proceeds Offer**”) on a date (the “**Net Proceeds Offer Payment Date**”) not less than 30 nor more than 60 days following the applicable Net Proceeds Offer Trigger Date, from all Holders on a *pro rata* basis, that principal amount of notes equal to the Net Proceeds Offer Amount at a price equal to 100 percent of the principal amount of the notes to be purchased, plus accrued and unpaid interest, if any, thereon to, but excluding, the date of purchase; *provided, however*, that if the Issuer elects (or is required by the terms of any Indebtedness that ranks *pari passu* with the notes), such Net Proceeds Offer may be made ratably to purchase the notes and such *pari passu* Indebtedness.

If at any time any non-cash consideration received by the Company or any Restricted Subsidiary, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any such non-cash consideration) or Cash Equivalents, then such conversion or disposition shall be deemed to constitute an Asset Sale hereunder and the Net Cash Proceeds thereof shall be applied in accordance with this covenant.

The Issuer may defer the Net Proceeds Offer until there is an aggregate unutilized Net Proceeds Offer Amount equal to or in excess of \$100.0 million resulting from one or more Asset Sales or deemed Asset Sales (at which time, the entire unutilized Net Proceeds Offer Amount, and not just the amount in excess of \$100.0 million, shall be applied as required pursuant to this paragraph). The first such date the aggregate unutilized Net Proceeds Offer Amount is equal to or in excess of \$100.0 million shall be treated for this purpose as the Net Proceeds Offer Trigger Date.

Notice of each Net Proceeds Offer will be mailed (or sent electronically if the notes are held through Euroclear or Clearstream) to the record Holders as shown on the register of Holders within 30 days following the Net Proceeds Offer Trigger Date, with a copy to the Trustee, and shall comply with the procedures set forth in the Indenture. Upon receiving notice of the Net Proceeds Offer, Holders may elect to tender their notes in whole or in part in denominations of €100,000 and integral multiples of €1,000 in excess thereof for cash. To the extent Holders properly tender notes in an amount exceeding the Net Proceeds Offer Amount, notes of tendering Holders will be purchased on a *pro rata* basis (based on amounts tendered). To the extent that the aggregate amount of the notes tendered pursuant to a Net Proceeds Offer is less than the Net Proceeds Offer Amount, the Issuer may use such excess Net Proceeds Offer Amount for general corporate purposes or for any other purposes

not prohibited by the Indenture. Upon completion of any such Net Proceeds Offer, the Net Proceeds Offer Amount shall be reset to zero. A Net Proceeds Offer shall remain open for a period of at least 20 Business Days or such longer period as may be required by law.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws and regulations are applicable in connection with the repurchase of notes pursuant to a Net Proceeds Offer. To the extent that the provisions of any securities laws or regulations conflict with the “Asset Sale” provisions of the Indenture, the Issuer shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the “Asset Sale” provisions of the Indenture by virtue thereof.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Company will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (a) pay dividends or make any other distributions on or in respect of its Capital Stock;
- (b) make loans or advances or to pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary; or
- (c) transfer any of its property or assets to the Company or any other Restricted Subsidiary;

except for such encumbrances or restrictions existing under or by reason of:

- (1) applicable law, rule, regulation or order;
- (2) the Indenture;
- (3) the Credit Agreement and/or the documentation for the Credit Agreement;
- (4) customary provisions contained in leases, licenses and other similar agreements entered into in the ordinary course of business, including customary non-assignment provisions of any contract or any lease governing a leasehold interest;
- (5) any instrument governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;
- (6) agreements existing on the Issue Date to the extent and in the manner such agreements are in effect on the Issue Date;
- (7) any other agreement entered into after the Issue Date which contains encumbrances and restrictions which are not materially more restrictive with respect to any Restricted Subsidiary than those in effect with respect to such Restricted Subsidiary pursuant to agreements as in effect on the Issue Date;
- (8) any instrument governing Indebtedness of a Foreign Subsidiary;
- (9) a security agreement governing a Lien permitted under the Indenture containing customary restrictions on the transfer of any property or assets;

(10) secured Indebtedness otherwise permitted to be Incurred pursuant to the covenants described under “—Limitation on Incurrence of Additional Indebtedness” and “—Limitation on Liens” that limit the right of the debtor to dispose of the assets securing such Indebtedness;

(11) any agreement governing the sale or disposition of any Restricted Subsidiary which restricts dividends and distributions of such Restricted Subsidiary pending such sale or disposition;

(12) customary provisions in partnership agreements, limited liability company organizational governance documents, joint venture and other similar agreements entered into in the ordinary course of business that restrict the transfer of ownership interests in such partnership, limited liability company, joint venture or similar Person;

(13) purchase money obligations for property acquired and Capitalized Lease Obligations in the ordinary course of business that impose restrictions of the nature discussed in clause (c) of the first paragraph above on the property so acquired;

(14) restrictions on cash or other deposits or net worth imposed by customers, suppliers or landlords under contracts entered into in the ordinary course of business;

(15) customary restrictions pursuant to any Qualified Receivables Transaction or Permitted Factoring Transaction;

(16) existing pursuant to provisions in instruments governing other Indebtedness of Restricted Subsidiaries permitted to be Incurred after the Issue Date; *provided* that (i) such provisions are customary for instruments of such type (as determined in good faith by the Company’s Board of Directors) and (ii) the Company’s Board of Directors determines in good faith that such restrictions will not materially adversely impact the ability of the Company to make required principal and interest payments on the notes;

(17) any encumbrances or restrictions imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (2), (3), (5), (6) and (7) above; *provided* that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company, no more restrictive with respect to such dividend restrictions and other encumbrances than those contained prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing; and

(18) restrictions or conditions contained in any trading, netting, operating, construction, service, supply, purchase or other agreement to which the Company or any of its Restricted Subsidiaries is a party entered into in the ordinary course of business; *provided* that such agreement prohibits the encumbrance of solely the property or assets of the Company or such Restricted Subsidiary that are the subject of such agreement, the payment rights arising thereunder or the proceeds thereof and does not extend to any other asset or property of the Company or such Restricted Subsidiary or the assets or property of any other Restricted Subsidiary.

For purposes of determining compliance with this covenant, (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock shall not be deemed a restriction on the ability to make distributions on Capital Stock and (ii) the subordination of loans or advances made to the Company or a Restricted Subsidiary of the Company to other Indebtedness Incurred by the Company or any such Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances.

Future Subsidiary Guarantors

If, on or after the Issue Date, any Restricted Subsidiary (other than the Issuer) that is not a Subsidiary Guarantor Guarantees any capital markets Indebtedness of the Company, the Issuer or any Subsidiary Guarantor

(other than Indebtedness owing to the Company or a Restricted Subsidiary) then the Company shall cause such Restricted Subsidiary, to:

(1) execute and deliver to the Trustee a supplemental indenture in form reasonably satisfactory to the Trustee pursuant to which such Restricted Subsidiary, shall unconditionally Guarantee all of the Issuer's obligations under the notes and the Indenture on the terms set forth in the Indenture; and

(2) execute and deliver to the Trustee an opinion of counsel (which may contain customary exceptions) that such supplemental indenture has been duly authorized, executed and delivered by such Restricted Subsidiary and constitutes a legal, valid, binding and enforceable obligation of such Restricted Subsidiary.

Thereafter, such Restricted Subsidiary shall be a Subsidiary Guarantor for all purposes of the Indenture. The Company may cause any other Restricted Subsidiary of the Company to issue a Note Guarantee and become a Subsidiary Guarantor.

If the Guaranteed Indebtedness is *pari passu* with the notes, then the Guarantee of such Guaranteed Indebtedness shall be *pari passu* with the Note Guarantee. If the Guaranteed Indebtedness is subordinated to the notes, then the Guarantee of such Guaranteed Indebtedness shall be subordinated to the Note Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the notes.

A Note Guarantee of a Subsidiary Guarantor will automatically terminate and be released without any action required on the part of the Trustee or any Holder of the notes upon:

(1) a sale or other disposition (including by way of consolidation or merger) of such Subsidiary Guarantor after which such Subsidiary Guarantor is no longer a Subsidiary of the Company or the sale or disposition of all or substantially all the assets of such Subsidiary Guarantor (other than to the Company or a Subsidiary or an Affiliate of the Company) otherwise permitted by the Indenture;

(2) such Subsidiary Guarantor's becoming an Unrestricted Subsidiary in accordance with the terms of the Indenture;

(3) the release or discharge of the Guarantee or security that enabled the creation of such Note Guarantee and all other Guarantees of Indebtedness of the Company by such Subsidiary Guarantor; *provided* that no Default or Event of Default has occurred and is continuing or would result therefrom; or

(4) the legal defeasance or covenant defeasance in accordance with terms of the Indenture or the satisfaction and discharge of the Indenture.

Each Note Guarantee will be limited in amount to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering the Note Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

The Company shall notify the Trustee and the Holders in writing if the Note Guarantee of any Subsidiary Guarantor is released. The Trustee shall execute and deliver an appropriate instrument confirming the release of any such Subsidiary Guarantor upon written request of the Company as provided in the Indenture, such instrument to be prepared and delivered to the Trustee by the Company.

At the Company's written request, the Trustee will execute and deliver any instrument evidencing such release, such instrument to be prepared and delivered to the Trustee by the Company. A Subsidiary Guarantor may also be released from its obligation under its Note Guarantee in connection with a permitted amendment. See "—Modification of the Indenture."

Limitation on Liens

The Company will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, Incur, assume or permit or suffer to exist any Liens of any kind against or upon any property or assets of the Company or any Restricted Subsidiary, whether now owned or hereafter acquired, or any proceeds therefrom, or assign or otherwise convey any right to receive income or profits therefrom unless:

(1) in the case of Liens securing Indebtedness that is expressly subordinate or junior in right of payment to the notes or a Note Guarantee, the notes or such Note Guarantee is secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens; and

(2) in all other cases, the notes are equally and ratably secured, except for:

(A) Liens existing as of the Issue Date to the extent and in the manner such Liens are in effect on the Issue Date;

(B) Liens securing the notes or any Note Guarantee;

(C) Liens in favor of the Company, the Issuer or any Subsidiary Guarantor;

(D) Liens securing Refinancing Indebtedness which is Incurred to Refinance any Indebtedness (including, without limitation, Acquired Indebtedness) which has been secured by a Lien permitted under the Indenture and which has been Incurred in accordance with the provisions of the Indenture; *provided, however*, that such Liens:

(I) are no less favorable to Holders of the notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced; and

(II) do not extend to or cover any property or assets of the Company or any of its Restricted Subsidiaries not securing the Indebtedness so Refinanced; and

(E) Permitted Liens.

For purposes of determining compliance with this covenant, (A) a Lien securing an item of Indebtedness need not be permitted solely by reference to one category of permitted Liens (or any portion thereof) described in the definition of "Permitted Liens" but may be permitted in part under any combination thereof and (B) in the event that a Lien securing an item of Indebtedness (or any portion thereof) meets the criteria of one or more of the categories of permitted Liens (or any portion thereof) described in the definition of "Permitted Liens," the Company may, in its sole discretion, classify or reclassify, or later divide, classify or reclassify, such Lien securing such item of Indebtedness (or any portion thereof) in any manner that complies with this covenant. In addition, with respect to any Indebtedness that is designated to be Incurred on any date pursuant to clause (3) of the third paragraph of the covenant described under "—Limitation on Incurrence of Additional Indebtedness," any Lien that does or that shall secure such Indebtedness may also be designated by the Company or any Restricted Subsidiary to be Incurred on such date and, in such event, any related subsequent actual Incurrence of such Lien shall be deemed for all purposes under the Indenture to be Incurred on such prior date, including for purposes of calculating usage of any "Permitted Lien" until such time as the related Indebtedness is no longer deemed outstanding pursuant to clause (3) of the third paragraph of the covenant described under "—Limitation on Incurrence of Additional Indebtedness."

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "Increased Amount" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms or in the form of common stock of the Company, the payment of dividends on Preferred Stock in the form of

additional shares of Preferred Stock of the same class, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

Limitation on Issuer

The Company will not cease to beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, 100% of the Voting Stock of the Issuer (except to the extent the Issuer is merged with and into the Company or a Guarantor in accordance with the terms of the Indenture). The Issuer will not own any material assets or other property, other than Indebtedness or other obligations owing to the Issuer by the Company and its Restricted Subsidiaries and Cash Equivalents, or engage in any trade or conduct any business other than treasury, cash management, hedging and cash pooling activities and activities incidental thereto. The Issuer will not incur any material liabilities or obligations other than their obligations (if any) pursuant to the notes, the Indenture and other Indebtedness outstanding on the Issue Date or permitted to be Incurred as described under “—Limitation on Incurrence of Additional Indebtedness” and liabilities and obligations pursuant to business activities permitted by this covenant.

Merger, Consolidation and Sale of Assets

The Company

The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company’s assets (determined on a consolidated basis for the Company and the Restricted Subsidiaries) whether as an entirety or substantially as an entirety to any Person unless:

(1) either (A) the Company shall be the surviving or continuing corporation or (B) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and the Restricted Subsidiaries substantially as an entirety (the “***Surviving Entity***”) (y) shall be a corporation organized and validly existing under the laws of the United States or any State thereof or the District of Columbia and (z) shall expressly assume, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, all of the obligations of the Company under its Note Guarantee and the performance of every covenant of the Note Guarantee and the Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction on a pro forma basis and the assumption contemplated by clause (1)(B)(y) above (including giving effect to any Indebtedness and Acquired Indebtedness Incurred or anticipated to be Incurred in connection with or in respect of such transaction), (A) the Company or such Surviving Entity, as the case may be, shall be able to Incur at least \$1.00 of additional Indebtedness (other than Permitted Indebtedness) pursuant to the covenant described under “—Limitation on Incurrence of Additional Indebtedness” or (B) the Consolidated Fixed Charge Coverage Ratio of the Company or the Surviving Entity, as the case may be, is greater than such ratio immediately prior to such transaction; provided, however, that this clause shall not be effective during any Suspension Period as described under “—Covenant Suspension;”

(3) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (1)(B)(y) above (including, without limitation, giving effect to any Indebtedness and Acquired Indebtedness Incurred or anticipated to be Incurred and any Lien granted or to be released in connection with or in respect of the transaction), no Default or Event of Default shall have occurred and be continuing; and

(4) the Company or the Surviving Entity shall have delivered to the Trustee an officer’s certificate and an opinion of counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or

other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the applicable provisions of the Indenture, that all conditions precedent in the Indenture relating to such transaction have been satisfied, and that such supplemental indenture is the legal, valid and binding obligation of the Surviving Entity;

provided that clauses (2) and (3) do not apply to the consolidation or merger of the Company with or into, or the sale by the Company of all or substantially all its assets to, a Wholly Owned Restricted Subsidiary or the consolidation or merger of a Wholly Owned Restricted Subsidiary with or into, or the sale by such Subsidiary of all or substantially all of its assets to, the Company.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Indenture will provide that upon any consolidation, combination or merger or any transfer of all or substantially all of the assets of the Company in accordance with the foregoing in which the Company is not the continuing corporation, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the notes with the same effect as if such surviving entity had been named as such.

The Issuer

The Issuer will not, and the Company will not permit the Issuer to, in a single transaction or series of related transactions, consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the Issuer's assets whether as an entirety or substantially as an entirety to any Person unless:

(1) either (A) the Issuer shall be the surviving or continuing entity or (B) the Person (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Issuer substantially as an entirety (the "**Surviving Issuer**") shall expressly assume, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the notes and the performance of every covenant of the notes and the Indenture on the part of the Issuer to be performed or observed;

(2) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (1)(B) above (including, without limitation, giving effect to any Indebtedness and Acquired Indebtedness Incurred or anticipated to be Incurred and any Lien granted or to be released in connection with or in respect of the transaction), no Default or Event of Default shall have occurred and be continuing; and

(3) the Company shall have delivered to the Trustee an officer's certificate and an opinion of counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the applicable provisions of the Indenture, that all conditions precedent in the Indenture relating to such transaction have been satisfied and that such supplemental indenture is the legal, valid and binding obligation of such Surviving Issuer;

provided that clause (2) does not apply to the consolidation or merger of the Issuer with or into, or the sale by the Issuer of all or substantially all its assets to, the Company or a Wholly Owned Restricted Subsidiary or the consolidation or merger of the Company or a Wholly Owned Restricted Subsidiary with or into, the Issuer.

The Indenture will provide that upon any consolidation, combination or merger or any transfer of all or substantially all of the assets of the Issuer in accordance with the foregoing in which the Issuer is not the continuing entity, the Successor Issuer formed by such consolidation or into which the Issuer is merged or to which such conveyance, lease or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture and the notes with the same effect as if such surviving entity had been named as such.

Subsidiary Guarantors

No Subsidiary Guarantor (other than any Subsidiary Guarantor whose Note Guarantee is to be released in accordance with the terms of the Note Guarantee and Indenture in connection with any transaction complying with the provisions of the covenant described under “—Limitation on Asset Sales”) will, and the Company will not cause or permit any Subsidiary Guarantor to, consolidate with or merge with or into any Person other than the Company or any other Subsidiary Guarantor unless:

(1) (A) either (x) the Subsidiary Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person is a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia or the jurisdiction of such Subsidiary Guarantor and expressly assumes by supplemental indenture all of the obligations of the Subsidiary Guarantor under its Note Guarantee; and (B) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(2) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture.

Limitation on Transactions with Affiliates

(a) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any of its Affiliates (each an “***Affiliate Transaction***”) involving aggregate payment or consideration in excess of \$25.0 million, other than:

(x) Affiliate Transactions permitted under paragraph (b) below; and

(y) Affiliate Transactions on terms that are not materially less favorable than those that would have reasonably been expected in a comparable transaction at such time on an arm’s-length basis from a Person that is not an Affiliate of the Company or such Restricted Subsidiary.

All Affiliate Transactions (and each series of related Affiliate Transactions which are similar or part of a common plan) involving aggregate payments or other property with a Fair Market Value in excess of \$50.0 million shall be approved by the Board of Directors of the Company or such Restricted Subsidiary, as the case may be, such approval to be evidenced by a Board Resolution stating that such Board of Directors has determined that such transaction complies with the foregoing provisions. If the Company or any Restricted Subsidiary enters into an Affiliate Transaction (or series of related Affiliate Transactions related to a common plan) on or after the Issue Date that involves an aggregate Fair Market Value of more than \$150.0 million, the Company or such Restricted Subsidiary, as the case may be, shall, prior to the consummation thereof, obtain a favorable opinion as to the fairness of such transaction or series of related transactions to the Company or the relevant Restricted Subsidiary, as the case may be, from a financial point of view, from an Independent Financial Advisor and file the same with the Trustee.

(b) The restrictions set forth in paragraph (a) shall not apply to:

(1) employment, consulting, service, severance, termination and compensation arrangements and agreements of the Company or any Restricted Subsidiary (including amounts paid pursuant to employee benefit plans, employee stock options, or similar plans) consistent with past practice or approved by a majority of the disinterested members of the Board of Directors (or a committee comprised of disinterested directors);

(2) reasonable fees and compensation paid to, indemnity provided on behalf of, and expenses reimbursed to, officers, directors, employees, consultants or agents of the Company or any Restricted Subsidiary as determined in good faith by the Company's Board of Directors or senior management;

(3) payments or loans (or cancellation of loans) to officers, directors, employees or consultants that are approved by a majority of the Board of Directors of the Company in good faith;

(4) transactions exclusively between or among the Company and any Restricted Subsidiary or exclusively between or among such Restricted Subsidiaries; *provided* that such transactions are not otherwise prohibited by the Indenture;

(5) Restricted Payments, Permitted Investments (other than clauses (1) or (2) thereof) or transaction involving Permitted Liens, in each case permitted by the Indenture;

(6) transactions pursuant to any contract or agreement in effect on the Issue Date, as amended, modified or replaced from time to time so long as the amended, modified or replacements, taken as a whole, are no less favorable to the Company and its Restricted Subsidiaries than those in effect on the Issue Date;

(7) the entering into of a customary agreement providing registration rights to the direct or indirect shareholders of the Company and the performance of such agreements;

(8) the issuance of Capital Stock (other than Disqualified Capital Stock) of the Company to any Person or any transaction with an Affiliate where the only consideration paid by the Company or any Restricted Subsidiary is Capital Stock (other than Disqualified Capital Stock) or any contribution to the common equity capital of the Company;

(9) pledges of Capital Stock of Unrestricted Subsidiaries;

(10) sales of Receivables Assets, or participations therein, or any related transaction, in connection with any Qualified Receivables Transaction or Permitted Factoring Transaction;

(11) (A) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, or transactions otherwise relating to the purchase or sale of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, (B) transactions with joint ventures or Unrestricted Subsidiaries entered into in the ordinary course of business and consistent with past practice or industry norm or (C) any management services or support agreement entered into on terms consistent with past practice, in each of clauses (A), (B) and (C) that are fair to the Company or its Restricted Subsidiaries in the good faith determination of the Company's Board of Directors or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party;

(12) transactions between the Company or any of its Restricted Subsidiaries and any Person that is an Affiliate solely because one or more of its directors is also a director of the Company or any direct or indirect parent of the Company; *provided* that such director abstains from voting as a director of the Company or such direct or indirect parent, as the case may be, on any matter involving such other Person;

(13) transactions with a Person that is an Affiliate of the Company solely because the Company, directly or indirectly, owns Capital Stock in, or controls, such Person;

(14) commission, payroll, travel and similar advances to officers and employees of the Company or any of its Restricted Subsidiaries made consistent with past practices;

(15) transactions permitted by, and complying with, the provisions of the covenant described under “—Merger, Consolidation and Sale of Assets;” or

(16) the formation and maintenance of any consolidated group or subgroup for tax, accounting or cash pooling or management purposes in the ordinary course of business or other transactions undertaken for the purpose of the consolidated tax efficiency of the Company and its Subsidiaries and not for the purposes of circumventing any covenants set forth in the indenture; *provided* that the Board of Directors determines in good faith that the formation and maintenance of such group or subgroup is in the best interests of the Company and will not result in the Company and the Restricted Subsidiaries paying taxes in excess of the tax liability that would have been payable by them on a stand-alone basis.

Limitation on Designations of Unrestricted Subsidiaries

The Company may, on or after the Issue Date, designate any Subsidiary of the Company (other than (x) the Issuer and (y) a Subsidiary of the Company which owns Capital Stock of a Restricted Subsidiary or is a Subsidiary Guarantor) as an “Unrestricted Subsidiary” under the Indenture (a “***Designation***”) only if:

(1) no Default or Event of Default shall have occurred and be continuing at the time of or after giving effect to such Designation; and

(2) the Company would be permitted under the Indenture to make an Investment at the time of Designation (assuming the effectiveness of such Designation) in an amount (the “***Designation Amount***”) equal to the sum of (A) the Fair Market Value of the Capital Stock of such Subsidiary owned by the Company and/or any of the Restricted Subsidiaries on such date and (B) the aggregate amount of Indebtedness of such Subsidiary owed to the Company and the Restricted Subsidiaries on such date.

In the event of any such Designation, the Company shall be deemed to have made an Investment constituting a Restricted Payment in the Designation Amount pursuant to the covenant described under “—Limitation on Restricted Payments” for all purposes of the Indenture.

The Indenture will further provide that the Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (“***Revocation***”), whereupon such Subsidiary shall then constitute a Restricted Subsidiary, if:

(1) no Default or Event of Default shall have occurred and be continuing at the time and after giving effect to such Revocation; and

(2) all Liens, Indebtedness and Investments of such Unrestricted Subsidiaries outstanding immediately following such Revocation would, if Incurred at such time, have been permitted to be Incurred for all purposes of the Indenture.

All Designations and Revocations must be evidenced by an officer’s certificate of the Company delivered to the Trustee certifying compliance with the foregoing provisions.

Reports to Holders

Notwithstanding that the Company may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, to the extent permitted by the Exchange Act, the Company will file with the Commission, and provide to the Trustee and the Holders of the notes, the annual reports and the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) that are specified in Sections 13 and 15(d) of the Exchange Act within the time periods required; *provided, however*, that availability of the foregoing materials on the Commission’s EDGAR service shall be

deemed to satisfy the Company's delivery obligations under this provision; *provided, further*, that such reports will not be required to contain the financial information required by Rule 3-09, Rule 3-10 or Rule 3-16 of Regulation S-X (or any successor provision, including Rule 13-01 and Rule 13-02) or include any exhibits or certifications required by Form 10-K, Form 10-Q or Form 8-K (or any successor or comparable forms) or related rules under Regulation S-K, as a result of the offering of the notes; *provided, further*, that the Trustee shall have no liability or responsibility whatsoever to determine if such materials have been so made available. In the event that the Company is not permitted to file such reports, documents and information with the Commission pursuant to the Exchange Act, the Company will nevertheless provide such Exchange Act information to the Trustee and the Holders of the notes as if the Company were subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act within the time periods required by law. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on an officer's certificate).

Notwithstanding anything herein to the contrary, the Company will not be deemed to have failed to comply with any of its obligations hereunder for purposes of clause (3) under "—Events of Default" until 90 days after the date any report hereunder is due.

Rule 144A Information

At any time when the Company is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will furnish to the Holders of the notes and to prospective investors, upon requests of such Holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the notes are not freely transferable under the Securities Act.

Covenant Suspension

Beginning on the date (the "***Suspension Date***") that (i) the notes have been assigned an Investment Grade Rating from at least two of the Rating Agencies and (ii) no Default or Event of Default has occurred and is continuing under the Indenture, and ending on the date (the "***Reversion Date***") that fewer than two Rating Agencies have assigned an Investment Grade Rating to the notes or a Default or Event of Default has occurred and is continuing (such period of time from and including the Suspension Date to but excluding the Reversion Date, the "***Suspension Period***"), the Company and its Restricted Subsidiaries will not be subject to the provisions of the Indenture described above under the following headings under the caption "—Certain Covenants":

"—Limitation on Incurrence of Additional Indebtedness,"

"—Limitation on Restricted Payments,"

"—Limitation on Asset Sales,"

"—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries,"

"—Limitation on Transactions with Affiliates,"

"—Future Subsidiary Guarantors," and

clause (2) of the first paragraph under the caption "—Merger, Consolidation and Sale of Assets" (collectively, the "***Suspended Covenants***").

In addition, the Company may elect to suspend the Note Guarantees of any Subsidiary Guarantors.

Notwithstanding the foregoing, the Company and the Restricted Subsidiaries will remain subject to the provisions of the Indenture described above under the caption “—Change of Control” and under the following headings under the caption “—Certain Covenants:”

“—Limitation on Liens,”

“—Merger, Consolidation and Sale of Assets” (except to the extent set forth in the prior paragraph),

“—Limitation on Designations of Unrestricted Subsidiaries,” and

“—Reports to Holders.”

During any Suspension Period, the Company’s Board of Directors may not designate any of the Company’s Subsidiaries as Unrestricted Subsidiaries.

On the Reversion Date, all Indebtedness Incurred and Disqualified Capital Stock and Preferred Stock issued during the Suspension Period will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (2) of the definition of Permitted Indebtedness.

Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under “—Certain Covenants—Limitation on Restricted Payments” will be made as though the covenant described under “—Certain Covenants—Limitation on Restricted Payments” had been in effect since the Issue Date and throughout the Suspension Period. Accordingly, Restricted Payments made during the Suspension Period will reduce the amount available to be made as Restricted Payments under the first paragraph of “—Certain Covenants—Limitation on Restricted Payments.”

For purposes of the covenant described under “—Limitation on Asset Sales,” on the Suspension Date, the Net Cash Proceeds amount will be reset to zero.

Notwithstanding the reinstatement of the Suspended Covenants on the Reversion Date, neither (a) the continued existence, on and after the Reversion Date, of facts and circumstances or obligations that occurred, were Incurred or otherwise came into existence during a Suspension Period nor (b) the performance thereof, shall constitute a breach of any Suspended Covenant set forth in the Indenture or cause a Default or Event of Default thereunder; *provided, however*, that (i) the Company and the Restricted Subsidiaries did not incur or otherwise cause such facts and circumstances or obligations to exist in anticipation of a withdrawal or downgrade by one or more Rating Agencies of their Investment Grade Rating on the notes and (ii) the Company reasonably believed that such Incurrence or actions would not result in such withdrawal or downgrade.

There can be no assurance that the notes will ever achieve or maintain Investment Grade Ratings.

Events of Default

Each of the following is an “Event of Default”:

(1) the failure to pay interest on the notes when the same becomes due and payable and the default continues for a period of 30 days;

(2) the failure to pay the principal on any note when such principal becomes due and payable, at maturity, upon redemption or otherwise (including the failure to make a payment to purchase notes tendered pursuant to a Change of Control Offer or a Net Proceeds Offer);

(3) a default by the Company or any Restricted Subsidiary in the observance or performance of any other covenant or agreement contained in the Indenture which default continues for a period of 60 days after the

Company receives written notice specifying the default from the Trustee or the Holders of at least 25 percent of the outstanding principal amount of the notes (except in the case of a default with respect to the covenant described under “—Certain Covenants—Merger, Consolidation and Sale of Assets,” which will constitute an Event of Default with such notice requirement but without such passage of time requirement);

(4) a default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of the Company or of any Restricted Subsidiary (or the payment of which is guaranteed by the Company or any Restricted Subsidiary), whether such Indebtedness now exists or is created after the Issue Date, which default (A) is caused by a failure to pay principal of such Indebtedness after any applicable grace period provided in such Indebtedness on the date of such default (a “*payment default*”) or (B) results in the acceleration of such Indebtedness prior to its express maturity (and such acceleration is not rescinded, or such Indebtedness is not repaid, within 60 days) and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, exceeds \$100.0 million or more at any time;

(5) one or more judgments in an aggregate amount in excess of \$100.0 million not covered by adequate insurance (other than self-insurance) shall have been rendered against the Company or any of the Restricted Subsidiaries and such judgments remain undischarged, unpaid or unstayed for a period of 60 days after such judgment or judgments become final and nonappealable;

(6) certain events of bankruptcy affecting the Company or any of its Significant Subsidiaries; or

(7) any Note Guarantee of the Company or a Significant Subsidiary of the Company ceases to be in full force and effect or any Note Guarantee of the Company or such a Significant Subsidiary is declared to be null and void and unenforceable or any Note Guarantee of the Company or such a Significant Subsidiary is found to be invalid or the Company or any Subsidiary Guarantor which is a Significant Subsidiary denies its liability under its Note Guarantee (other than by reason of release of such Subsidiary Guarantor in accordance with the terms of the Indenture).

If an Event of Default (other than an Event of Default specified in clause (6) above) shall occur and be continuing, the Trustee or the Holders of at least 25 percent in principal amount of the outstanding notes may declare the principal of, premium, if any, and accrued interest on all the notes to be due and payable by notice in writing to the Company (and to the Trustee if given by the Holders) specifying the respective Event of Default and that it is a “notice of acceleration,” and the same shall become immediately due and payable. If an Event of Default specified in clause (6) above occurs and is continuing, then all unpaid principal of, premium, if any, and accrued and unpaid interest on all of the outstanding notes shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Indenture will provide that, at any time after a declaration of acceleration with respect to the notes as described in the preceding paragraph, the Holders of a majority in principal amount of the then outstanding notes may rescind and cancel such declaration and its consequences:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration; and

(3) in the event of the cure or waiver of an Event of Default of the type described in clause (6) of the description above of Events of Default, the Trustee shall have received an officer’s certificate and an opinion of counsel each stating that such Event of Default has been cured or waived.

No such rescission shall affect any subsequent Default or Event of Default or impair any right consequent thereto.

The Holders of a majority in principal amount of the then outstanding notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of or premium, if any, or interest on the notes.

Holders of the notes may not enforce the Indenture or the notes except as provided in the Indenture. Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Holders, unless such Holders have offered to the Trustee indemnity satisfactory to it. Subject to all provisions of the Indenture and applicable law, the Holders of a majority in aggregate principal amount of the then outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

Under the Indenture, the Company will be required to provide an officer's certificate to the Trustee promptly upon the Company obtaining knowledge of any Default or Event of Default (*provided* that the Company shall provide such certification at least annually whether or not it knows of any Default or Event of Default) that has occurred and, if applicable, describe such Default or Event of Default and the status thereof.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have its obligations and the obligations of the Issuer and any Guarantor discharged with respect to the outstanding notes ("**Legal Defeasance**"). Such Legal Defeasance means that the Issuer shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding notes, except for:

- (1) the rights of Holders to receive payments in respect of the principal of, premium, if any, and interest on the notes, when such payments are due;
- (2) the Issuer's obligations with respect to the notes, concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payments;
- (3) the rights, powers, trust, duties and immunities of the Trustee and the Issuer's obligations in connection therewith; and
- (4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Issuer and the Restricted Subsidiaries released with respect to certain covenants that are described in the Indenture ("**Covenant Defeasance**") for the notes and thereafter any omission or failure to comply with such obligations shall not constitute a Default or Event of Default with respect to the notes. In the event Covenant Defeasance occurs, certain events (not including nonpayment, bankruptcy, receivership, reorganization and insolvency events) described under "—Events of Default" will no longer constitute an Event of Default with respect to the notes.

In order to exercise Legal Defeasance or Covenant Defeasance with respect to the notes:

- (1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders cash in U.S. dollars, non-callable U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants selected by the Company, delivered to the Trustee, to pay the principal of, premium, if any, and interest on the notes on the stated date of payment thereof or on the applicable redemption date, as the case may be;

(2) in the case of Legal Defeasance, the Company shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of the Indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that the Holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(5) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of or constitute a default under the Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company shall have delivered to the Trustee an officer's certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;

(7) the Company shall have delivered to the Trustee an officer's certificate and an opinion of counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with;

(8) the Company shall have delivered to the Trustee an opinion of counsel to the effect that after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally; and

(9) certain other customary conditions precedent are satisfied.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights and registration of transfer or exchange of the notes, as expressly provided for in the Indenture) as to all outstanding notes when:

(1) either (a) all the notes theretofore authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the Trustee for cancellation or (b) all notes not theretofore delivered to the Trustee for cancellation have (i) become due and payable, (ii) will become due and payable at their stated maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee, and the Issuer has irrevocably deposited or caused to be deposited with the Trustee funds in an amount sufficient to pay and discharge the entire Indebtedness on the notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the notes to the date of deposit together with irrevocable

instructions from the Issuer directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be; *provided*, that in connection with any proposed redemption of the notes that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of the Indenture to the extent that the amount deposited is calculated using the Applicable Premium determined as of the date of the satisfaction and discharge, with any deficit in respect of the Applicable Premium when it is actually determined only required to be deposited with the Trustee on or prior to the date of the redemption;

(2) the Issuer and/or the Guarantors have paid all other sums payable under the Indenture, including amounts owing to the Trustee;

(3) the Company has delivered to the Trustee an officer's certificate and an opinion of counsel each stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; and

(4) there exists no Default or Event of Default under the Indenture.

Modification of the Indenture

From time to time, the Company, the Issuer, any Subsidiary Guarantor and the Trustee, without the consent of the Holders, may amend the Indenture for certain specified purposes, including:

(1) cure any ambiguity, omission, defect or inconsistency;

(2) provide for the assumption by a successor entity of the obligations of the Company, the Issuer or any Subsidiary Guarantor under the Indenture;

(3) provide for uncertificated notes in addition to or in place of certificated notes (*provided, however*, that the uncertificated notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated notes are described in Section 163(f)(2)(B) of the Code);

(4) to provide for any Guarantee of the notes, to secure the notes or to confirm and evidence the release, termination or discharge of any Guarantee of a Subsidiary Guarantor or of Lien securing the notes when such release, termination or discharge is permitted by the Indenture;

(5) add to the covenants of the Company or any Restricted Subsidiary for the benefit of the Holders of notes or to surrender any right or power conferred upon the Company or any Restricted Subsidiary;

(6) make any change that does not adversely affect the rights of any Holder in any material respect;

(7) make any amendment to the provisions of the Indenture relating to the form, authentication, transfer and legending of notes; *provided, however*, that

(A) compliance with the Indenture as so amended would not result in notes being transferred in violation of the Securities Act or any other applicable securities law and

(B) such amendment does not materially affect the rights of Holders to transfer notes;

(8) comply with any requirement of the Commission in connection with the qualification of the Indenture under the TIA (if the Issuer elects to qualify the Indenture under the TIA);

(9) convey, transfer, assign, mortgage or pledge as security for the notes any property or assets in accordance with the covenant described under “—Certain Covenants—Limitation on Liens”;

(10) to evidence and provide for the acceptance of an appointment hereunder by a successor Trustee; or

(11) to conform to the “Description of the Notes” in this Offering Memorandum, as set forth in an officer’s certificate delivered to the Trustee.

After an amendment becomes effective, the Company is required to send to Holders a notice briefly describing such amendment. However, the failure to give such notice to all Holders, or any defect therein, will not impair or affect the validity of the amendment.

Other modifications and amendments of the Indenture or of the notes may be made with the consent of the Holders of a majority in principal amount of the then outstanding notes issued under the Indenture, except that, without the consent of each Holder affected thereby, no amendment may:

(1) reduce the amount of notes whose Holders must consent to an amendment;

(2) reduce the rate of or change the time for payment of interest, including defaulted interest, on any notes;

(3) reduce the principal of or change or have the effect of changing the fixed maturity of any notes; or change the date on which any notes may be subject to redemption (other than with respect to any notice provisions) or reduce the redemption price therefor;

(4) make any notes payable in money other than that stated in the notes;

(5) make any change in provisions of the Indenture protecting the right of each Holder to receive payment of principal of, premium, if any, and interest on such notes on or after the stated due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of the then outstanding notes to waive Defaults or Events of Default;

(6) amend, change or modify in any material respect the obligation of the Issuer to make and consummate a Change of Control Offer after the occurrence of a Change of Control or make and consummate a Net Proceeds Offer with respect to any Asset Sale that has been consummated or modify any of the provisions or definitions with respect thereto;

(7) modify or change any provision of the Indenture or the related definitions affecting the ranking of the notes or any Note Guarantee in a manner which adversely affects the Holders; or

(8) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture otherwise than in accordance with the terms of the Indenture.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Governing Law

The Indenture will provide that it, the notes and any Note Guarantees will be governed by, and construed in accordance with, the laws of the State of New York, and for the avoidance of doubt, the provisions of articles 84 to 94-8 of the Luxembourg law on commercial companies of 10 August 1915 (as amended) are not applicable.

The Trustee

The Indenture will provide that, except during the continuance of an Event of Default actually known to a Responsible Officer of the Trustee, the Trustee will perform only such duties as are specifically set forth in the

Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise, as a prudent Person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *provided* that if the Trustee acquires any conflicting interest as described in the TIA, it must eliminate such conflict or resign.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any other terms used herein for which no definition is provided.

“Acquired Indebtedness” means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or any of the Restricted Subsidiaries or assumed by the Company or any Restricted Subsidiary in connection with the acquisition of assets from such Person and in each case not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, merger or consolidation.

“Additional Notes” has the meaning set forth under “—Overview of the Notes—Indenture May be Used for Future Issuances.”

“Affiliate” means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative of the foregoing.

“Affiliate Transaction” has the meaning set forth under “—Certain Covenants—Limitation on Transactions with Affiliates.”

“Asset Acquisition” means (1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary, or shall be merged with or into the Company or any Restricted Subsidiary, or (2) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Restricted Subsidiary) which constitute all or substantially all of the assets of such Person or comprise any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business.

“Asset Sale” means any direct or indirect sale, issuance, conveyance, lease (other than operating leases entered into in the ordinary course of business), assignment or other transfer (other than the granting of a Lien in accordance with the Indenture) for value by the Company or any of the Restricted Subsidiaries (including any Sale and Leaseback Transaction) to any Person other than the Company or a Restricted Subsidiary of (a) any Capital Stock of any Restricted Subsidiary; or (b) any other property or assets of the Company or any Restricted Subsidiary other than in the ordinary course of business; *provided, however*, that Asset Sales shall not include:

(1) a transaction or series of related transactions for which the Company or the Restricted Subsidiaries receive aggregate consideration of less than the greater of \$75.0 million and 1.5% of Total Assets;

(2) the sale, lease, conveyance, disposition or other transfer of all or substantially all of the assets of the Company as permitted by the covenant described under “—Certain Covenants—Merger, Consolidation and Sale of Assets;”

(3) any Restricted Payment made in accordance with the covenant described under “—Certain Covenants—Limitation on Restricted Payments” or a Permitted Investment;

(4) sales or contributions of accounts receivable and related assets pursuant to a Qualified Receivables Transaction or Permitted Factoring Transaction made in accordance with the covenant described under “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness;”

(5) the disposition by the Company or any Restricted Subsidiary in the ordinary course of business of (i) cash and Cash Equivalents, (ii) inventory and other assets acquired and held for resale in the ordinary course of business, (iii) damaged, worn out or obsolete assets or assets that, in the Company’s reasonable judgment, are no longer used or useful in the business of the Company or its Restricted Subsidiaries, or (iv) rights granted to others pursuant to leases or licenses, to the extent not materially interfering with the operations of the Company or its Restricted Subsidiaries;

(6) the sale or discount of accounts receivable in connection with the compromise or collection thereof arising in the ordinary course of business or in bankruptcy or in a similar proceeding;

(7) the granting of a Lien in accordance with the Indenture;

(8) the licensing of patents, trademarks, know-how or any other intellectual property to third Persons in the ordinary course of business consistent with past practice; *provided* that such licensing does not materially interfere with the business of the Company or any of its Restricted Subsidiaries;

(9) to the extent allowable under Section 1031 of the Internal Revenue Code of 1986, any exchange of like property (excluding any boot thereon);

(10) the unwinding of any Hedging Obligations;

(11) any exchange of assets (including a combination of assets and Cash Equivalents) for assets of comparable or greater market value or usefulness to the business of the Company and the Restricted Subsidiaries as a whole, as determined in good faith by the Company;

(12) foreclosure or any similar action with respect to any property or other asset of the Company or any of the Restricted Subsidiaries;

(13) any disposition of Capital Stock in, or Indebtedness or other securities of, an Unrestricted Subsidiary;

(14) any swap of assets, or lease, assignment or sublease of any real or personal property, in exchange for services (including in connection with any outsourcing arrangements) of comparable or greater value or usefulness to the business of the Company and the Restricted Subsidiaries as a whole, as determined in good faith by the Company;

(15) any financing transaction with respect to property built or acquired by the Company or any Restricted Subsidiary after the Issue Date, including any Sale and Leaseback Transaction or asset securitization permitted by the indenture;

(16) any surrender or waiver of contract rights pursuant to a settlement, release, recovery on or surrender of contract, tort or other claims of any kind; or

(17) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition.

“Attributable Receivables Amount” means the amount of obligations outstanding under receivables purchase facilities or factoring transactions on any date of determination that would be characterized as principal if such facilities or transactions were structured as secured lending transactions rather than as purchases, whether such obligations would constitute on-balance sheet Indebtedness or an off-balance sheet liability.

“Board of Directors” means, as to any Person, the board of directors of such Person or any duly authorized committee thereof.

“Board Resolution” means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“Business Day” means any day other than a Saturday or Sunday, (1) which is not a day on which banking institutions in The City of New York, or London, or the city in which the Corporate Trust Office is located, are authorized or required by law, regulation or executive order to close and (2) on which the Trans-European Automated Real Time Gross Settlement Express Transfer System (i.e., the Target2 System), or any successor thereto, is open.

“Capital Stock” means (1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person, and (2) with respect to any Person that is not a corporation, any and all partnership or other equity interests of such Person.

“Capitalized Lease Obligations” means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under U.S. GAAP and, for purposes of this definition, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date, determined in accordance with U.S. GAAP.

“Cash Equivalents” means:

(1) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof;

(2) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody’s;

(3) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-2 from S&P or at least P-2 from Moody’s;

(4) demand and time deposit accounts, certificates of deposit or bankers’ acceptances maturing within one year from the date of acquisition thereof issued by any bank organized under the laws of the United States of America or any state thereof or the District of Columbia or any U.S. branch of a foreign bank having at the date of acquisition thereof combined capital and surplus of not less than \$250.0 million;

(5) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (1) above entered into with any bank meeting the qualifications specified in clause (4) above;

(6) investments in money market funds which invest substantially all their assets in securities of the types described in clauses (1) through (5) above;

(7) investments in money market funds subject to the risk limiting conditions of Rule 2a-7 or any successor rule of the Commission under the Investment Company Act of 1940, as amended; and

(8) solely in respect of the ordinary course cash management activities of the Foreign Subsidiaries, equivalents of the investments described in clause (1) above to the extent guaranteed by any member state of the European Union or the country in which the Foreign Subsidiary operates and equivalents of the investments described in clause (4) above issued, accepted or offered by any commercial bank organized under the laws of a member state of the European Union or the jurisdiction of organization of the applicable Foreign Subsidiary having at the date of acquisition thereof combined capital and surplus of not less than \$250.0 million.

“Cash Management Obligations” means, with respect to any Person, all obligations of such Person in respect of overdrafts and related liabilities owed to any other Person that arise from treasury, depositary or cash management services, including in connection with any automated clearing house transfers of funds, or any similar transactions.

“Change of Control” has the meaning set forth under “—Change of Control.”

“Change of Control Offer” has the meaning set forth under “—Change of Control.”

“Clearstream” means Clearstream Banking S.A.

“Commission” means the Securities and Exchange Commission, as from time to time constituted, or if at any time after the execution of the Indenture such Commission is not existing and performing the applicable duties now assigned to it, then the body or bodies performing such duties at such time.

“Commodity Agreement” means any commodity futures contract, commodity option or other similar agreement or arrangement entered into by the Company or any Restricted Subsidiary of the Company designed to protect the Company or any of its Restricted Subsidiaries against fluctuations in the price of the commodities at the time used in the ordinary course of business of the Company or any of its Restricted Subsidiaries.

“Common Stock” of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of, such Person’s common stock, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common stock.

“Consolidated EBITDA” means, with respect to the Company, for any period, the sum (without duplication) of:

(1) Consolidated Net Income; and

(2) to the extent Consolidated Net Income has been reduced thereby:

(A) all income taxes of the Company and the Restricted Subsidiaries expensed or accrued in accordance with U.S. GAAP for such period;

(B) Consolidated Fixed Charges;

(C) Consolidated Non-cash Charges;

(D) any expenses or charges related to any issuance of Capital Stock, Investment, acquisition or disposition of division or line of business, recapitalization or the Incurrence or repayment of Indebtedness permitted to be Incurred by the Indenture (whether or not successful);

(E) the amount of any loss attributable to a New Project, until the date that is twelve months after the date of completing the construction, acquisition, assembling or creation of such New Project, as the case

may be; *provided*, that (x) such losses are reasonably identifiable and factually supportable and certified by a responsible financial or accounting officer of the Company and (y) losses attributable to such New Project after twelve months from the date of completing such construction, acquisition, assembling or creation, as the case may be, shall not be included in this clause (E); and

(F) with respect to any joint venture that is not a Subsidiary and solely to the extent relating to any net income referred to in clause (5) or (14) of the definition of “Consolidated Net Income”, an amount equal to the proportion of those items described in clauses (A) and (B) above relating to such joint venture corresponding to the Company’s and the Subsidiaries’ proportionate share of such joint venture’s Consolidated Net Income (determined as if such joint venture were a Subsidiary),

less any non-cash items increasing Consolidated Net Income for such period, all as determined on a consolidated basis for the Company and the Restricted Subsidiaries in accordance with U.S. GAAP.

“**Consolidated Fixed Charge Coverage Ratio**” means, with respect to the Company, the ratio of Consolidated EBITDA of the Company during the most recent four full fiscal quarters for which internal financial statements are available (the “**Four Quarter Period**”) ending on or prior to the date of the transaction (the “**Transaction Date**”) to Consolidated Fixed Charges of the Company for such Four Quarter Period. In addition to and without limitation of the foregoing, for purposes of this definition, “Consolidated EBITDA” and “Consolidated Fixed Charges” shall be calculated after giving effect on a *pro forma* basis for the period of such calculation to:

(1) the Incurrence, redemption or repayment of any Indebtedness, Disqualified Capital Stock or Preferred Stock, as applicable, of the Company or any of the Restricted Subsidiaries (and the application of the proceeds thereof) giving rise to the need to make such calculation and any Incurrence, redemption or repayment of other Indebtedness, Disqualified Stock or Preferred Stock (and the application of the proceeds thereof), other than the Incurrence or repayment of Indebtedness in the ordinary course of business for working capital purposes pursuant to working capital facilities, occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date, as if such Incurrence, redemption or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period;

(2) any Asset Sales or other dispositions or Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the Company or one of the Restricted Subsidiaries (including any Person who becomes a Restricted Subsidiary as a result of the Asset Acquisition) incurring, assuming or otherwise being liable for Acquired Indebtedness and also including any Consolidated EBITDA attributable to the assets which are the subject of the Asset Acquisition or Asset Sale or other disposition during the Four Quarter Period) occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date as if such Asset Sale or Asset Acquisition or other disposition (including the Incurrence, assumption or liability for any such Acquired Indebtedness) occurred on the first day of the Four Quarter Period;

(3) any other Investments, capital expenditures, constructions, repairs, replacements, improvements, equipment optimization programs, mergers, amalgamations, consolidations and discontinued operations (as determined in accordance with U.S. GAAP) and any operational changes, business realignment projects or cost savings initiatives, New Projects, restructurings or reorganizations that the Company or any Restricted Subsidiary has determined to make or implement and/or has made or implemented during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date (each, for purposes of this definition, a “*pro forma event*”) as if such pro forma event occurred on the first day of the Four Quarter Period; and

(4) any Restricted Subsidiary that is designated an Unrestricted Subsidiary or any Unrestricted Subsidiary that is designated a Restricted Subsidiary occurring during the Four Quarter Period or at any time subsequent to

the last day of the Four Quarter Period and on or prior to the Transaction Date as if such designation occurred on the first day of the Four Quarter Period.

For purposes of this definition, whenever *pro forma* effect is to be given to any event, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of the Company. Any such *pro forma* calculation may include, among others, adjustments appropriate, in the reasonable good faith determination of the Company, to reflect operating expense reductions, other operating improvements or synergies reasonably expected to result from the applicable event and anticipated run-rate Consolidated EBITDA reasonably expected to be achieved (in the good faith determination of the Company) from New Projects (and the achievement of related operating expense reductions and other operating improvements, synergies or cost savings associated therewith) so long as such New Project is then under development or is otherwise in process; *provided* that (i) any *pro forma* adjustments shall be limited to those that are (a) reasonably identifiable and factually supportable and (b) have occurred or are reasonably expected to occur in the next 24 months following the date of such calculation, in the reasonable judgment of a responsible financial or accounting officer of the Company and (ii) any such expected cost savings, operating expense reduction, operating improvements or synergies shall not exceed in the aggregate 20% of Consolidated EBITDA for any applicable Four Quarter Period.

If the Company or any of the Restricted Subsidiaries directly or indirectly guarantees Indebtedness of a third Person, the preceding sentence shall give effect to the Incurrence of such guaranteed Indebtedness as if the Company or any Restricted Subsidiary had directly Incurred or otherwise assumed such guaranteed Indebtedness.

Furthermore, in calculating “Consolidated Fixed Charges” for purposes of determining the denominator (but not the numerator) of this “Consolidated Fixed Charge Coverage Ratio:”

(1) interest on outstanding Indebtedness determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the Transaction Date;

(2) if interest on any Indebtedness actually Incurred on the Transaction Date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on the Transaction Date will be deemed to have been in effect during the Four Quarter Period; and

(3) notwithstanding clause (1) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Interest Swap Obligations, shall be deemed to accrue at the rate per annum in effect on the Transaction Date resulting after giving effect to the operation of such agreements on such date.

“**Consolidated Fixed Charges**” means, with respect to the Company for any period, the sum, without duplication, of:

(1) Consolidated Interest Expense, plus

(2) the product of (x) the amount of all dividend payments on any series of Preferred Stock of the Company or any Restricted Subsidiary paid, accrued and/or scheduled to be paid or accrued during such period (other than dividends paid in Qualified Capital Stock of the Company or paid to the Company or to a Restricted Subsidiary) multiplied by (y) a fraction, the numerator of which is one and the denominator of which is one minus the then current effective consolidated U.S. federal, state and local income tax rate of the Company, expressed as a decimal.

“Consolidated Interest Expense” means, with respect to the Company for any period, the sum of, without duplication:

(1) the aggregate of the interest expense of the Company and the Restricted Subsidiaries for such period determined on a consolidated basis in accordance with U.S. GAAP, including, without limitation,

(A) any amortization of debt discount,

(B) the net costs under Interest Swap Obligations,

(C) all capitalized interest, and

(D) the interest portion of any deferred payment obligation;

(2) the interest component of Capitalized Lease Obligations accrued by the Company and the Restricted Subsidiaries during such period as determined on a consolidated basis in accordance with U.S. GAAP; and

(3) to the extent not included in clause (1) above, net losses relating to sales of accounts receivable pursuant to a Qualified Receivables Transaction or Permitted Factoring Transaction during such period as determined on a consolidated basis in accordance with U.S. GAAP.

“Consolidated Net Income” means, with respect to the Company, for any period, the aggregate net income (or loss) of the Company and the Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with U.S. GAAP; *provided* that there shall be excluded therefrom:

(1) after-tax gains and losses from Asset Sales or abandonments or reserves relating thereto or from the extinguishment of any Indebtedness of the Company or any Restricted Subsidiary;

(2) unusual, transactional, extraordinary or non-recurring gains or losses (determined on an after-tax basis and less any fees, expenses or charges related thereto);

(3) any non-cash compensation expense Incurred for grants and issuances of stock appreciation or similar rights, stock options, restricted shares or other rights to officers, directors and employees of the Company and its Subsidiaries (including any such grant or issuance to a 401(k) plan or other retirement benefit plan);

(4) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration of dividends or similar distributions by that Restricted Subsidiary of that income is restricted by a contract, operation of law or otherwise;

(5) the net income (loss) of any Person, other than a Restricted Subsidiary, except to the extent of cash dividends or distributions paid to the Company or to a Restricted Subsidiary by such Person;

(6) the net income (loss) of any Person acquired during the specified period for any period, prior to the date of such acquisition will be excluded for purposes of Restricted Payments only;

(7) after-tax income or loss attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued) from and after the date that such operation is classified as discontinued;

(8) write-downs resulting from the impairment of intangible assets and any other non-cash amortization or impairment expenses;

(9) cash restructuring or integration expenses (including any severance expenses, relocation expenses, curtailments or modifications to pension and post-retirement employee benefit plans, any expenses related to any reconstruction, decommissioning, recommissioning or reconfiguration of fixed assets for alternate uses and fees, expenses or charges relating to facilities closing costs, acquisition integration costs, facilities opening costs, business optimization costs, signing, retention or completion bonuses) in an amount not to exceed the greater of \$75 million and 5.0% of Consolidated EBITDA per fiscal year, plus, to the extent that any amount permitted to be included in a prior year pursuant to this clause (9) is not utilized, such unutilized amount may be carried forward for use in only the next succeeding year;

(10) the amount of amortization or write-off of deferred financing costs and debt issuance costs of the Company and its Restricted Subsidiaries during such period and any premium or penalty paid in connection with redeeming or retiring Indebtedness of the Company and its Restricted Subsidiaries prior to the stated maturity thereof pursuant to the agreements governing such Indebtedness;

(11) minority interest expenses;

(12) losses or expenses or income or gain associated with the early extinguishment of any agreements in respect of Hedging Obligations;

(13) non-cash currency losses or gains on intercompany loans or advances;

(14) losses or earnings of Persons accounted for on an equity basis, except to the extent of cash dividends or distributions paid to the Company or to a Restricted Subsidiary by such Person;

(15) the amount of loss or discount in connection with a Qualified Receivables Transaction or a Permitted Factoring Transaction; and

(16) the cumulative effect of a change in accounting principles.

“Consolidated Non-cash Charges” means, with respect to the Company and the Restricted Subsidiaries for any period, the aggregate depreciation, amortization (including amortization of intangibles, deferred financing fees, debt issuance costs, commissions, fees and expenses, expensing of any bridge, commitment or other financing fees, the non-cash portion of interest expense resulting from the reduction in the carrying value under purchase accounting of the Company’s outstanding Indebtedness and commissions, discounts, yield and other fees and charges but excluding amortization of prepaid cash expenses that were paid in a prior period), non-cash impairment, non-cash compensation, non-cash rent, and other non-cash charges of the Company and the Restricted Subsidiaries reducing Consolidated Net Income of the Company and the Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with U.S. GAAP.

“Covenant Defeasance” has the meaning set forth under “—Legal Defeasance and Covenant Defeasance.”

“Corporate Trust Office” means the designated corporate trust office of the Trustee at which at any time its corporate trust business shall be administered, presently located at 600 South 4th Street, 7th Floor, Minneapolis, MN 55415, or such other address as the Trustee may designate from time to time, or the designated corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time by notice).

“Credit Agreement” means the Credit and Guaranty Agreement, dated as of June 9, 2016 (as amended by Amendment No. 1, dated as of August 17, 2017, Amendment No. 2, dated as of February 28, 2019, Amendment No. 3, dated as of August 30, 2019, Letter Amendment, dated as of November 22, 2019, Amendment No. 4, dated as of April 16, 2020 and Amendment No. 5, dated as of March 25, 2021, and as further amended, supplemented or otherwise modified), among the Company, as the Term Loan Borrower and the Revolving

Credit Borrower (each as defined therein), Dana International Luxembourg S.à r.l., as a Revolving Credit Borrower, the Designated Subsidiaries referred to therein as Revolving Credit Borrowers, the guarantors party thereto, Citibank, N.A., as administrative agent and collateral agent, and the other lenders and issuing banks from time to time party thereto, together with the documents related thereto (including, without limitation, any guarantee agreements and security documents), in each case, as amended, restated, supplemented, waived, replaced (whether or not upon termination, and whether with the original lenders or otherwise), restructured, repaid, refunded, refinanced or otherwise modified from time to time, including any agreement or indenture extending the maturity thereof, refinancing, replacing or otherwise restructuring all or any portion of the Indebtedness under such agreement or agreements or indenture or indentures or any successor or replacement agreement or agreements or indenture or indentures or increasing the amount loaned or issued thereunder or altering the maturity thereof (except to the extent any such refinancing, replacement or restructuring is designated by the Company to not be included in the definition of “Credit Agreement”).

“Credit Facilities” means one or more debt facilities (including the Credit Agreement) or commercial paper facilities providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables) or letters of credit, or any debt securities or other form of debt financing (including convertible or exchangeable debt instruments), in each case, as amended, supplemented, modified, extended, renewed, restated or refunded in whole or in part from time to time.

“Currency Agreements” means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect the Company or any Restricted Subsidiary against fluctuations in currency values.

“Default” means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

“Designated Non-Cash Consideration” means any non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is designated as Designated Non-cash Consideration pursuant to an officer’s certificate executed by an officer of the Company or such Restricted Subsidiary at the time of such Asset Sale. Any particular item of Designated Non-cash Consideration will cease to be considered to be outstanding once it has been sold for cash or Cash Equivalents (which shall be considered Net Cash Proceeds of an Asset Sale when received).

“Designation” has the meaning set forth under “—Certain Covenants—Limitation on Designations of Unrestricted Subsidiaries.”

“Designation Amount” has the meaning set forth under “—Certain Covenants—Limitation on Designations of Unrestricted Subsidiaries.”

“Disqualified Capital Stock” means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is mandatorily exchangeable for Indebtedness, or is redeemable or exchangeable for Indebtedness, at the sole option of the holder thereof on or prior to the final maturity date of the notes.

“Equity Offering” means a public or private offering of Capital Stock (other than Disqualified Capital Stock) of the Company.

“Euroclear” means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

“Event of Default” has the meaning set forth under “—Events of Default.”

“Exchange Act” means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto, and the rules and regulations of the Commission promulgated thereunder.

“Fair Market Value” means, with respect to any asset or property, the price which could be negotiated in an arm’s-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value shall be determined by the Board of Directors of the Company acting reasonably and in good faith and shall be evidenced by a Board Resolution of the Board of Directors of the Company.

“Fitch” means Fitch Ratings Inc., and its successors.

“Foreign Subsidiary” means any Restricted Subsidiary that is organized and existing under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia.

“Guarantee” means, as to any Person, a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner, including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness of another Person, but excluding endorsements for collection or deposit in the normal course of business or Standard Receivables Undertakings in a Qualified Receivables Transaction.

“Guaranteed Obligation” has the meaning set forth under “—Certain Covenants—Note Guarantees.”

“Guarantor” means any Person that Incurs a Guarantee with respect to the notes; *provided, however*, that upon the release or discharge of such Person from its Guarantee in accordance with the Indenture, such Person ceases to be a Guarantor.

“Hedging Obligations” means, with respect to any Person, the obligations of such person in respect of Commodity Agreements, Currency Agreements and Interest Swap Obligations.

“Holder” means the Person in whose name a note is registered in the Registrar’s records.

“Incur” means, with respect to any Indebtedness, to Incur, create, issue, assume, Guarantee or otherwise become directly or indirectly liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness (and **“Incurrence”** and **“Incurred”** will have meanings correlative to the foregoing); *provided* that (1) any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Person at the time it becomes a Restricted Subsidiary and (2) neither the accrual of interest nor the accretion of original issue discount nor the payment of interest in the form of additional Indebtedness with the same terms or the payment of dividends on Disqualified Capital Stock or Preferred Stock in the form of additional shares of the same class of Disqualified Capital Stock or Preferred Stock (to the extent provided for when the Indebtedness or Disqualified Capital Stock or Preferred Stock on which such interest or dividend is paid was originally issued) will be considered an Incurrence of Indebtedness.

“Indebtedness” means, with respect to any Person, without duplication:

- (1) all Obligations of such Person for borrowed money;
- (2) all Obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all Capitalized Lease Obligations of such Person;

(4) all Obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all Obligations under any title retention agreement (but excluding trade accounts

payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 90 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);

(5) all Obligations for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction, excluding obligations in respect of trade letters of credit or bankers' acceptances issued in respect of trade payables to the extent not drawn upon or presented, or, if drawn upon or presented, the resulting obligation of the Person is paid within 10 Business Days;

(6) guarantees and other contingent obligations in respect of Indebtedness of any other Person referred to in clauses (1) through (5) above and clauses (8) and (10) below;

(7) all Obligations of any other Person of the type referred to in clauses (1) through (6) above which are secured by any Lien on any property or asset of such Person, the amount of such Obligation being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Obligation so secured;

(8) all Hedging Obligations of such Person;

(9) all Disqualified Capital Stock of the Company and all Preferred Stock of a Restricted Subsidiary with the amount of Indebtedness represented by such Disqualified Capital Stock or Preferred Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued and unpaid dividends, if any; and

(10) all obligations of such Person in respect of Qualified Receivables Transactions.

Notwithstanding the foregoing, Indebtedness shall not include any liability for U.S. federal, state, local or other taxes owed or owing to any governmental entity.

Indebtedness shall be calculated without giving effect to the effects of ASC 815 and related interpretations to the extent such effects would otherwise increase or decrease an amount of Indebtedness for any purpose under the indenture as a result of accounting for any embedded derivatives created by the terms of such Indebtedness.

For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Capital Stock or Preferred Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock or Preferred Stock as if such Disqualified Capital Stock or Preferred Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Capital Stock or Preferred Stock, such Fair Market Value shall be determined reasonably and in good faith by the Board of Directors of the issuer of such Disqualified Capital Stock or Preferred Stock.

"Independent Financial Advisor" means a firm (1) which does not, and whose directors, officers and employees and Affiliates do not, have a direct or indirect material financial interest in the Company and (2) which, in the judgment of the Board of Directors of the Company, is otherwise independent and qualified to perform the task for which it is to be engaged.

"Insolvency or Liquidation Proceeding" means, with respect to any Person, (a) any voluntary or involuntary case or proceeding under any bankruptcy law, (b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to such Person or with respect to any of its assets, (c) any liquidation, dissolution, reorganization or winding up of such Person whether voluntary or involuntary and whether or not involving insolvency or bankruptcy or (d) any assignment for the benefit of creditors or any other marshaling of assets and liabilities of such Person.

“Interest Swap Obligations” means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or of which it is a beneficiary.

“Investment” means, with respect to any Person, any direct or indirect loan or other extension of credit (including, without limitation, a Guarantee) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person. “Investment” shall exclude extensions of trade credit by the Company and the Restricted Subsidiaries on commercially reasonable terms in accordance with normal trade practices of the Company or such Restricted Subsidiaries, as the case may be. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of any Restricted Subsidiary (other than the Issuer) (the **“Referent Subsidiary”**) such that after giving effect to any such sale or disposition, the Referent Subsidiary shall cease to be a Restricted Subsidiary, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Capital Stock of the Referent Subsidiary not sold or disposed of.

“Investment Grade Rating” means a rating equal to or higher than BBB- (or the equivalent) by Fitch (or the equivalent rating by any Successor Rating Agency), Baa3 (or the equivalent) by Moody’s (or the equivalent rating by any Successor Rating Agency) and BBB- (or the equivalent) by S&P (or the equivalent rating by any Successor Rating Agency).

“Issue Date” means May 28, 2021.

“Legal Defeasance” has the meaning set forth under “—Legal Defeasance and Covenant Defeasance.”

“Lien” means any lien, mortgage, deed of trust, deed to secure debt, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest).

“Moody’s” means Moody’s Investors Service, Inc. or any successor to its rating agency business.

“Net Cash Proceeds” means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents (other than the portion of any such deferred payment constituting interest), received by the Company or any of the Restricted Subsidiaries from such Asset Sale net of:

(1) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, sales commissions and relocation expenses);

(2) taxes paid or payable after taking into account any tax sharing arrangements;

(3) payments required to be made to any Person (other than to the Company or its Restricted Subsidiaries) owning a beneficial interest in the assets subject to such Asset Sale;

(4) repayments of Indebtedness secured by the property or assets subject to such Asset Sale that is required to be repaid in connection with such Asset Sale;

(5) appropriate amounts to be determined by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with U.S. GAAP, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale; and

(6) payments of unassumed liabilities (not constituting Indebtedness and not owed to the Company or any Subsidiary) relating to the assets sold at the time of, or within 30 days after the date of, such Asset Sale.

Notwithstanding the foregoing or anything to the contrary in the covenant described under “—Certain Covenants—Asset Sales”, to the extent that the Company has determined in good faith that repatriation of any or all of the Net Proceeds of any Asset Sales by a Foreign Subsidiary (i) is prohibited, restricted or delayed by applicable local law or (ii) could result in a material adverse tax consequence to the Company or its Subsidiaries, an amount equal to the portion of such Net Proceeds so affected will not constitute Net Proceeds or be required to be applied in compliance with the covenant described under “—Certain Covenants—Asset Sales”; *provided* that, in any event, the Company shall use its commercially reasonable efforts to take actions within its reasonable control that are reasonably required to eliminate such tax effects.

“Net Proceeds Offer” has the meaning set forth under “—Certain Covenants—Limitation on Asset Sales.”

“Net Proceeds Offer Amount” has the meaning set forth under “—Certain Covenants—Limitation on Asset Sales.”

“Net Proceeds Offer Payment Date” has the meaning set forth under “—Certain Covenants—Limitation on Asset Sales.”

“Net Proceeds Offer Trigger Date” has the meaning set forth under “—Certain Covenants—Limitation on Asset Sales.”

“New Project” means (x) each plant, facility or branch which is either a new plant, facility or branch or an expansion, relocation, remodeling or substantial modernization of an existing plant, facility or branch owned by the Company or the Subsidiaries which in fact commences operations and (y) each creation (in one or a series of related transactions) of a business unit to the extent such business unit commences operations or each expansion (in one or a series of related transactions) of business into a new market.

“Note Guarantee” means a Guarantee of the notes pursuant to the Indenture.

“Obligations” means any and all obligations with respect to the payment of (a) any principal of or interest (including interest accruing on or after the commencement of any Insolvency or Liquidation Proceedings, whether or not a claim for post-filing interest is allowed in such proceeding) or premium on any Indebtedness, including any reimbursement obligation in respect of any letter of credit, (b) any fees, indemnification obligations, damages, expense reimbursement obligations or other liabilities payable under the documentation governing any Indebtedness, (c) any obligation to post cash collateral in respect of letters of credit and any other obligations and (d) any Cash Management Obligations or Hedging Obligations.

“Offering Memorandum” means the Offering Memorandum dated May 14, 2021, with respect to the notes.

“Permitted Factoring Transactions” means receivables purchase facilities and factoring transactions entered into by the Company or any Restricted Subsidiary with respect to Receivables originated in the ordinary course of business by the Company or such Restricted Subsidiary, which receivables purchase facilities and factoring transactions give rise to Attributable Receivables Amounts that are non-recourse to the Company and its Restricted Subsidiaries other than limited recourse customary for receivables purchase facilities and factoring transactions of the same kind; *provided* that the aggregate face amount of all receivables sold or transferred pursuant to Permitted Factoring Transactions that have not yet reached their stated maturity date shall not exceed at any one time the greater of \$350.0 million and 5.0% of Total Assets.

“Permitted Investments” means:

(1) Investments by the Company or any Restricted Subsidiary in any Person that is or will become immediately after such Investment a Restricted Subsidiary or that will merge or consolidate into the Company or a Restricted Subsidiary and, in each case, any Investment held by such Person provided that such Investment was not acquired by such Person in contemplation of such merger or consolidation;

(2) Investments in the Company by any Restricted Subsidiary;

(3) Investments in cash and Cash Equivalents;

(4) loans and advances to employees, officers and directors of the Company and the Restricted Subsidiaries in the ordinary course of business for bona fide business purposes and to purchase Capital Stock of the Company (or any direct or indirect parent of the Company) not in excess of an aggregate of \$25.0 million at any one time outstanding;

(5) Commodity Agreements, Currency Agreements and Interest Swap Obligations entered into in the ordinary course of the Company’s or a Restricted Subsidiary’s businesses and otherwise in compliance with the Indenture;

(6) Investments in securities of trade creditors or customers received upon foreclosure or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers;

(7) Investments made by the Company or any Restricted Subsidiary as a result of consideration received in connection with an Asset Sale made in compliance with the covenant described under “—Certain Covenants— Limitation on Asset Sales;”

(8) Investments (measured on the date each such Investment was made and without giving effect to subsequent changes in value) in Persons, including, without limitation, Unrestricted Subsidiaries and joint ventures, engaged in a business similar or related to or logical extensions of the businesses in which the Company and the Restricted Subsidiaries are engaged on the Issue Date, not to exceed the greater of (i) \$550.0 million and (ii) 7.5% of Total Assets at the time of such Investment, at any one time outstanding;

(9) Investments (measured on the date each such Investment was made and without giving effect to subsequent changes in value) not to exceed the greater of (i) \$550.0 million and (ii) 7.5% of Total Assets at the time of such Investment, at any one time outstanding;

(10) Investments in a Receivable Entity and Investments consisting of any deferred purchase price or retained interest in any Receivables in connection with any Permitted Factoring Transaction;

(11) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments;

(12) commissions, payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as operating expenses for accounting purposes and that are made in the ordinary course of business;

(13) prepaid expenses, negotiable instruments held for the collection and workers’ compensation, performance and other similar deposits in the ordinary course of business;

(14) lease, utility and other similar deposits in the ordinary course of business;

(15) Investments consisting of the licensing or contribution of patents, trademarks, know-how or other intellectual property in the ordinary course of business;

(16) any Investment in any Subsidiary of the Company or any joint venture in connection with intercompany cash management arrangements or related activities arising in the ordinary course of business;

(17) Guarantees of Indebtedness of the Company or a Restricted Subsidiary permitted to be Incurred under the Indenture;

(18) Investments in existence on the Issue Date; and

(19) Investments consisting of or to finance purchases and acquisitions of inventory, supplies, materials, services or equipment or purchases of contract rights or licenses or leases of intellectual property.

“Permitted Liens” means the following types of Liens:

(1) Liens for taxes, assessments or governmental charges or claims either (A) not delinquent or (B) contested in good faith by appropriate proceedings and, in each case, as to which the Company or any Restricted Subsidiary shall have set aside on its books such reserves as may be required pursuant to U.S. GAAP;

(2) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, material-men, repairmen, construction and other Liens imposed by law Incurred in the ordinary course of business for sums not overdue by more than 30 days or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by U.S. GAAP shall have been made in respect thereof;

(3) Liens on property or shares of Capital Stock of another Person at the time such other Person becomes a Subsidiary of such Person and not Incurred in connection with or in contemplation thereof; *provided, however*, that the Liens may not extend to any other property owned by such Person or any of its Restricted Subsidiaries (and assets and property affixed or appurtenant thereto);

(4) Liens on property at the time such Person or any of its Subsidiaries acquires the property and not Incurred in connection with or in contemplation thereof, including any acquisition by means of a merger or consolidation with or into such Person or a Subsidiary of such Person; *provided, however*, that the Liens may not extend to any other property owned by such Person or any of its Restricted Subsidiaries (and assets and property affixed or appurtenant thereto);

(5) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company or any Restricted Subsidiary;

(6) any interest or title of a lessor under any lease;

(7) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(8) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(9) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(10) easements, rights-of-way, zoning restrictions, minor survey exceptions and encumbrances and other similar charges or restrictions or encumbrances in respect of real property or immaterial imperfections of title which do not, in the aggregate, impair in any material respect the ordinary conduct of the business of the Company and the Restricted Subsidiaries taken as a whole;

(11) interest or title of a lessor under any Capitalized Lease Obligation; *provided* that such Liens do not extend to any property or asset which is not leased property subject to such Capitalized Lease Obligation;

(12) purchase money Liens securing Indebtedness Incurred to finance property or assets of the Company or any Restricted Subsidiary acquired in the ordinary course of business, and Liens securing Indebtedness which Refinances any such Indebtedness; *provided, however*, that (A) the related Purchase Money Indebtedness (or Refinancing Indebtedness) shall not exceed the cost of such property or assets and shall not be secured by any property or assets of the Company or any Restricted Subsidiary other than the property and assets so acquired (and assets affixed or appurtenant thereto) and (B) the Lien securing the Purchase Money Indebtedness shall be created within 180 days after such acquisition;

(13) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(14) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(15) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual or warranty requirements of the Company or any of the Restricted Subsidiaries, including rights of offset and set-off;

(16) Liens securing Indebtedness Incurred pursuant to Credit Facilities in accordance with clause (i) of the second paragraph of the covenant described as "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness;"

(17) Liens securing Interest Swap Obligations which Interest Swap Obligations relate to Indebtedness that is otherwise permitted under the Indenture;

(18) Liens securing Indebtedness and other Obligations under Commodity Agreements, Currency Agreements and Cash Management Obligations, in each case permitted under the Indenture;

(19) Liens securing Acquired Indebtedness Incurred in accordance with the covenant described under "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness;" *provided* that (A) such Liens secured the Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and were not granted in connection with, or in anticipation of, the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and (B) such Liens do not extend to or cover any property or assets of the Company or of any of the Restricted Subsidiaries other than the property or assets that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Restricted Subsidiary;

(20) Liens securing Indebtedness of Foreign Subsidiaries Incurred in accordance with the Indenture; *provided* that such Liens do not extend to any property or assets other than property or assets of Foreign Subsidiaries;

(21) Liens Incurred in connection with a Qualified Receivables Transaction or a Permitted Factoring Transaction;

(22) Liens Incurred to secure Obligations; *provided* that, at the time of Incurrence and after giving *pro forma* effect thereto, the Obligations secured by such Liens do not exceed the greater of (A) \$300.0 million and (B) 5.0% of Total Assets;

(23) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(24) Liens of franchisors in the ordinary course of business not securing Indebtedness;

(25) Liens on the Capital Stock of Unrestricted Subsidiaries;

(26) Liens on equipment of the Company or any Restricted Subsidiary granted in the ordinary course of business to the Company's or such Restricted Subsidiary's client at which such equipment is located;

(27) Liens (i) in favor of credit card companies pursuant to agreements therewith and (ii) in favor of customers;

(28) Liens arising from filing of Uniform Commercial Code or similar state law financing statements regarding leases; and

(29) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods.

"Person" means an individual, partnership, corporation, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"Preferred Stock" of any Person means any Capital Stock of such Person that has preferential rights to any other Capital Stock of such Person with respect to dividends or redemptions or upon liquidation.

"Purchase Money Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary Incurred for the purpose of financing all or any part of the purchase price or the cost of an Asset Acquisition or construction or improvement of any property; *provided* that the aggregate principal amount of such Indebtedness does not exceed such purchase price or cost.

"Qualified Capital Stock" means any Capital Stock that is not Disqualified Capital Stock.

"Qualified Receivables Transaction" means any transaction or series of transactions entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries sells, conveys or otherwise transfers to (1) a Receivables Entity (in the case of a transfer by the Company or any of its Subsidiaries) or (2) any other Person (in the case of a transfer by a Receivables Entity), or transfers an undivided interest in or grants a security interest in, any Receivables Assets (whether now existing or arising in the future) of the Company or any of its Subsidiaries.

"Rating Agencies" means Moody's and S&P and Fitch; *provided* that if S&P, Moody's, Fitch or any Successor Rating Agency (as defined below) shall cease to be in the business of providing rating services for debt securities generally, the Company shall be entitled to replace any such Rating Agency or Successor Rating Agency, as the case may be, which has ceased to be in the business of providing rating services for debt securities generally with a security rating agency which is in the business of providing rating services for debt securities generally and which is nationally recognized in the United States (such rating agency, a **"Successor Rating Agency"**).

“Receivables” means any right to payment of the Company or any Restricted Subsidiary created by or arising from sales of goods, leases of goods or the rendition of services rendered no matter how evidenced whether or not earned by performance (whether constituting accounts, general intangibles, chattel paper or otherwise).

“Receivables Assets” means any accounts receivable and any assets related thereto, including, without limitation, all collateral securing such accounts receivable and assets and all contracts and contract rights, and all guarantees or other supporting obligations (within the meaning of the New York Uniform Commercial Code Section 9-102(a)(77)) (including Hedging Obligations), in respect of such accounts receivable and assets and all proceeds of the foregoing and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitization transactions involving Receivables Assets.

“Receivables Entity” means a Subsidiary of the Company (or another Person formed for the purposes of engaging in a Qualified Receivables Transaction in which the Company or any of its Subsidiaries makes an Investment and to which the Company or any of its Subsidiaries transfers Receivables Assets) which engages in no activities other than in connection with the financing of Receivables Assets of the Company or its Subsidiaries, and any business or activities incidental or related to such financing, and which is designated by the Board of Directors of the Company or of such other Person (as provided below) to be a Receivables Entity (a) no portion of the Indebtedness or any other Obligations (contingent or otherwise) of which (1) is guaranteed by the Company or any Subsidiary of the Company (excluding guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Receivables Undertakings), (2) is recourse to or obligates the Company or any Subsidiary of the Company in any way other than pursuant to Standard Receivables Undertakings or (3) subjects any property or asset of the Company or any Subsidiary of the Company (other than Receivables Assets and related assets as provided in the definition of “Qualified Receivables Transaction”), directly or indirectly, contingently or otherwise, to the satisfaction thereof other than pursuant to Standard Receivables Undertakings, (b) with which neither the Company nor any Subsidiary of the Company has any material contract, agreement, arrangement or understanding (other than on terms which the Company reasonably believes to be no less favorable to the Company or such Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company) other than fees payable in the ordinary course of business in connection with servicing Receivables Assets, and (c) with which neither the Company nor any Subsidiary of the Company has any obligation to maintain or preserve such entity’s financial condition or cause such entity to achieve certain levels of operating results.

“Receivables Repurchase Obligation” means any obligation of a seller of Receivables Assets in a Qualified Receivables Transaction to repurchase Receivables Assets arising as a result of a breach of a Standard Receivables Undertaking, including as a result of a Receivables Asset or portion thereof becoming subject to any asserted defense, dispute, off set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“Reference Date” has the meaning set forth under “—Certain Covenants—Limitation on Restricted Payments.”

“Refinance” means in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue a security or Indebtedness in exchange or replacement for, such security or Indebtedness in whole or in part.

“Refinanced” and **“Refinancing”** shall have correlative meanings.

“Refinancing Indebtedness” means any Refinancing by the Company or any Restricted Subsidiary of Indebtedness, in each case that does not:

(1) result in an increase in the aggregate principal amount of any Indebtedness of such Person as of the date of the completion of all components of such proposed Refinancing (provided such completion occurs within

90 days of the initial Incurrence of Indebtedness in connection with such Refinancing) (plus the amount of any premium reasonably necessary to Refinance such Indebtedness and plus the amount of reasonable expenses Incurred by the Company in connection with such Refinancing); or

(2) create Indebtedness with (A) a Weighted Average Life to Maturity that is less than the Weighted Average Life to Maturity of the Indebtedness being Refinanced or (B) a final maturity earlier than the final maturity of the Indebtedness being Refinanced;

provided that (x) if such Indebtedness being Refinanced is Indebtedness of the Company, the Issuer and/or a Subsidiary Guarantor, then such Refinancing Indebtedness shall be Indebtedness solely of the Company, the Issuer and/or such Subsidiary Guarantor and (y) if such Indebtedness being Refinanced is subordinate or junior to the notes or any Note Guarantee, then such Refinancing Indebtedness shall be subordinate in right of payment to the notes or such Note Guarantee, as the case may be, at least to the same extent and in the same manner as the Indebtedness being Refinanced.

“Replacement Assets” means assets and property that will be used in the business of the Company and/or its Restricted Subsidiaries as existing on the Issue Date or in a business the same, similar or reasonably related thereto or in an unrelated business to the extent that it is not material in size as compared to the business of the Company and its Restricted Subsidiaries taken as a whole (including Capital Stock of a Person which becomes a Restricted Subsidiary).

“Responsible Officer” means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee (or any successor group of the Trustee), including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject.

“Restricted Payment” has the meaning set forth under “—Certain Covenants—Limitation on Restricted Payments.”

“Restricted Subsidiary” means any Subsidiary of the Company that has not been designated by the Board of Directors of the Company, by a Board Resolution delivered to the Trustee, as an Unrestricted Subsidiary pursuant to and in compliance with the covenant described under “—Certain Covenants—Limitation on Designations of Unrestricted Subsidiaries.” Any such Designation may be revoked by a Board Resolution of the Company delivered to the Trustee, subject to the provisions of such covenant. For the avoidance of doubt, the Issuer will be a Restricted Subsidiary.

“Reversion Date” has the meaning set forth under “—Covenant Suspension.”

“Revocation” has the meaning set forth under “—Certain Covenants—Limitation on Designations of Unrestricted Subsidiaries.”

“S&P” means Standard & Poor’s Ratings Services, a division of McGraw Hill Financial, Inc., or any successor to its rating agency business.

“Sale and Leaseback Transaction” means any direct or indirect arrangement with any Person or to which any such Person is a party, providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person from whom funds have been or are to be advanced on the security of such property.

“Secured Indebtedness Leverage Ratio” means, as of the date of determination, the ratio of:

(x) (i) the aggregate amount of, without duplication, (A) Indebtedness of the Company and the Restricted Subsidiaries that is secured by Liens on any assets of the Company or any of the Restricted Subsidiaries, *minus* (ii) the aggregate amount of unrestricted cash and Cash Equivalents of the Company and the Restricted Subsidiaries, to (y) the aggregate amount of Consolidated EBITDA for the Four Quarter Period ending on or prior to the Transaction Date, in each case with such *pro forma* adjustments to Indebtedness, unrestricted cash and Cash Equivalents and Consolidated EBITDA as are appropriate and consistent with the *pro forma* adjustment provisions set forth in the definition of Consolidated Fixed Charge Coverage Ratio.

“Securities Act” means the Securities Act of 1933, as amended, or any successor statute or statutes thereto, and the rules and regulations of the Commission promulgated thereunder.

“Significant Subsidiary” means, with respect to any Person, any Restricted Subsidiary of such Person that satisfies the criteria for a “significant subsidiary” set forth in Rule 1.02(w) of Regulation S-X under the Securities Act.

“Standard Receivables Undertakings” means representations, warranties, covenants and indemnities entered into by the Company or any Subsidiary of the Company which are customary in a Qualified Receivables Transaction, including, without limitation, those relating to the servicing of the assets of a Receivables Entity, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Receivables Undertaking.

“Subordinated Indebtedness” means Indebtedness as to which the payment of principal (and premium, if any) and interest and other payment obligations is subordinate or junior in right of payment by its terms to the notes or the Note Guarantees of the Issuer, the Company or a Subsidiary Guarantor, as applicable.

“Subsidiary,” with respect to any Person, means (1) any corporation of which the outstanding Capital Stock having at least a majority of the votes entitled to be cast in the election of directors under ordinary circumstances shall at the time be owned, directly or indirectly, by such Person or (2) any other Person of which at least a majority of the voting interest under ordinary circumstances is at the time, directly or indirectly, owned by such Person.

“Subsidiary Guarantor” means each Restricted Subsidiary that in the future is required to or executes a Guarantee pursuant to the covenant described under “—Certain Covenants—Future Subsidiary Guarantors” or otherwise; provided that any Person constituting a Subsidiary Guarantor as described above shall cease to constitute a Subsidiary Guarantor when its Note Guarantee is released in accordance with the terms of the Indenture.

“Surviving Entity” has the meaning set forth under “—Certain Covenants—Merger, Consolidation and Sale of Assets.”

“Suspended Covenants” has the meaning set forth under “—Covenant Suspension.”

“Suspension Date” has the meaning set forth under “—Covenant Suspension.”

“Suspension Period” has the meaning set forth under “—Covenant Suspension.”

“TIA” means the Trust Indenture Act of 1939, as amended.

“Total Assets” means the total consolidated assets of the Company and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Company required to be provided to the Trustee, calculated on a

pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations by the Company and its Restricted Subsidiaries subsequent to such date and on or prior to the date of determination.

“Total Debt” means, at any date of determination, the aggregate amount of all outstanding Indebtedness of the Company and its Subsidiaries determined on a consolidated basis in accordance with U.S. GAAP.

“Total Foreign Assets” means the total assets of the Foreign Subsidiaries, as shown on the most recent balance sheet, calculated on a *pro forma* basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations by the Foreign Subsidiaries subsequent to such date and on or prior to the date of determination.

“Total Leverage Ratio” means, as of the date of determination, the ratio of (a) Total Debt to (b) Consolidated EBITDA for the Four Quarter Period ending on or prior to the Transaction Date, in each case with such *pro forma* adjustments to Total Debt and Consolidated EBITDA as are appropriate and consistent with the *pro forma* adjustment provisions set forth in the definition of Consolidated Fixed Charge Coverage Ratio.

“Transaction Date” has the meaning set forth in the definition of Consolidated Fixed Charge Coverage Ratio.

“Unrestricted Subsidiary” means any Subsidiary of the Company designated as such pursuant to and in compliance with the covenant described under “—Certain Covenants—Limitation on Designations of Unrestricted Subsidiaries.” Any such designation may be revoked by a Board Resolution of the Company delivered to the Trustee, subject to the provisions of such covenant.

“U.S. GAAP” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, which are in effect as of the Issue Date.

“Voting Stock” of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years obtained by dividing (A) the then outstanding aggregate principal amount of such Indebtedness into (B) the sum of the total of the products obtained by multiplying (I) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by (II) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

“Wholly Owned Restricted Subsidiary” of the Company means any Restricted Subsidiary of which all the outstanding voting securities (other than in the case of a Foreign Subsidiary, directors’ qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) are owned by the Company or any other Wholly Owned Restricted Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

General

Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “Rule 144A Global Note”). Notes sold to persons outside the United States in reliance on Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “Regulation S Global Note” and, together with the Rule 144A Global Note, the “Global Notes”). On the Issue Date, the Global Notes will be deposited with a common depository and registered in the name of the nominee of the common depository for the account of Euroclear and Clearstream, Luxembourg.

Ownership of interests in the Rule 144A Global Note (the “Rule 144A Book Entry Interests”) and ownership of interests in the Regulation S Global Note (the “Regulation S Book Entry Interests” and, together with the Rule 144A Book Entry Interests, the “Book Entry Interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream, Luxembourg or persons that hold interests through such participants. Euroclear and Clearstream, Luxembourg will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, Book Entry Interests will not be issued in definitive form.

Book Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in Book Entry form by Euroclear and Clearstream, Luxembourg and their participants. The Book Entry interests will not be held in definitive form. Instead Euroclear and Clearstream, Luxembourg will credit on their Book Entry transfer and registration systems a participants account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book Entry Interests. In addition, while the Notes are in global form, holders of Book Entry Interests will not be considered the owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream, Luxembourg (or their respective nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, Luxembourg, and indirect participants must rely on the procedures of Euroclear and Clearstream, Luxembourg and the participants through which they own Book Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

Neither the Issuer nor the Trustee will have any responsibility, or be liable, for any aspect of the records relating to the Book Entry Interests.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book Entry Interests will receive Definitive Registered Notes only in the following circumstances:

- (i) if Euroclear or Clearstream, Luxembourg notifies the Issuer that it is unwilling or unable to continue to act as depository or has ceased to be a clearing agency required under the Luxembourg Stock Exchange and, in either case, a successor depository is not appointed by the Issuer within 120 days; or
- (ii) the owner of a Book Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream, Luxembourg following an Event of Default under the Indenture and enforcement action is being taken in respect thereof under the Indenture.

Euroclear and Clearstream, Luxembourg have advised the Issuer that upon request by an owner of a Book Entry Interest described in the immediately preceding clause (ii), their current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream, Luxembourg or the Issuer, as applicable (in accordance with its respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in “Notice to Investors” and the Indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream, Luxembourg.

The Issuer will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Notes, (ii) any date fixed for redemption of the Notes, or (iii) the date fixed for selection of the Notes to be redeemed in part. Also, the Issuer is not required to register the transfer or exchange of any Notes selected for redemption or which the holder has tendered (and not withdrawn) for repurchase in connection with a change of control offer or asset sale offer. In the event of the transfer of any Definitive Registered Note, the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as will be described in the Indenture. The Issuer may require a holder to pay any transfer taxes and fees required by law and permitted by the Indenture and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such a Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated and is surrendered to the Registrar or at the office of a transfer agent, the Issuer will issue and the Trustee will authenticate a replacement Definitive Registered Note if the Trustee’s and the Issuer’s requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect themselves, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by it in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer, in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged only after the transferor first delivers to the relevant Trustee a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See “Notice to Investors.”

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, Luxembourg, as applicable, will redeem an equal amount of the Book Entry Interests in such Global Note from

the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book Entry Interests will be equal to the amount received by Euroclear and Clearstream, Luxembourg, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, Luxembourg, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream, Luxembourg will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate, provided, however, that no Book Entry Interest of less than €100,000 principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the custodian or its nominee for Euroclear and Clearstream, Luxembourg. The common depositary will distribute such payments to participants in accordance with their customary procedures. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holders of the Global Notes (e.g., Euroclear or Clearstream, Luxembourg (or their respective nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream, Luxembourg or any participant or indirect participant relating to, or payments made on account of, a Book Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream, Luxembourg or any participant or indirect participant relating to, or payments made on account of, a Book Entry Interest;
- any other matter relating to the actions and practices of Euroclear, Clearstream, Luxembourg or any participant or indirect participant or any participant or indirect participant; or
- the records of the common depositary.

Payments by participants to owners of Book Entry interests held through participants are the responsibility of such participant.

Currency of payments on Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of the Notes will be paid to holders of interests in the Notes through Euroclear and/or Clearstream, Luxembourg in euro.

Action by owners of Book Entry Interests

Euroclear and Clearstream, Luxembourg have advised us that they will take any action permitted to be taken by a holder of a Note (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream, Luxembourg will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, Euroclear and Clearstream, Luxembourg, at the request of the holders of such Notes, reserve the right to exchange the Global Notes for definitive registered Notes in certificated form (the "Definitive Registered Notes"), and to distribute such Definitive Registered Notes to their participants.

Transfers

Transfers between participants in Euroclear or Clearstream, Luxembourg will be effected in accordance with Euroclear and Clearstream, Luxembourg's rules and will be settled in immediately available funds. If a holder of a Note requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states that require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream, Luxembourg and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth under "Notice to Investors." Book Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "Notice to Investors."

Transfers of Rule 144A Book Entry Interests to persons wishing to take delivery of Rule 144A Book Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act or any other exemption (if available under the Securities Act).

Regulation S Book Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Notice to Investors" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book Entry Interest for a Rule 144A Book Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book Entry Interests in a Global Note only as described under "Description of the Notes—Transfer and Exchange" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to the Notes. See "Notice to Investors."

Any Book Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book Entry Interest in any other Global Note will, upon transfer, cease to be a Book Entry Interest in the first mentioned Global Note and become a Book Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book Entry Interests in such other Global Note for as long as it remains such a Book Entry Interest.

Pledges

Because Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a Book Entry Interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream, Luxembourg systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited.

Information concerning Euroclear and Clearstream, Luxembourg

All Book Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, Luxembourg, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. None of the Issuer nor the Initial Purchasers are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream, Luxembourg: Euroclear and Clearstream, Luxembourg hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream, Luxembourg interface with domestic securities markets. Euroclear and Clearstream, Luxembourg participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream, Luxembourg participant, either directly or indirectly.

Because Euroclear and Clearstream, Luxembourg can act only on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream, Luxembourg system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream, Luxembourg systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream, Luxembourg participants.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Euroclear or Clearstream, Luxembourg on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Euroclear and/or Clearstream, Luxembourg on the same business day as in the United States. United States investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Brussels, if Euroclear is used, or in Luxembourg, if Clearstream, Luxembourg is used.

Global clearance and settlement under the book entry system

The Notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange. It is expected that permission to deal in the Notes on the Official List of the Luxembourg Stock Exchange will be granted. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream, Luxembourg currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee or the

Paying Agent will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial settlement

Initial settlement for the Notes will be made in euro. Book Entry Interests owned through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream, Luxembourg holders on the business day following the settlement date against payment for value as of the settlement date.

Secondary market trading

The Book Entry Interests will trade through participants of Euroclear and Clearstream, Luxembourg and will settle in same day funds. Because the time of purchase determines the place of delivery, it is important to establish the location of both the seller and buyer's accounts when the trade occurs in order to ensure settlement can be made on the desired value date.

TAXATION

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations of the acquisition, ownership and disposition of the notes by U.S. Holders (as defined below) who acquire the notes pursuant to this offering at the price indicated on the cover of this offering memorandum. The following discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. judicial decisions, administrative pronouncements and final, temporary and proposed Treasury regulations (“Treasury Regulations”)—all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, which may result in U.S. federal income tax considerations different from those discussed below. In addition, we have not requested, and will not request, a ruling from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal income tax considerations described below. As a result, there can be no assurance that the IRS or a court considering these issues will not disagree with or challenge any of the conclusions we have reached and described herein.

This discussion is not a complete analysis or description of all of the possible tax considerations of such transactions and does not address all tax considerations that might be relevant to particular U.S. Holders in light of their personal circumstances or to persons that are subject to special tax rules. In particular, the information set forth below deals only with U.S. Holders that hold the notes as capital assets for U.S. federal income tax purposes (generally, property held for investment). This description of certain U.S. federal income tax considerations does not address the tax treatment of special classes of U.S. Holders, such as:

- financial institutions,
- regulated investment companies,
- real estate investment trusts,
- partnerships or other pass-through entities (or investors in such entities),
- tax-exempt entities,
- insurance companies,
- persons holding the notes as part of a hedging, integrated, conversion, constructive sale, “straddle” or other risk reduction transaction,
- U.S. expatriates,
- U.S. Holders, as defined below, whose functional currency is not the U.S. dollar,
- persons subject to the alternative minimum tax,
- persons holding the notes through a qualified retirement plan, individual retirement account or other tax-deferred account, and
- dealers or traders in securities or currencies.

This summary does not address any aspects of U.S. federal tax law other than income taxation and does not consider the Medicare contribution tax on certain net investment income nor tax considerations under any state, local or foreign laws.

For purposes of this discussion, you are a “U.S. Holder” if you are a beneficial owner of notes and you are (1) an individual who is a citizen or a resident of the United States, as determined for U.S. federal income tax purposes, (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (4) a trust (A) if a court

within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have authority to control all substantial decisions of the trust, or (B) that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

If an entity treated as a partnership for U.S. federal income tax purposes holds notes, the tax treatment of a partner or other owner will generally depend upon the status of the partner (or other owner) and the activities of the entity. If you are a partner (or other owner) of such an entity considering an investment in the notes, you are urged to consult your tax advisor regarding the tax considerations of the acquisition, ownership and disposition of notes.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any U.S. Holder or prospective U.S. Holder of notes, and no opinion or representation with respect to the U.S. federal income tax considerations to any such U.S. Holder or prospective U.S. Holder is given. We urge you to consult your own tax advisor regarding the application of U.S. federal, state and local tax laws, as well as any applicable foreign tax laws, to your particular situation.

Payments of Stated Interest

Subject to the possible treatment of the notes as contingent payment debt instruments (see “—Contingent Payments,” below), stated interest on a note (including the amount, if any, required to be withheld under applicable law) generally will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued in accordance with the U.S. Holder’s usual method of accounting for U.S. federal income tax purposes. Subject to certain limitations, a U.S. Holder may be entitled to deduct, or claim a U.S. foreign tax credit for, the amount of any Luxembourg taxes that are withheld from interest paid to such U.S. Holder.

Interest income on the notes will generally be foreign source income. For purposes of computing the U.S. foreign tax credit allowable to U.S. Holders, this income is generally classified as “passive category income.” However, in the case of certain U.S. Holders, interest income on the notes will be classified as foreign source “general category income.” The rules governing the U.S. foreign tax credit, including those governing the determination of the source of income and its classification are complex. U.S. Holders are therefore urged to consult their own tax advisors regarding the application of the U.S. foreign tax credit in their particular circumstances.

A U.S. Holder who uses the cash method of accounting for U.S. federal income tax purposes and who receives a payment of stated interest in euro (including a payment attributable to accrued but unpaid stated interest upon the sale, exchange, retirement or other taxable disposition of the note) will be required to include in income the U.S. dollar value of the euro payment received (determined based on the spot rate of exchange on the date the payment is received), regardless of whether the payment is in fact converted to U.S. dollars at that time. A cash basis U.S. Holder will not realize foreign currency exchange gain or loss on the receipt of stated interest income but may recognize exchange gain or loss attributable to the actual disposition of the euro received.

A U.S. Holder who uses the accrual method of accounting for U.S. federal income tax purposes will accrue stated interest income in euro and translate that amount into U.S. dollars based on the average spot rate of exchange in effect for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within the applicable taxable year. Alternatively, an accrual method U.S. Holder may elect to translate stated interest income received in euro into U.S. dollars at the spot rate of exchange on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate of exchange on the last day of such partial accrual period) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate of exchange on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments held by the U.S. Holder from year to year and cannot change the election without the consent of the IRS.

A U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize foreign currency exchange gain or loss with respect to accrued euro-denominated stated interest income on the date the interest payment (or proceeds from a sale, exchange, retirement or other taxable disposition attributable to accrued but unpaid stated interest) is actually received. The amount of foreign currency exchange gain or loss recognized will equal the difference between the U.S. dollar value of the euro payment received (determined based on the spot rate of exchange on the date the payment is received) in respect of the accrual period and the U.S. dollar value of stated interest income that has accrued during the accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars. This foreign currency gain or loss generally will be treated, for U.S. foreign tax credit purposes, as U.S. source ordinary income or loss and generally will not be treated as an adjustment to interest income or expense.

Original Issue Discount

A note with a term that exceeds one year will constitute a discount note issued with original issue discount (“OID”) if the stated redemption price at maturity of the note exceeds its issue price by more than a statutory de minimis amount (0.25% of the “stated redemption price at maturity” multiplied by the number of complete years from the issue date of the note to its maturity). A note’s “issue price” generally is the first price at which a substantial amount of the notes are sold to the public, excluding sales to bond houses, brokers, or similar persons or organizations acting in the capacity of initial purchasers, placement agents or wholesalers. The “stated redemption price at maturity” of a note is the total of all payments provided by the note that are not payments of “qualified stated interest.” Generally, an interest payment on a note is “qualified stated interest” if it is one of a series of stated interest payments on a note that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the note.

It is not expected that the notes will be issued with OID. If, however, the stated redemption price of a note exceeds its issue price by more than the statutory de minimis amount, you will be required to treat such excess amount as OID, and will be required to include any OID in gross income (as ordinary income) for U.S. federal income tax purposes as it accrues on a constant “yield to maturity” basis, possibly before the receipt of cash payments attributable to the OID and regardless of your regular method of accounting for U.S. federal income tax purposes. Your adjusted tax basis in a note would be increased by the amount of any OID with respect to such note included in your gross income. In compliance with Treasury Regulations, if we determine that the notes have OID, we will provide certain information to the IRS and/or you that is relevant to determining the amount of OID in each accrual period.

Contingent Payments

In certain circumstances, (see “Description of the Notes—Payment of Additional Amounts” and “Description of the Notes—Change of Control”) we may be obligated to pay amounts in excess of stated interest or principal on the notes in the event of a Change of Control or other circumstances, including as a result of as the required redemption of the notes. If such payments are treated for U.S. federal income tax purposes as subject to either a remote or incidental contingency, the tax considerations of your acquisition, ownership and disposition of the notes pursuant to this offering would be as provided for in the rest of this discussion. If, however, the contingencies relating to one or more of such payments are treated as neither remote nor incidental, the notes would be treated as contingent payment debt instruments (“CPDIs”).

There is no specific guidance as to when a contingency is remote or incidental. We intend to take the position that the contingencies relating to payments upon a Change of Control or other circumstances are remote or incidental for purposes of the CPDI rules. Our determination that these contingencies are remote or incidental is binding on you, unless you disclose your contrary position in the manner required by applicable Treasury Regulations. Our determination is not, however, binding on the IRS, and the IRS may challenge these determinations. If the notes were deemed to be CPDIs, a U.S. Holder would be required to accrue certain

contingent payments as interest income on a constant yield basis at an assumed yield determined at the time of issuance of the notes. Adjustments to this annual accrual amount would be required in the event contingent payments whose amount differs from the payments as originally calculated are made. Furthermore, a U.S. Holder would generally be required to treat any gain recognized on the sale or other disposition of the notes as ordinary income rather than as capital gain. The remainder of this discussion assumes that the notes will not be considered CPDIs for U.S. federal income tax purposes. The Treasury Regulations applicable to contingent payment debt instruments have not been the subject of authoritative interpretation, however, and the scope of the regulations is not certain. Each U.S. Holder is urged to consult their own tax advisor regarding the possible application of the CPDI rules.

Sale, Exchange, Retirement or other Taxable Disposition of the Notes

You will generally recognize capital gain or loss upon the sale, exchange, retirement or other taxable disposition of your notes in an amount equal to the difference between (i) the amount realized (other than amounts attributable to accrued but unpaid interest, which amount will be taxable as ordinary income to the extent not previously included in income), and (ii) your adjusted tax basis in your notes at the time of the sale, exchange, retirement or other taxable disposition. The amount realized on the sale, exchange or other taxable disposition of a note for an amount of foreign currency will generally be the U.S. dollar value of that amount based on the spot exchange rate on the date payment is received or the note is disposed of. If the note is traded on an established securities market, a cash basis taxpayer (and if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the amount realized on the settlement date of the disposition. Your adjusted tax basis for a note will generally be the price you paid for the note, increased by the amount of OID, if any, previously included in income with respect to the note, and decreased by the amount of any payments (other than payments of qualified stated interest) on the notes. The cost of a note purchased with foreign currency will be the U.S. dollar value of the foreign currency purchase price on the date of purchase, calculated at the spot exchange rate in effect on that date. If the note is traded on an established securities market, a cash basis taxpayer (and if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the cost of the note at the spot rate on the settlement date of the purchase. If an accrual method taxpayer makes the election described above, such election must be applied consistently to all debt instruments held by the U.S. Holder and cannot be changed without the consent of the IRS. If a note is not traded on an established securities market (or, if a note is so traded, but a U.S. Holder is an accrual basis taxpayer that has not made the settlement date election), a U.S. Holder generally will recognize foreign currency exchange gain or loss (generally taxable as ordinary income or loss not treated as an adjustment to interest income or expense) to the extent that the U.S. dollar value of the foreign currency received (based on the spot rate of exchange on the settlement date) differs from the U.S. dollar value of the amount realized.

Except with respect to foreign currency exchange gain or loss discussed below, any gain or loss recognized on a sale, exchange, retirement or other taxable disposition of the note generally will be capital gain or loss. If, at the time of the sale, exchange, retirement or other taxable disposition of the note, you are treated as holding the note for more than one year, this capital gain or loss will be long-term capital gain or loss. Otherwise, this capital gain or loss will be short-term capital gain or loss. If you are a non-corporate U.S. Holder, you may be eligible for a reduced rate of taxation on long-term capital gain. The deductibility of capital losses is subject to limitations.

Gain or loss on the sale, exchange, retirement or other taxable disposition of a note generally will be treated as U.S. source income or loss for U.S. federal income tax purposes, including for purposes of computing the U.S. foreign tax credit allowable to you, unless such gain or loss is derived from an office or other fixed place of business outside of the United States and certain other conditions are met.

Gain or loss realized upon the sale, exchange, retirement or other taxable disposition of a note that is attributable to fluctuations in currency exchange rates will generally be U.S. source ordinary income or loss not treated as an adjustment to interest income or expense. Gain or loss attributable to fluctuations in currency

exchange rates generally will equal the difference, if any, between (i) the U.S. dollar value of the purchase price for the note, determined at the spot rate of exchange on the date the note is disposed of, and (ii) the U.S. dollar value of the purchase price for the note, determined at the spot rate of exchange on the date the note was acquired (or, in each case, determined on the settlement date if the notes are traded on an established securities market and the holder is either a cash basis or an electing accrual basis holder). Any foreign currency exchange gain or loss (including with respect to accrued interest) will be recognized only to the extent of the total gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of the note.

Receipt of Euros

A U.S. Holder will receive euro in payment for interest and principal. The tax basis of any euro received by a U.S. Holder generally will equal the U.S. dollar equivalent of such euro at the spot exchange rate on the date the euro are received. Upon any subsequent exchange of euro for U.S. dollars, a U.S. Holder generally will recognize foreign currency gain or loss equal to the difference between the amount of U.S. dollars received and the U.S. Holder's tax basis in the euro. Upon any subsequent exchange of euro for property, a U.S. Holder generally will recognize foreign currency gain or loss equal to the difference between the U.S. dollar value of the euro exchanged for such property based on the U.S. dollar spot exchange rate for euro on the date of the exchange and the U.S. Holder's tax basis in the euro so exchanged. Any such exchange gain or loss generally will be treated as U.S.-source ordinary income or loss.

Tax Return Disclosure Requirement

A U.S. Holder that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. holder may be required to treat a foreign currency exchange loss as a reportable transaction if the loss exceeds \$50,000 in a single taxable year if the U.S. Holder is an individual or trust, or higher amounts for other U.S. Holders. In the event the acquisition, ownership or disposition of a note constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Holder will be required to disclose its investment to the IRS, currently on Form 8886. U.S. Holders should consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of notes.

Information Reporting and Backup Withholding

Payments of interest on a note made within the United States (including payments made by wire transfer from outside the United States to an account you maintain in the United States) and a payment of the proceeds from the sale, exchange, redemption, retirement or other taxable disposition of a note effected at a U.S. office of a broker generally will be subject to information reporting. Backup withholding, currently at a rate of 24%, will generally apply if you: (a) fail to provide a correct taxpayer identification number, which, if you are an individual, would generally be your social security number (generally on an IRS Form W-9); (b) provide an incorrect taxpayer identification number; (c) are notified by the IRS that you have previously failed to properly report payment of interest or dividends, or (d) fail to certify, under penalty of perjury, that you have furnished your correct taxpayer identification number and that the IRS has not notified you that you are subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld from payments to you under the backup withholding rules will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided the required information is timely furnished to the IRS. You are urged to consult your own tax advisors regarding the application of backup withholding in your particular situation, the availability of an exemption from backup withholding and the procedure for obtaining such an exemption, if available.

Foreign Financial Asset Reporting

Certain U.S. Holders owning "specified foreign financial assets" with an aggregate value in excess of \$50,000 may be required to attach to their annual returns a completed IRS Form 8938, Statement of Specified

Foreign Financial Assets, with respect to such assets (and can be subject to related penalties for failure to file). The definition of “specified foreign financial assets” includes not only a financial account maintained by a foreign financial institution, such as a financial account in which notes are held, but also, if held for investment and not held in an account maintained by a financial institution, any securities issued by a non-U.S. person, such as the notes. U.S. Holders may be subject to these reporting requirements with respect to their notes or the account in which their notes are held unless their notes are held in an account at a domestic financial institution. U.S. Holders are urged to consult their tax advisors regarding the possible implications of this reporting requirement for their investment in the notes.

Certain Luxembourg Tax Considerations

The following is a summary discussion of certain material Luxembourg tax considerations with respect to the notes. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular Holder, and does not purport to include tax considerations that arise from rules of general application or that are generally assumed to be known to Holders. It is not intended to be, nor should it be construed to be, legal or tax advice.

This summary is based on the laws in force in Luxembourg on the date of this offering memorandum and is subject to any change in law that may take effect after such date. Prospective investors in the notes are urged therefore to consult their own advisors with respect to particular circumstances, the effects of state, local or foreign laws to which they may be subject and as to their tax position.

Taxation of the Issuer

The Issuer will be liable for Luxembourg corporation taxes. The Issuer will be subject to a combined tax rate (inclusive of surcharge) of 24.94% (in Luxembourg City) for 2021. Its taxable basis may however be reduced by way of deduction of expenses including interest paid to the Holders.

The Issuer will be subject to the annual net wealth tax (“NWT”) which is levied at a rate of 0.5% (up to a NWT base of €500 million and at a reduced rate of 0.05% for the portion of the net wealth exceeding €500 million, without any cap) on its unitary value computed on the basis of its annual accounts at the closing of the preceding financial year. The Issuer will also be subject to the minimum annual net wealth tax equals to (i) EUR 4,815 for a company whose financial assets, receivables against related companies, transferable securities and cash deposits exceed 90% of total assets and EUR 350,000 or (ii) between EUR 535 and EUR 32,100 depending on the total balance sheet.

Luxembourg Tax Residency of the Holders

Holders will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the notes, or the execution, performance, delivery and/or enforcement of their rights thereunder.

Withholding Tax, Income Tax

Taxation of Interest

There is no withholding tax for Luxembourg residents and non-residents on payments of interest (including accrued but unpaid interest) in respect of the notes, nor is any Luxembourg withholding tax payable on payments received upon repayment of the principal or upon an exchange of notes except that in certain circumstances a withholding tax may be required to be paid on interest pursuant to the law of December 23, 2005, as amended (the “Relibi Law”).

Under the Relibi Law, a withholding tax of 20% applies on savings income in the form of interest paid or secured by a Luxembourg paying agent to the benefit of beneficial owners, who are individuals, resident in

Luxembourg. For an individual holder of notes who is a resident of Luxembourg and who acts in the course of the management of his/her private wealth, the 20% withholding tax is a final levy. The 20% withholding tax also applies on accrued or capitalized interest received upon disposal, redemption, repurchase or conversion of the notes.

Furthermore, a Luxembourg resident individual who acts in the course of the management of his/her private wealth and who is the beneficial owner of an interest payment made by a paying agent established outside Luxembourg in an EU Member State or in a member of the European Economic Area may also, in accordance with the Relibi Law, opt for a final 20% levy (the “20% Levy”). In such case, the 20% Levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents.

A holder of notes is subject to Luxembourg income tax in respect of the interest paid or accrued on the notes only if such holder (i) is or is deemed to be a resident of Luxembourg for tax purposes and the interest falls within the scope of the 20% Levy but the holder has not opted for the application of the 20% Levy, (ii) is or is deemed to be a resident of Luxembourg for tax purposes and the interest has not been received by him/her in the course of the management of his/her private wealth, or (iii) such income is attributable to an enterprise or part thereof, which is carried on through a fixed place of business, a permanent establishment or a permanent representative in Luxembourg.

Responsibility for the withholding of tax in application of the Relibi Law is assumed by the Luxembourg paying agent (within the meaning of the Relibi Law).

Taxation of Capital Gains

Capital gains realized by an individual holder of notes, who acts in the course of the management of his/her private wealth and who is resident in Luxembourg for tax purposes, are not subject to Luxembourg income tax, unless they are speculative gains within the meaning of Luxembourg income tax law. Capital gains on the notes will be speculative gains within the meaning of Luxembourg income tax law and trigger taxation at the Luxembourg full income tax rate if the sales of the notes giving rise to the capital gains occur six months or less after their acquisition or if their disposal precedes their acquisition. For a Luxembourg resident individual holder of notes, the portion of the capital gain corresponding to accrued but unpaid interest will be considered as interest income and will be taxed as described under “—Withholding Tax, Income Tax—Taxation of Interest.”

Capital gains realized by a corporate holder of notes or by an individual holder of notes, who acts in the course of the management of a professional or business undertaking, who is resident in Luxembourg for tax purposes or who has a permanent establishment, a fixed place of business or a permanent representative in Luxembourg, to which the notes are attributable, will be subject to Luxembourg income tax.

Capital gains realized by a non-resident holder of notes, who does not have a permanent establishment, a fixed place of business or a permanent representative in Luxembourg to which the notes or the capital gains realized thereon are attributable, will not be subject to Luxembourg income tax.

Luxembourg holders of notes who benefit from a special tax regime, such as, for example, a UCITS subject to the amended law of December 17, 2010, specialized investment funds governed by the amended law of February 13, 2007 or reserved alternative investments funds not investing exclusively in risk capital subject to the law of July 23, 2016 or family wealth management companies governed by the amended law of May 11, 2007 are exempt from income taxes in Luxembourg and thus income derived from the notes, as well as capital gains realized thereon, are not subject to income taxes.

Registration Taxes

Under current Luxembourg tax laws, no registration tax or similar tax is in principle payable by the Holder of notes upon the acquisition, holding or disposal of the notes. However, a fixed registration duty of EUR 12

may be due in the case (i) where the notes are physically attached to a public deed or to any other document subject to mandatory registration, (ii) where the notes are deposited in the minutes of a notary (déposé au rang des minutes d'un notaire) or (iii) of a registration of the notes on a voluntary basis.

Other Taxes

Luxembourg net wealth tax will not be levied on a Holder of notes unless:

- (i) such Holder is, or is deemed to be, a resident entity in Luxembourg for the purpose of the relevant provisions, with the exception of the following entities that are net wealth tax exempt: (i) a UCITS within the meaning of the law of December 17, 2010, as amended, (ii) an investment company in risk capital ("SICAR") within the meaning of the law dated June 15, 2004, as amended, (iii) a securitization entity within the meaning of the law dated March 22, 2004, as amended, (iv) a reserved alternative investments fund subject to the law of July 23, 2016 ("RAIF"), (v) special investment funds ("SIFs") within the meaning of the law of February 13, 2007, as amended, (vi) family wealth management companies subject to the law of 11 May 2007 related to family wealth management companies, or (vii) a professional pension institution governed by the law of 13 July 2005 on institutions for occupational retirement provision in the form of pension savings companies with variable capital and pension savings associations are exempt from net wealth tax; or
- (ii) such notes are attributable to an enterprise or part thereof, which is carried on through a permanent establishment, a permanent representative or a fixed place of business in Luxembourg.

A minimum net wealth tax may however be due under certain circumstances by certain resident corporate Holders of notes.

No net wealth tax applies to individuals. No estate or inheritance tax is levied on the transfer of notes upon the death of a Holder of notes in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes and no gift tax is levied upon a gift of notes if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg. Where a Holder of notes is resident for tax purposes in Luxembourg at the time of his/her death, the notes are included in its taxable estate for inheritance tax or estate tax purposes.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the notes or in respect of the payment of interest or principal under the notes or the transfer of the notes.

Exchange of Information

Common Reporting Standard

The Organisation for Economic Co-operation and Development ("OECD") has developed a common reporting standard ("CRS") to achieve a comprehensive and multilateral automatic exchange of information on a global basis. A number of jurisdictions (including Luxembourg) signed the OECD's multilateral competent authority agreement ("Agreement") to automatically exchange information under the CRS.

The CRS requires certain financial institutions to report information regarding certain accounts (which may include the notes credited to such accounts) to their 'local tax authority and follow related due diligence procedures. A jurisdiction that has signed the Agreement may provide this information to other jurisdictions that have signed the Agreement.

Consequently, Holders of the notes may be requested to provide certain information and certifications to any financial institutions through which payments on the notes are made.

Holders of notes should consult their professional advisors on the individual impact of CRS.

Foreign Account Tax Compliance

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments they make (“foreign passthrough payments”) to persons that fail to meet certain certification, reporting, or related requirements.

A number of jurisdictions (including Luxembourg) have entered into intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdiction. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the notes, such withholding would not apply before two years after issuance of final regulations defining the term “foreign passthrough payment”.

A foreign financial institution resident in an IGA jurisdiction must comply with specific due diligence procedures to identify its account holders and provide the U.S. Internal Revenue Service (directly or indirectly through its local tax authority) with information on financial accounts held by U.S. persons and recalcitrant account holders.

Consequently, Holders of the notes may be requested to provide certain information and certifications to any financial institutions through which payments on the notes are made. Holders of the notes should consult their professional advisors on the individual impact of FATCA.

Holders of the notes should consult their professional advisors on the individual impact of FATCA.

PLAN OF DISTRIBUTION

Credit Suisse Securities (Europe) Limited and J.P. Morgan Securities plc, are acting as co-lead joint bookrunners, Bank of Montreal, London Branch, Barclays Bank PLC, BofA Securities Europe SA, Citigroup Global Markets Limited, Goldman Sachs International, Mizuho Securities Europe GmbH and RBC Europe Limited, are acting as joint bookrunners, Citizens Capital Markets, Inc., Fifth Third Securities, Inc. and KeyBanc Capital Markets Inc. are acting as co-managers for this offering, and Credit Suisse Securities (Europe) Limited and J.P. Morgan Securities plc are also acting as the representative of the initial purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell to that initial purchaser, the principal amount of notes set forth opposite the initial purchaser's name.

Initial Purchaser	Principal Amount of Notes
Credit Suisse Securities (Europe) Limited	€ 65,000,000
J.P Morgan Securities plc	65,000,000
Bank of Montreal, London Branch	24,000,000
Barclays Bank PLC	24,000,000
BofA Securities Europe SA	24,000,000
Citigroup Global Markets Limited	24,000,000
Goldman Sachs International	24,000,000
Mizuho Securities Europe GmbH	24,000,000
RBC Europe Limited	24,000,000
Citizens Capital Markets, Inc.	9,000,000
Fifth Third Securities, Inc.	9,000,000
KeyBanc Capital Markets Inc.	9,000,000
Total	€325,000,000

The purchase agreement provides that the obligations of the initial purchasers to purchase the notes included in this offering are subject to approval of legal matters by counsel and to other conditions. The initial purchasers are obligated to purchase all the notes if they purchase any of the notes. The offering of the notes by the initial purchasers is subject to receipt and acceptance, and subject to the initial purchasers' right to reject any order in whole or in part.

The initial purchasers propose to resell the notes at the offering price set forth on the cover page of this offering memorandum to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which the notes are offered may be changed at any time without notice. The initial purchasers may offer and sell notes through certain of their affiliates.

The notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

We have agreed that, for a period of 60 days from the closing date of this offering, we will not, without the prior written consent of Credit Suisse Securities (Europe) Limited and J.P. Morgan Securities plc, offer, sell,

contract to sell, pledge, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by us or any affiliate of ours or any person in privity with us or any affiliate of ours), directly or indirectly, including the filing (or participation in the filing) of a registration statement with the SEC in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act, any debt securities issued or guaranteed by us (other than the notes offered hereby) or publicly announce an intention to effect any such transaction. Credit Suisse Securities (Europe) Limited and J.P. Morgan Securities plc in their sole discretion may release any of the securities subject to this lock-up at any time without notice.

The notes will constitute a new class of securities with no established trading market. We do not intend to list the notes on any U.S. national securities exchange. However, we cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the notes will develop and continue after this offering. Certain of the initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the notes.

In connection with the offering, the initial purchasers may purchase and sell notes in the open market. Purchases and sales in the open market may include short sales and purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the initial purchasers of a greater number of notes than they are required to purchase in the offering.
- Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions.
- Stabilizing transactions involve bids to purchase notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the initial purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

In connection with the offering of the notes, J.P. Morgan Securities plc (the “Stabilizing Manager”) (or persons acting on their behalf) may over allot notes or effect transactions with a view to supporting the market price of the notes during the stabilization period at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date of adequate public disclosure of the final price of the notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 calendar days after the date on which the Issuer received the proceeds of the issue and 60 calendar days after the date of the allotment of the notes. Any stabilization action or over allotment must be conducted by the relevant Stabilizing Manager (or persons acting on their behalf) in accordance with all applicable laws and rules and will be undertaken at the offices of the Stabilizing Manager (or persons acting on their behalf) and on the Euro MTF.

The initial purchasers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their affiliates have engaged, and may in the future engage, in investment banking, commercial banking and other financial advisory and commercial dealings with us and our affiliates. They have received (or will receive) customary fees and reimbursement of expenses for these transactions. If any of the initial purchasers or their affiliates has or enters

into a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of the initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, such initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. Affiliates of each of the initial purchasers are lenders under the Revolving Facility, an affiliate of Citigroup Global Markets Limited is the administrative agent and collateral agent under the Revolving Facility, affiliates of Citigroup Global Markets Limited, BofA Securities Europe SA and J.P. Morgan Securities plc acted as issuing banks under the Revolving Facility, Barclays Bank PLC and affiliates of Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, J.P. Morgan Securities plc, BofA Securities Europe SA, Goldman Sachs International, RBC Europe Limited, Bank of Montreal, London Branch and Mizuho Securities Europe GmbH acted as joint lead arrangers and joint bookrunners under the Revolving Facility, affiliates of Citizens Capital Markets, Inc. and KeyBanc Capital Markets Inc. acted as co-syndication agents under the Revolving Facility and an affiliate of Fifth Third Securities, Inc. acted as documentation agent under the Revolving Facility. An affiliate of Citigroup Global Markets Limited is an agent under the Term B Facility. In addition, the initial purchasers or their affiliates may hold some of our outstanding 2024 Notes, and if such notes are tendered by them and purchased by the Company in the Tender Offer, such initial purchasers or their affiliates will receive a portion of the Tender Offer consideration. An affiliate of Citigroup Global Markets Limited is acting as the dealer manager in the Tender Offer and will receive customary compensation in connection therewith. The initial purchasers or their affiliates hold some of the outstanding 2026 Notes, and upon consummation of the 2026 Notes Redemption, such initial purchasers or their affiliates will receive a portion of the proceeds of this offering. The initial purchasers and/or their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We have agreed to indemnify the several initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make because of any of those liabilities.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with the purchase of securities.

We expect that delivery of the notes will be made against payment therefor on or about the tenth business day following the date of confirmation of orders with respect to the notes (this settlement cycle being referred to as “T+10”). Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on or prior to the seventh business day after pricing will be required, by virtue of the fact that the notes initially will settle in T+10, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of notes who wish to trade notes prior to their date of delivery should consult their own advisors.

Notice to Prospective Investors in the European Economic Area

This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the European Economic Area (“EEA”) will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129 (as amended or superseded).

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a “retail investor” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU

(as amended, “MiFID II”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “IDD”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended or superseded, the “Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Each person in a Member State of the EEA who receives any communication in respect of, or who acquires any notes under, the offers to the public contemplated in this offering memorandum, or to whom the notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each initial purchaser and the Issuer that it and any person on whose behalf it acquires notes is not a “retail investor” (as defined above).

Notice to Prospective Investors in the United Kingdom

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

This offering memorandum has been prepared on the basis that any offer of notes the United Kingdom (“UK”) will be made pursuant to an exemption under the UK Prospectus Regulation and the Financial Services and Markets Act 2000 (as amended, the “FSMA”) from the requirement to publish a prospectus for offers of notes. The expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”).

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a “retail investor” means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Each person in the UK who receives any communication in respect of, or who acquires any notes under, the offers to the public contemplated in this offering memorandum, or to whom the notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each initial purchaser and the Issuer that it and any person on whose behalf it acquires notes is not a “retail investor” (as defined above).

Notice to Prospective Investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principals that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) ("Companies (Winding Up and Miscellaneous Provisions) Ordinance") or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("Securities and Futures Ordinance"), or (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA")) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for 6 months after that corporation has acquired the notes under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer in that corporation's securities pursuant to Section 275(1A) of the SFA, (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore ("Regulation 32").

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that trust has acquired the notes under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than \$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32.

Notice to Prospective Investors in Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The notes may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

TRANSFER RESTRICTIONS

Because the following restrictions will apply to the notes unless we (1) cause a registration statement with respect to the resale of such notes to be declared effective under the Securities Act or (2) cause the restrictive legend to be removed from the notes and cause the notes to be freely tradable without a restricted CUSIP number, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of any of the notes. See “Description of the Notes.”

The notes have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold only (1) to persons reasonably believed to be qualified institutional buyers under Rule 144A under the Securities Act and (2) outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act.

Each purchaser of notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us, the Issuer and the initial purchasers as follows:

1. It is not an “affiliate” (as defined in Rule 144 under the Securities Act) and is not acting on our behalf, and it is either a:
 - qualified institutional buyer within the meaning of Rule 144A promulgated under the Securities Act and is aware that any sale of notes to it will be made in reliance on Rule 144A, and such acquisition will be for its own account or for the account of another qualified institutional buyer; or
 - person that, at the time the buy order for the notes was originated, was outside the United States and was not a U.S. person (and was not purchasing for the account or benefit of a U.S. person) within the meaning of Regulation S under the Securities Act.

2. The notes are being offered for resale in a transaction not involving any public offering in the United States within the meaning of the Securities Act. The notes have not been registered under the Securities Act or any U.S. securities laws, and they are being offered for resale in transactions not requiring registration under the Securities Act. The notes may not be reoffered, resold, pledged or otherwise transferred except:
 - to a person whom the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A;
 - in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S;
 - pursuant to the exemption from registration under the Securities Act provided by Rule 144 thereunder (if available);
 - in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to us, if we so request);
 - to the Issuer or us; or
 - pursuant to an effective registration statement under the Securities Act,

and, in each case, in accordance with all applicable U.S. state securities laws.

The purchaser will, and each subsequent holder is required to, notify any subsequent purchaser from it of the resale restrictions set forth in the preceding sentence. No representation is being made as to the availability of the exemption provided by Rule 144 for resale of the notes.

3. It is relying on the information contained in this offering memorandum in making its investment decision with respect to the notes. It acknowledges that no representation or warranty is made by the initial purchasers as

to the accuracy or completeness of such materials. It further acknowledges that neither we, the Issuer nor the initial purchasers, or any person representing any such party, has made any representation to it with respect to us, the Issuer or the offering or sale of any notes other than the information contained in this offering memorandum. It has had access to such financial and other information concerning us, the Issuer and the notes as it has deemed necessary in connection with its decision to purchase any of the notes, including any opportunity to ask questions of and request information from us, the Issuer and the initial purchasers.

4. It acknowledges that prior to any proposed transfer of notes in certificated form or of beneficial interests in a note in global form (a “Global Note”) (in each case other than pursuant to an effective registration statement), the holder of notes or the holder of beneficial interests in a Global Note, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the indenture.

5. It understands that all of the notes will bear a legend substantially to the following effect unless otherwise agreed by us, the Issuer and the holder thereof:

This security has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state or other jurisdiction and, accordingly, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below. By its acquisition hereof, the holder (1) represents that (a) it is a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act) or (b) it is not a U.S. person and is acquiring this security in an offshore transaction in compliance with Regulation S under the Securities Act, (2) agrees that it will not prior to (i) in the case of Rule 144A notes, the date which is one year (or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereunder) after the later of the original issue date thereof, the date of original issuance of any additional notes or the last day on which the Issuer or any affiliate of the Issuer was the owner of this note and (ii) in the case of Regulation S notes, 40 days after the original issue date thereof, resell or otherwise transfer this security except (a) to the Issuer or any subsidiary thereof, (b) to a person reasonably believed to be a qualified institutional buyer in compliance with Rule 144A under the Securities Act, (c) outside the United States in an offshore transaction in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), (e) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel if the issuer so requests), or (f) pursuant to an effective registration statement under the Securities Act and (3) agrees that it will give to each person to whom this security is transferred a notice substantially to the effect of this legend. As used herein, the terms “offshore transaction,” “United States” and “U.S. person” have the meaning given to them by Regulation S under the Securities Act.

In the case of the notes sold pursuant to Regulation S, the notes will bear an additional legend substantially to the following effect unless otherwise agreed by us and the holder thereof:

By its acquisition hereof, the holder hereof represents that it is not a U.S. person, nor is it purchasing for the account of a U.S. person, and is acquiring this security in an offshore transaction in accordance with Regulation S under the Securities Act.

6. It acknowledges that the registrar will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to us, the Issuer and the registrar that the restrictions set forth herein have been complied with.

7. It acknowledges that we, the Issuer, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify us, the Issuer and the initial purchasers. If it is acquiring the notes as a

fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, and agreements on behalf of each account.

8. It represents and warrants either that: (A) it is not an ERISA plan and is not using the assets of an ERISA Plan or any entity whose underlying assets include “plan assets” by reason of an ERISA Plan’s investment in the entity, nor is it an Other Plan Investor subject to any Similar Law or using the assets of an Other Plan Investor or any entity whose underlying assets include “plan assets” by reason of an Other Plan Investor’s investment in the entity, or (B) neither its sale, transfer, acquisition, or holding of a note will constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code, or Similar Laws. Any purported transfer of such note, or any interest therein, to a purchaser or transferee that does not comply with the requirements specified in the applicable documents shall, to the extent permitted by law, be of no force and effect and be null and void ab initio.

LEGAL MATTERS

Certain legal matters in connection with the offering of the notes will be passed upon for us by Paul, Weiss, Rifkind, Wharton & Garrison LLP, New York, New York. Certain matters as to Luxembourg law will be passed upon for us by Dentons Luxembourg. The initial purchasers have been represented by Shearman & Sterling LLP, New York, New York.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The financial statements as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this offering memorandum, and the effectiveness of internal control over financial reporting as of December 31, 2020 have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing herein.

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

Application will be made to the Luxembourg Stock Exchange to list the Notes on the Official List of the Luxembourg Stock Exchange and for such Notes to be admitted to trading on the Euro MTF. The Euro MTF is not a regulated market for the purposes of Directive 2014/65/EU.

For so long as the notes are listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF copies of the following documents may be inspected and obtained at the specified office of the Luxembourg listing agent that we intend to appoint, during normal business hours on any weekday:

- our organizational documents
- our most recent Consolidated Financial Statements, and any interim financial statements published by us; and
- the indenture governing the notes (which includes the form of the notes).

We intend to appoint a listing agent.

We intend to make the notes sold in reliance on Rule 144A and Regulation S eligible for clearance through Euroclear and Clearstream.

Clearing Information

The Notes have been, or will be, accepted for clearance through Euroclear and/or Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number (ISIN), Financial Instruments Short Name (FISN) and/or Classification of Financial Instruments (CFI) code (as applicable) in relation to the Notes is specified below.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg:

	<u>ISIN</u>	<u>FISN</u>	<u>CFI</u>	<u>CUSIP</u>	<u>Common Code</u>
Euro Notes:					
Rule 144A Global Note . . .	XS2345050848	DANA FINANCING/EUR NT 99981231 REST	DBFNPR	Not applicable	234505084
Regulation S Global Note . .	XS2345050251	DANA FINANCING/EUR NT 99981231 REST	DBFNPR	Not applicable	234505025

Resolutions, Authorizations and Approvals by Virtue of which the Notes have been Issued

The Issuer and the Guarantor have, or will have, obtained all necessary consents, approvals and authorizations (if any) in connection with the issuance of the Notes and the issuance of the guarantee, respectively. The issuance of the Notes will be approved by the board of directors of the Issuer prior to the Issue Date.

Legal Information

We are a private limited liability company organized under the laws of Luxembourg. Our registered office is at 1, rue Hildegard von Bingen, L-1282 Luxembourg

Except as disclosed in this offering memorandum:

- There has been no significant change in our financial or trading position since March 31, 2021 and
- There has been no material adverse change in our prospects since March 31, 2021

There are no conflicts of interest between the duties of the directors of the Company and their private interests.

We have not been involved in any governmental, legal or arbitration proceedings during the 12 months prior to this offering memorandum which may have, or have had, a significant effect on our financial position or profitability, and, so far as we are aware, no such governmental, legal or arbitration proceedings are pending or threatened.

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Dana Incorporated and Subsidiaries

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Dana Incorporated

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Dana Incorporated and its subsidiaries (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of operations, of comprehensive income, of stockholders’ equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes and schedule of valuation and qualifying accounts and reserves for each of the three years in the period ended December 31, 2020 appearing under Item 8 (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s report on internal control over financial reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Interim and Annual Goodwill Impairment Assessments – Off-Highway and Commercial Vehicle Reporting Units

As described in Notes 1 and 3 to the consolidated financial statements, the Company's consolidated goodwill balance was \$479 million as of December 31, 2020, and the goodwill associated with the Off-Highway and Commercial Vehicle reporting units was \$302 million and \$177 million, respectively. Management tests goodwill for impairment annually as of October 31 and more frequently if events occur or circumstances change that would warrant an interim review. Management estimates the fair value of these reporting units using discounted cash flow projections. In determining fair value using discounted cash flow projections, management makes significant assumptions and estimates about the extent and timing of future cash flows, including revenue growth rates, projected segment EBITDA, discount rates, terminal growth rates, and exit earnings multiples. Management determined certain impairment triggers had occurred in the first quarter of 2020. Accordingly, management performed interim impairment analyses at each of the reporting units as of March 31, 2020. Based on the results of the interim impairment tests, management concluded that carrying value exceeded fair value in the Commercial Vehicle reporting unit and recorded a goodwill impairment charge of \$48 million in the first quarter of 2020. Management's testing for the Off-Highway reporting unit indicated that fair value exceeded carrying value and, accordingly, no impairment charge was required.

The principal considerations for our determination that performing procedures relating to the interim and annual goodwill impairment assessments of the Off-Highway and Commercial Vehicle reporting units is a critical audit matter are (i) the significant judgment by management when determining the fair value estimates of the reporting units; (ii) the high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating the significant assumptions used in management's fair value estimates related to revenue growth rates, projected segment EBITDA, and discount rates; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's interim and annual goodwill impairment assessments, including controls over the valuation of the Off-Highway and Commercial Vehicle reporting units. These procedures also included, among others (i) testing management's process for determining the fair value estimates of the reporting units; (ii) evaluating the appropriateness of management's discounted cash flow projections models; (iii) testing the completeness and accuracy of the underlying data used in the discounted cash flow projections models; and (iv) evaluating the reasonableness of significant assumptions used by management related to revenue growth rates, projected segment EBITDA, and discount rates. Evaluating management's assumptions related to revenue growth rates and projected segment EBITDA involved evaluating whether the assumptions were reasonable considering (i) the current and past performance of the reporting units; (ii) consistency with external industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the discounted cash flow projections models and (ii) reasonableness of significant assumptions related to the discount rates.

/s/ PricewaterhouseCoopers LLP

Toledo, Ohio
February 18, 2021

We have served as the Company's auditor since 1916.

Dana Incorporated

Consolidated Statement of Operations
(In millions, except per share amounts)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net sales	\$7,106	\$8,620	\$8,143
Costs and expenses			
Cost of sales	6,485	7,489	6,986
Selling, general and administrative expenses	421	508	499
Amortization of intangibles	13	12	8
Restructuring charges, net	34	29	25
Impairment of goodwill and indefinite-lived intangible asset	(51)	(6)	(20)
Gain on disposal group held for sale			3
Pension settlement charges		(259)	
Other income (expense), net	22	(25)	(29)
Earnings before interest and income taxes	124	292	579
Loss on extinguishment of debt	(8)	(9)	
Interest income	9	10	11
Interest expense	138	122	96
Earnings (loss) before income taxes	(13)	171	494
Income tax expense (benefit)	58	(32)	78
Equity in earnings of affiliates	20	30	24
Net income (loss)	(51)	233	440
Less: Noncontrolling interests net income	10	13	13
Less: Redeemable noncontrolling interests net loss	(30)	(6)	
Net income (loss) attributable to the parent company	<u>\$ (31)</u>	<u>\$ 226</u>	<u>\$ 427</u>
Net income (loss) per share available to common stockholders			
Basic	\$ (0.21)	\$ 1.57	\$ 2.94
Diluted	\$ (0.21)	\$ 1.56	\$ 2.91
Weighted-average common shares outstanding			
Basic	144.5	144.0	145.0
Diluted	144.5	145.1	146.5

The accompanying notes are an integral part of the consolidated financial statements.

Dana Incorporated
Consolidated Statement of Comprehensive Income
(In millions)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net income (loss)	\$(51)	\$233	\$440
Other comprehensive income (loss), net of tax:			
Currency translation adjustments	(77)	8	(63)
Hedging gains and losses	39	24	10
Defined benefit plans	<u>9</u>	<u>344</u>	<u>23</u>
Other comprehensive income (loss)	<u>(29)</u>	<u>376</u>	<u>(30)</u>
Total comprehensive income (loss)	(80)	609	410
Less: Comprehensive income attributable to noncontrolling interests	(27)	(9)	(7)
Less: Comprehensive loss attributable to redeemable noncontrolling interests	<u>36</u>	<u>1</u>	<u>6</u>
Comprehensive income (loss) attributable to the parent company	<u><u>\$(71)</u></u>	<u><u>\$601</u></u>	<u><u>\$409</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

Dana Incorporated
Consolidated Balance Sheet
(In millions, except share and per share amounts)

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 559	\$ 508
Marketable securities	21	19
Accounts receivable		
Trade, less allowance for doubtful accounts of \$7 in 2020 and \$9 in 2019	1,201	1,103
Other	231	202
Inventories	1,149	1,193
Other current assets	127	137
Total current assets	<u>3,288</u>	<u>3,162</u>
Goodwill	479	493
Intangibles	236	240
Deferred tax assets	611	580
Other noncurrent assets	169	120
Investments in affiliates	152	182
Operating lease assets	190	178
Property, plant and equipment, net	2,251	2,265
Total assets	<u>\$ 7,376</u>	<u>\$ 7,220</u>
Liabilities and equity		
Current liabilities		
Short-term debt	\$ 26	\$ 14
Current portion of long-term debt	8	20
Accounts payable	1,331	1,255
Accrued payroll and employee benefits	190	206
Taxes on income	35	46
Current portion of operating lease liabilities	43	42
Other accrued liabilities	308	262
Total current liabilities	<u>1,941</u>	<u>1,845</u>
Long-term debt, less debt issuance costs of \$27 in 2020 and \$28 in 2019	2,420	2,336
Noncurrent operating lease liabilities	154	140
Pension and postretirement obligations	479	459
Other noncurrent liabilities	368	305
Total liabilities	<u>5,362</u>	<u>5,085</u>
Commitments and contingencies (Note 16)		
Redeemable noncontrolling interests	180	167
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, 144,515,658 and 143,942,539 shares outstanding	2	2
Additional paid-in capital	2,408	2,386
Retained earnings	530	622
Treasury stock, at cost (10,442,582 and 10,111,191 shares)	(156)	(150)
Accumulated other comprehensive loss	(1,026)	(987)
Total parent company stockholders' equity	<u>1,758</u>	<u>1,873</u>
Noncontrolling interests	76	95
Total equity	<u>1,834</u>	<u>1,968</u>
Total liabilities and equity	<u>\$ 7,376</u>	<u>\$ 7,220</u>

The accompanying notes are an integral part of the consolidated financial statements.

Dana Incorporated
Consolidated Statement of Cash Flows
(In millions)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating activities			
Net income (loss)	\$ (51)	\$ 233	\$ 440
Depreciation	345	322	260
Amortization	20	17	10
Amortization of deferred financing charges	8	6	4
Call premium on debt	8	7	2
Write-off of deferred financing costs	7	(9)	(4)
Earnings of affiliates, net of dividends received	14	19	16
Stock compensation expense	(35)	(137)	(64)
Deferred income taxes	3	211	3
Pension expense, net	51	6	20
Impairment of goodwill and indefinite-lived intangible asset	47	(17)	(113)
Change in working capital	(20)	(18)	(12)
Change in other noncurrent assets and liabilities	(11)	(5)	8
Other, net	<u>386</u>	<u>637</u>	<u>568</u>
Net cash provided by operating activities			
Investing activities			
Purchases of property, plant and equipment	(326)	(426)	(325)
Acquisition of businesses, net of cash acquired	(6)	(668)	(153)
Proceeds from previous acquisition	9	9	9
Purchases of marketable securities	(44)	(33)	(37)
Proceeds from sales of marketable securities	5	6	15
Proceeds from maturities of marketable securities	36	29	37
Proceeds from sale of equity affiliate	21	1	(6)
Proceeds from sale of subsidiaries, net of cash disposed	(5)	(20)	(2)
Settlements of undesignated derivatives	(8)	(12)	(2)
Other, net	<u>(327)</u>	<u>(1,123)</u>	<u>(462)</u>
Net cash used in investing activities			
Financing activities			
Net change in short-term debt	9	(3)	(21)
Proceeds from long-term debt	508	975	(13)
Repayment of long-term debt	(480)	(423)	(7)
Call premium on debt	(13)	(20)	(1)
Deferred financing payments	(15)	(58)	(58)
Dividends paid to common stockholders	(11)	(19)	(42)
Distributions to noncontrolling interests	9	53	4
Sale of interest to noncontrolling shareholder	4	4	25
Contributions from noncontrolling interests	(7)	(7)	(7)
Payments to acquire noncontrolling interests	(14)	(14)	(14)
Deconsolidation of non-wholly owned subsidiary	(14)	(14)	(43)
Payments to acquire redeemable noncontrolling interests	(14)	(14)	(43)
Repurchases of common stock	(2)	(25)	(25)
Other, net	<u>(2)</u>	<u>2</u>	<u>(2)</u>
Net cash provided by (used in) financing activities	<u>(12)</u>	<u>479</u>	<u>(180)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	47	(7)	(74)
Cash, cash equivalents and restricted cash - beginning of period	518	520	610
Effect of exchange rate changes on cash balances	2	5	(16)
Cash, cash equivalents and restricted cash - end of period	<u>\$ 567</u>	<u>\$ 518</u>	<u>\$ 520</u>

The accompanying notes are an integral part of the consolidated financial statements.

Dana Incorporated

Consolidated Statement of Stockholders' Equity
(In millions)

	Parent Company Stockholders'								Total Equity
	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Parent Company Stockholders' Equity	Non-controlling Interests	
Balance, December 31, 2017	\$—	\$2	\$2,354	\$ 86	\$ (87)	\$(1,342)	\$1,013	\$101	\$1,114
Adoption of ASU 2016-01 financial instruments adjustment, January 1, 2018				2		(2)	—		—
Net income				427			427	13	440
Other comprehensive loss						(18)	(18)	(6)	(24)
Common stock dividends (\$0.40 per share)			1	(59)			(58)		(58)
Distributions to noncontrolling interests								(42)	(42)
Purchase of noncontrolling interests			(9)				(9)	9	—
Purchase of redeemable noncontrolling interests			2				2		2
Contribution from noncontrolling interest								22	22
Common stock share repurchases					(25)		(25)		(25)
Stock compensation			20				20		20
Stock withheld for employees taxes					(7)		(7)		(7)
Balance, December 31, 2018	—	2	2,368	456	(119)	(1,362)	1,345	97	1,442
Adoption of ASU 2016-02 leases, January 1, 2019				(1)			(1)		(1)
Net income				226			226	13	239
Other comprehensive income (loss)						375	375	(4)	371
Common stock dividends (\$0.40 per share)			1	(59)			(58)		(58)
Distributions to noncontrolling interests								(19)	(19)
Increase from business combination								8	8
Common stock share repurchases					(25)		(25)		(25)
Stock compensation			17				17		17
Stock withheld for employees taxes					(6)		(6)		(6)
Balance, December 31, 2019	—	2	2,386	622	(150)	(987)	1,873	95	1,968
Adoption of ASU 2016-13 credit losses, January 1, 2020				(1)			(1)		(1)
Net income (loss)				(31)			(31)	10	(21)
Other comprehensive income						(40)	(40)	17	(23)
Common stock dividends (\$0.10 per share)				(15)			(15)		(15)
Distributions to noncontrolling interests								(11)	(11)
Purchase of noncontrolling interests			10				10	(23)	(13)
Sale of noncontrolling interests								2	2
Redeemable noncontrolling interests adjustment to redemption value				(38)			(38)		(38)
Deconsolidation of non-wholly owned subsidiary				(7)		1	(6)	(14)	(20)
Stock compensation			12				12		12
Stock withheld for employees taxes					(6)		(6)		(6)
Balance, December 31, 2020	\$—	\$2	\$2,408	\$530	\$(156)	\$(1,026)	\$1,758	\$ 76	\$1,834

The accompanying notes are an integral part of the consolidated financial statements.

Dana Incorporated
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Financial Statements

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Notes to the Consolidated Financial Statements
(In millions, except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies

General

Dana Incorporated (Dana) is headquartered in Maumee, Ohio, and was incorporated in Delaware in 2007. As a global provider of high technology driveline (axles, driveshafts and transmissions); sealing and thermal-management products; and motors, power inverters, and control systems for electric vehicles, our customer base includes virtually every major vehicle manufacturer in the global light vehicle, medium/heavy vehicle, and off-highway markets.

The terms “Dana,” “we,” “our” and “us,” when used in this report are references to Dana. These references include the subsidiaries of Dana unless otherwise indicated or the context requires otherwise.

Summary of significant accounting policies

Basis of presentation — Our consolidated financial statements include the accounts of all subsidiaries where we hold a controlling financial interest. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in 20 to 50%-owned affiliates, which are not required to be consolidated, are generally accounted for under the equity method. Equity in earnings of these investments is presented separately in the consolidated statement of operations, net of tax. Investments in less-than-20%-owned companies are generally included in the financial statements at the cost of our investment. Dividends, royalties and fees from these cost basis affiliates are recorded in income when received.

During the second quarter of 2020, we identified an error in the loss attributable to redeemable noncontrolling interests due to incorrectly excluding the share of the goodwill impairment charge related to the redeemable noncontrolling interests. Of the \$48 million impairment charge recorded for the Commercial Vehicle reporting unit during the quarter ended March 31, 2020, \$20 million should have been attributable to the redeemable noncontrolling interests.

We concluded that the error was not material to the financial statements for the quarter ended March 31, 2020 and therefore, amendment of the previously filed Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 is not required. In accordance with ASC Topic 250, “Accounting Changes and Error Corrections,” we have corrected the error in the prior period by revising the year-to-date consolidated financial statements appearing herein. The first quarter of 2020 not presented herein will be revised, as applicable, in future filings. The following historical consolidated financial information includes both the consolidated financial information “as previously reported” in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, as well as the consolidated financial information “as revised” to reflect the correction of the error. Reference is made to the Quarterly Results disclosure in Item 8 below. The impact on our consolidated financial statements for the prior periods presented was insignificant.

	Three Months Ended March 31, 2020		
	As Previously Reported	Adjustment (unaudited)	As Revised
Consolidated Statement of Operations			
Net income	\$38	\$—	\$ 38
Less: Noncontrolling interests net income	2		2
Less: Redeemable noncontrolling interests net loss	(2)	(20)	(22)
Net income attributable to the parent company	<u>\$38</u>	<u>\$ 20</u>	<u>\$ 58</u>

	Three Months Ended March 31, 2020		
	As Previously Reported	Adjustment (unaudited)	As Revised
Net income per share available to common stockholders			
Basic	\$0.26	\$0.14	\$0.40
Diluted	\$0.26	\$0.14	\$0.40
Consolidated Statement of Comprehensive Income			
Total comprehensive loss	\$ (84)	\$ —	\$ (84)
Less: Comprehensive loss attributable to noncontrolling interests	17		17
Less: Comprehensive (income) loss attributable to redeemable noncontrolling interests	(6)	20	14
Comprehensive income (loss) attributable to the parent company	<u>\$ (73)</u>	<u>\$ 20</u>	<u>\$ (53)</u>
	Period Ended March 31, 2020		
	As Previously Reported	Adjustment (unaudited)	As Revised
Consolidated Balance Sheet			
Redeemable noncontrolling interests	\$175	\$(20)	\$155
Retained earnings	\$644	\$20	\$664

Held for sale — We classify long-lived assets or disposal groups as held for sale in the period: management commits to a plan to sell; the long-lived asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such long-lived assets or disposal groups; an active program to locate a buyer and other actions required to complete the plan to sell have been initiated; the sale is probable within one year; the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Long-lived assets and disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Discontinued operations — The results of operations of a component or a group of components that either has been disposed of or is classified as held for sale is reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on operations and financial results.

Estimates — Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP), which require the use of estimates, judgments and assumptions that affect the amounts reported in our consolidated financial statements and accompanying disclosures. We believe our assumptions and estimates are reasonable and appropriate. However, due to the inherent uncertainties in making estimates, actual results could differ from those estimates.

Fair value measurements — A three-tier fair value hierarchy is used to prioritize the inputs to valuation techniques used to measure fair value. The three levels of inputs are as follows: Level 1 inputs (highest priority) include unadjusted quoted prices in active markets for identical instruments. Level 2 inputs include quoted prices for similar instruments that are observable either directly or indirectly. Level 3 inputs (lowest priority) include unobservable inputs in which there is little or no market data, which require management to develop its own assumptions. Classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The inputs we use in our valuation techniques include market data or assumptions that we believe market participants would use in pricing an asset or liability, including assumptions about risk when appropriate. Our valuation techniques include a combination of observable and unobservable inputs. When available, we use quoted market prices to determine the fair value (market approach). In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, we consider the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of credit risk that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date (income approach). Fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date or that will be realized in the future.

Cash and cash equivalents — Cash and cash equivalents includes cash on hand, demand deposits and short-term cash investments that are highly liquid in nature and have maturities of three months or less when purchased.

Marketable securities — Our investments in marketable securities reported in the accompanying balance sheet are classified as available for sale and carried at fair value. We recorded unrealized gains and losses in accumulated other comprehensive income (loss) (AOCI) through the end of 2017 but recorded them in net income beginning in 2018 to comply with new accounting guidance. Realized gains and losses are recorded using the specific identification method.

Inventories — Inventories are valued at the lower of cost or net realizable value. Cost is determined using the average or first-in, first-out (FIFO) cost method.

Property, plant and equipment — Property, plant and equipment are recorded at cost. Depreciation is recognized over the estimated useful lives using primarily the straight-line method for financial reporting purposes and accelerated depreciation methods for federal income tax purposes. Useful lives of newly acquired assets are generally twenty to thirty years for buildings and building improvements, five to ten years for machinery and equipment, three to five years for tooling and office equipment and three to ten years for furniture and fixtures. If assets are impaired, their value is reduced via an increase in accumulated depreciation.

Leases — Our global lease portfolio represents leases of real estate, including manufacturing, assembly and office facilities, while the remainder represents leases of personal property, including manufacturing, material handling and IT equipment. We have lease agreements with lease and non-lease components, which are accounted for separately. Leases with an initial term of twelve months or less are not recorded on the balance sheet, and we recognize lease expense for these leases on a straight-line basis over the lease term. Generally, we use our incremental borrowing rate in determining the present value of lease payments, unless there is a rate stated in the lease agreement.

Pre-production costs related to long-term supply arrangements — The costs of tooling used to make products sold under long-term supply arrangements are capitalized as part of property, plant and equipment and amortized over their useful lives if we own the tooling or if we fund the purchase but our customer owns the tooling and grants us the irrevocable right to use the tooling over the contract period. If we have a contractual right to bill our customers, costs incurred in connection with the design and development of tooling are carried as a component of other accounts receivable until invoiced. Design and development costs related to customer products are deferred if we have an agreement to collect such costs from the customer; otherwise, they are expensed when incurred. At December 31, 2020, the machinery and equipment component of property, plant and equipment includes \$23 of our tooling related to long-term supply arrangements. Also at December 31, 2020, trade and other accounts receivable includes \$31 of costs related to tooling that we have a contractual right to collect from our customers.

Goodwill — We test goodwill for impairment annually as of October 31 and more frequently if events occur or circumstances change that would warrant an interim review. Goodwill impairment testing is performed at the reporting unit level, which is the operating segment in the case of our Off-Highway and Commercial Vehicle

goodwill. We estimate the fair value of the reporting units using various valuation methodologies, including discounted cash flow projections and multiples of current earnings. In determining fair value using discounted cash flow projections, we make significant assumptions and estimates about the extent and timing of future cash flows, including revenue growth rates, projected segment EBITDA, discount rates, terminal growth rates, and exit earnings multiples. If the estimated fair value of the reporting unit exceeds its carrying value, the goodwill is considered not impaired. If the carrying value of the reporting unit exceeds its estimated fair value, a goodwill impairment charge is recorded for the difference. See Note 3 for more information about goodwill.

Intangible assets — Intangible assets include the value of core technology, trademarks and trade names and customer relationships. Core technology and customer relationships have definite lives while substantially all of our trademarks and trade names have indefinite lives. Definite-lived intangible assets are amortized over their useful life using the straight-line method of amortization and are periodically reviewed for impairment indicators. Amortization of core technology is charged to cost of sales. Amortization of trademarks and trade names and customer relationships is charged to amortization of intangibles. Indefinite-lived intangible assets are tested for impairment annually and more frequently if impairment indicators exist. See Note 3 for more information about intangible assets.

Investments in affiliates — Investments in affiliates include investments accounted for under the equity and cost methods. We monitor our investments in affiliates for indicators of other-than-temporary declines in value on an ongoing basis in accordance with GAAP. Indicators include, but are not limited to, current economic and market conditions, operating performance of the affiliate, including current earnings trends and undiscounted cash flows, and other affiliate-specific information. If we determine that an other-than-temporary decline in value has occurred, we recognize an impairment loss, which is measured as the excess of the investment's recorded carrying value over its fair value. The fair value determination, particularly for investments in privately-held companies, requires significant judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investments and determination of whether any identified impairment is other than temporary. See Note 22 for further information about our investment in affiliates.

Tangible asset impairments — We review the carrying value of amortizable long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the undiscounted future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Assets to be disposed of are reported at the lower of their carrying amount or fair value less costs to sell and are no longer depreciated.

Other long-lived assets and liabilities — We discount our workers' compensation obligations by applying blended risk-free rates that are appropriate for the duration of the projected cash flows. The use of risk-free rates is considered appropriate given that other risks affecting the volume and timing of payments have been considered in developing the probability-weighted projected cash flows. The blended risk-free rates are revised annually to consider incremental cash flow projections.

Financial instruments — The carrying values of cash and cash equivalents, trade receivables and short-term borrowings approximate fair value. Notes receivable are carried at fair value, which considers the contractual call or selling price, if applicable. Borrowings under our credit facilities are carried at historical cost and adjusted for principal payments and foreign currency fluctuations.

Derivatives — Foreign currency forward contracts and currency swaps are carried at fair value. We enter into these contracts to manage our exposure to the impact of currency fluctuations on certain foreign currency-denominated assets and liabilities and on a portion of our forecasted purchase and sale transactions. On occasion, we also enter into net investment hedges to protect the translated U.S. dollar value of our investment in certain

foreign subsidiaries. We also periodically enter into fixed-to-fixed cross-currency swaps on foreign currency-denominated external or intercompany debt instruments to reduce our exposure to foreign currency exchange rate risk. Such fixed-to-fixed cross-currency swaps are designated as cash flow hedges. We do not use derivatives for trading or speculative purposes and we do not hedge all of our exposures.

For derivative instruments designated as cash flow hedges, at the cash flow hedge's inception and on an ongoing basis, the company formally assesses whether the cash flow hedging instruments have been highly effective in offsetting changes in the cash flows of the hedged transactions and whether those cash flow hedging instruments may be expected to remain highly effective in future periods. Changes in the fair value of currency-related contracts treated as cash flow hedges are deferred and included as a component of other comprehensive income (loss) (OCI). For our fixed-to-fixed cross-currency swaps, a review of critical terms is performed each period to establish that an assumption of effectiveness remains appropriate. Deferred gains and losses are reclassified to earnings in the same periods in which the underlying transactions affect earnings.

Changes in the fair value of contracts not treated as cash flow hedges or as net investment hedges are recognized in other income (expense), net in the period in which those changes occur. Changes in the fair value of contracts treated as net investment hedges are recorded in the cumulative translation adjustment (CTA) component of OCI. Amounts recorded in CTA are deferred until such time as the investment in the associated subsidiary is substantially liquidated.

We may also use fixed-to-floating or floating-to-fixed interest rate swaps or other similar derivatives to manage exposure to fluctuations in interest rates and to adjust the mix of our fixed-rate and variable-rate debt. As a fair value hedge of the underlying debt, changes in the fair values of the swap and the underlying debt are recorded in interest expense. No such fixed-to-floating or floating-to-fixed swaps were outstanding at December 31, 2020. See Note 15 for additional information.

Cash flows associated with designated derivatives are classified within the same category as the item being hedged on the consolidated statement of cash flows. Cash flows associated with undesignated derivatives are included in the investing category on the consolidated statement of cash flows.

Warranty — Costs related to product warranty obligations are estimated and accrued at the time of sale with a charge against cost of sales. Warranty accruals are evaluated and adjusted as appropriate based on occurrences giving rise to potential warranty exposure and associated experience. Warranty accruals and adjustments require significant judgment, including a determination of our involvement in the matter giving rise to the potential warranty issue or claim, our contractual requirements, estimates of units requiring repair and estimates of repair costs.

Environmental compliance and remediation — Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to existing conditions caused by past operations that do not contribute to our current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. We consider the most probable method of remediation, current laws and regulations and existing technology in determining our environmental liabilities.

Pension and other postretirement defined benefits — Net pension and postretirement benefits expenses and the related liabilities are determined on an actuarial basis. These plan expenses and obligations are dependent on management's assumptions developed in consultation with our actuaries. We review these actuarial assumptions at least annually and make modifications when appropriate. With the input of independent actuaries and other relevant sources, we believe that the assumptions used are reasonable; however, changes in these assumptions, or experience different from that assumed, could impact our financial position, results of operations or cash flows.

Postemployment benefits — Costs to provide postemployment benefits to employees are accounted for on an accrual basis. Obligations that do not accumulate or vest are recorded when payment is probable and the amount can be reasonably estimated. For those obligations that accumulate or vest and the amount can be reasonably estimated, expense and the related liability are recorded as service is rendered.

Equity-based compensation — We measure compensation cost arising from the grant of share-based awards to employees at fair value. We recognize such costs in income over the period during which the requisite service is provided, usually the vesting period. The grant date fair value is estimated using valuation techniques that require the input of management estimates and assumptions.

Revenue recognition — Sales are recognized when products are shipped and risk of loss has transferred to the customer. We accrue for warranty costs, sales returns and other allowances based on experience and other relevant factors when sales are recognized. Adjustments are made as new information becomes available. Shipping and handling fees billed to customers are included in sales, while costs of shipping and handling are included in cost of sales. Taxes collected from customers are excluded from revenues and credited directly to obligations to the appropriate governmental agencies. See Note 20 for additional information.

Foreign currency translation — The financial statements of subsidiaries and equity affiliates outside the U.S. located in non-highly inflationary economies are measured using the currency of the primary economic environment in which they operate as the functional currency, which typically is the local currency. Transaction gains and losses resulting from translating assets and liabilities of these entities into the functional currency are included in other income (expense), net or in equity in earnings of affiliates. When translating into U.S. dollars, income and expense items are translated at average monthly rates of exchange, while assets and liabilities are translated at the rates of exchange at the balance sheet date. Translation adjustments resulting from translating the functional currency into U.S. dollars are deferred and included as a component of AOCI in stockholders' equity. For operations whose functional currency is the U.S. dollar, nonmonetary assets are translated into U.S. dollars at historical exchange rates and monetary assets are translated at current exchange rates.

Effective July 1, 2018, we accounted for Argentina as a highly inflationary economy, as the three-year cumulative inflation rate exceeded 100%. As such, beginning July 1, 2018 we began to remeasure the financial statements of our Argentine subsidiaries as if their functional currency was the U.S. dollar.

Income taxes — In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax assets or liabilities for all years subject to examination based upon management's evaluation of the facts and circumstances and information available at the reporting dates. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Where applicable, the related interest cost has also been recognized as a component of the income tax provision.

Research and development — Research and development costs include expenditures for research activities relating to product development and improvement. Salaries, fringes and occupancy costs, including building, utility and overhead costs, comprise the vast majority of these expenses and are expensed as incurred. Research and development expenses were \$146, \$112 and \$103 in 2020, 2019 and 2018. During 2020, we focused our engineering spend more heavily on research and development activities in support of electrification and other initiatives.

Recently adopted accounting pronouncements

On January 1, 2019, we adopted Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), using the modified retrospective approach and an application date of January 1, 2019. Prior period amounts have not been adjusted and continue to be reflected in accordance with our historical accounting. This transition method resulted in the recognition of a right-of-use asset and a lease liability for virtually all leases at the application date with a cumulative-effect adjustment to retained earnings.

We elected the package of practical expedients, which among other things, allowed us to carry forward the historical lease classification. We did not elect the practical expedient that allowed for hindsight to determine the lease term of existing leases. We separated the lease components from the non-lease components of each lease arrangement and, therefore, did not elect the practical expedient that would enable us to not separate them.

On January 1, 2020, we adopted *Accounting Standards Update (ASU) 2016-03, Financial Instruments (Topic 326): Measurement of Credit Losses on Financial Instruments*, using the modified retrospective approach and an application date of January 1, 2020. This guidance introduces a new approach to estimating credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The adoption resulted in a noncash cumulative effect adjustment to retained earnings on our opening consolidated balance sheet as of January 1, 2020.

We also adopted the following standards during 2020, which did not have a material impact on our financial statements or financial statement disclosures:

	Standard	Effective Date
2018-15	Intangibles – Goodwill and Other – Internal-Use Software, Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	January 1, 2020
2018-14	Compensation – Retirement Benefits – Defined Benefit Plans – General, Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans	January 1, 2020
2018-13	Fair Value Measurement, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement	January 1, 2020

Recently issued accounting pronouncements

In March 2020, the FASB issued *ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This guidance is intended to provide temporary optional expedients and exceptions to the US GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burden related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The amendments in this ASU are elective and are effective upon issuance for all entities through December 31, 2022. We are currently assessing the impact of this guidance on our consolidated financial statements.

In December 2019, the FASB issued *ASU 2019-12, Income Taxes – Simplifying the Accounting for Income Taxes*. This guidance is intended to simplify various aspects of income tax accounting including the elimination of certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. This guidance becomes effective January 1, 2021 and early adoption is permitted. Adoption of this guidance requires certain changes to primarily be made prospectively, with some changes to be made retrospectively. We do not expect adoption of this guidance to have a material impact on our consolidated financial statements.

Note 2. Acquisitions

Ashwoods Innovations Limited — On February 5, 2020, we acquired Curtis Instruments, Inc.’s (Curtis) 35.4% ownership interest in Ashwoods Innovations Limited (Ashwoods). Ashwoods designs and manufactures permanent magnet electric motors for the automotive, material handling and off-highway vehicle markets. The acquisition of Curtis’ interest in Ashwoods, along with our existing ownership interest in Ashwoods, provided us with a 97.8% ownership interest and a controlling financial interest in Ashwoods. We recognized a \$3 gain to other income (expense), net on the required remeasurement of our previously held equity method investment in Ashwoods to fair

value. The total purchase consideration of \$22 is comprised of \$8 of cash paid to Curtis at closing, the \$10 fair value of our previously held equity method investment in Ashwoods and \$4 related to the effective settlement of a pre-existing loan payable due from Ashwoods. During March 2020, we acquired the remaining noncontrolling interests in Ashwoods held by employee shareholders. See Hydro-Québec relationship discussion below for details of subsequent changes in our ownership interest in Ashwoods. The results of operations of the business are reported within our Off-Highway operating segment. The pro forma effects of this acquisition would not materially impact our reported results for any period presented, and as a result no pro forma financial information is presented.

Nordresa — On August 26, 2019, we acquired a 100% ownership interest in Nordresa Motors, Inc. (Nordresa) for consideration of \$12, using cash on hand. Nordresa is a prominent integration and application engineering expert for the development and commercialization of electric powertrains for commercial vehicles. The investment further enhances Dana's electrification capabilities by combining its complete portfolio of motors, inverters, chargers, gearboxes, and thermal-management products with Nordresa's proprietary battery-management system, electric powertrain controls and integration expertise to deliver complete electric powertrain systems. The results of operations of the business are reported within our Commercial Vehicle operating segment. The pro forma effects of this acquisition would not materially impact our reported results for any period presented, and as a result no pro forma financial information is presented.

Hydro-Québec Relationship — On July 29, 2019, we broadened our relationship with Hydro-Québec, with Hydro-Québec acquiring an indirect 45% redeemable noncontrolling interest in S.M.E. S.p.A. (SME) and increasing its existing indirect 22.5% noncontrolling interest in Prestolite E-Propulsion Systems (Beijing) Limited (PEPS) to 45%. We received \$65 at closing, consisting of \$53 of cash and a note receivable of \$12. The note is payable in five years and bears annual interest of 5%. Dana will continue to consolidate SME and PEPS as the governing documents continue to provide Dana with a controlling financial interest in these subsidiaries. See Note 9 for additional information. See below for a discussion of Dana's acquisitions of PEPS, SME and TM4. On April 14, 2020, Hydro-Québec acquired an indirect 45% redeemable noncontrolling interest in Ashwoods. We received \$9 in cash at closing, inclusive of \$2 in proceeds on a loan from Hydro-Québec. Dana will continue to consolidate Ashwoods as the governing documents continue to provide Dana with a controlling financial interest in this subsidiary.

Prestolite E-Propulsion Systems (Beijing) Limited — On June 6, 2019, we acquired Prestolite Electric Beijing Limited's (PEBL) 50% ownership interest in PEPS. PEPS manufactures and distributes electric mobility solutions, including electric motors, inverters, and generators for commercial vehicles and heavy machinery. PEPS has a state-of-the-art facility in China, enabling us to expand motor and inverter manufacturing capabilities in the world's largest electric-mobility market. The acquisition of PEBL's interest in PEPS, along with our existing ownership interest in PEPS through our TM4 subsidiary, provides us with a 100% ownership interest and a controlling financial interest in PEPS. We recognized a \$2 gain to other income (expense), net on the required remeasurement of our previously held equity method investment in PEPS to fair value. See Hydro-Québec relationship discussion above for details of the subsequent change in our ownership interest in PEPS.

We paid \$50 at closing using cash on hand. The purchase consideration and related provisional allocation to the acquisition date fair values of the assets acquired and liabilities assumed are presented in the following table:

Purchase consideration paid at closing	\$50
Fair value of previously held equity method investment	<u>45</u>
Total purchase consideration	<u>\$95</u>
Cash and cash equivalents	\$ 2
Accounts receivable - Trade	17
Inventories	9
Goodwill	63
Intangibles	10
Property, plant and equipment	2
Accounts payable	(4)
Other accrued liabilities	(3)
Other noncurrent liabilities	<u>(1)</u>
Total purchase consideration allocation	<u>\$95</u>

Goodwill recognized in this transaction is primarily attributable to synergies expected to arise after the acquisition and the assembled workforce and is not deductible for tax purposes. We used a combination of the discounted cash flow method, an income approach, and the guideline public company method, a market approach, to value our previously held equity method investment in PEPS. The fair value assigned to intangibles includes \$10 allocated to customer relationships. We used the multi-period excess earnings method, an income approach, to value customer relationships. The customer relationships intangible asset is being amortized on a straight-line basis over seven years.

The results of operations of the business are reported in our Commercial Vehicle operating segment from the date of acquisition. The pro forma effects of this acquisition would not materially impact our reported results for any period presented, and as a result no pro forma financial information is presented. PEPS had an insignificant impact on our consolidated results of operations during 2019.

Oerlikon Drive Systems — On February 28, 2019, we acquired a 100% ownership interest in the Oerlikon Drive Systems (ODS) segment of the Oerlikon Group. ODS is a global manufacturer of high-precision gears, planetary hub drives for wheeled and tracked vehicles, and products, controls, and software that support vehicle electrification across the mobility industry. The acquisition of ODS is expected to deliver significant long-term value by accelerating our commitment to vehicle electrification and strengthening the technology portfolio for each of our end markets while further expanding and balancing the manufacturing presence of our off-highway business in key geographical markets.

We paid \$626 at closing which was funded primarily through debt proceeds. See Note 14 for additional information. The purchase consideration and related allocation to the acquisition date fair values of the assets acquired and liabilities assumed are presented in the following table:

Purchase consideration paid at closing	\$ 626
Less purchase consideration to be recovered for indemnified matters	(11)
Total purchase consideration	<u>\$ 615</u>
Cash and cash equivalents	\$ 76
Accounts receivable - Trade	150
Accounts receivable - Other	15
Inventories	190
Other current assets	16
Goodwill	94
Intangibles	58
Deferred tax assets	24
Other noncurrent assets	2
Investments in affiliates	7
Operating lease assets	4
Property, plant and equipment	333
Current portion of long-term debt	(2)
Accounts payable	(151)
Accrued payroll and employee benefits	(37)
Current portion of operating lease liabilities	(1)
Taxes on income	(5)
Other accrued liabilities	(61)
Long-term debt	(8)
Pension and postretirement obligations	(49)
Noncurrent operating lease liabilities	(2)
Other noncurrent liabilities	(30)
Noncontrolling interests	(8)
Total purchase consideration allocation	<u>\$ 615</u>

Goodwill recognized in this transaction is primarily attributable to synergies expected to arise after the acquisition and the assembled workforce and is not deductible for tax purposes. The fair values assigned to intangibles includes \$11 allocated to developed technology, \$13 allocated to trademarks and trade names and \$34 allocated to customer relationships. Various valuation techniques were used to determine the fair value of the intangible assets, with the primary techniques being forms of the income approach, specifically, the relief from-royalty and excess earnings valuation methods, which use significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. Under these valuation approaches, we are required to make estimates and assumptions about sales, operating margins, growth rates, customer attrition rates, royalty rates and discount rates based on anticipated future cash flows and marketplace data. We used a replacement cost method to value fixed assets. The developed technology, trademarks and trade names and customer relationship intangible assets are being amortized on a straight-line basis over seven, ten and twelve years, respectively. Property, plant and equipment is being depreciated on a straight-line basis over useful lives ranging from three to twenty-five years.

The results of operations of the business are primarily reported in our Off-Highway and Commercial Vehicle operating segments. Transaction related expenses associated with completion of the acquisition totaling \$13 in 2019 were charged to other income (expense), net. During 2019, the business contributed sales of \$630.

The following unaudited pro forma information has been prepared as if the ODS acquisition and the related debt financing had occurred on January 1, 2018.

	<u>2019</u>	<u>2018</u>
Net sales	\$8,765	\$9,013
Net income	\$ 273	\$ 425

The unaudited pro forma results include adjustments primarily related to purchase accounting, interest expense related to the debt proceeds used in connection with the acquisition of ODS, and non-recurring strategic transaction expenses. The unaudited pro forma financial information is not indicative of the operational results that would have been obtained had the transactions actually occurred as of that date, nor is it necessarily indicative of Dana's future operational results.

SME — On January 11, 2019, we acquired a 100% ownership interest in SME. SME designs, engineers, and manufactures low-voltage AC induction and synchronous reluctance motors, inverters, and controls for a wide range of off-highway electric vehicle applications, including material handling, agriculture, construction, and automated-guided vehicles. The addition of SME's low-voltage motors and inverters, which are primarily designed to meet the evolution of electrification in off-highway equipment, significantly expands Dana's electrified product portfolio. See Hydro-Québec relationship discussion above for details of the subsequent change in our ownership interest in SME.

We paid \$88 at closing, consisting of \$62 in cash on hand and a note payable of \$26 which allows for net settlement of potential contingencies as defined in the purchase agreement. The note is payable in five years and bears annual interest of 5%. The purchase consideration and the related allocation to the acquisition date fair values of the assets acquired and liabilities assumed are presented in the following table:

Total purchase consideration	<u>\$88</u>
Accounts receivable - Trade	\$ 4
Accounts receivable - Other	1
Inventories	8
Goodwill	68
Intangibles	24
Property, plant and equipment	5
Short-term debt	(8)
Accounts payable	(6)
Accrued payroll and employee benefits	(1)
Other accrued liabilities	(1)
Other noncurrent liabilities	<u>(6)</u>
Total purchase consideration allocation	<u>\$88</u>

Goodwill recognized in this transaction is primarily attributable to synergies expected to arise after the acquisition and the assembled workforce and is not deductible for tax purposes. The fair values assigned to intangibles include \$15 allocated to developed technology and \$9 allocated to customer relationships. We used the relief from royalty method, an income approach, to value developed technology. We used the multi-period excess earnings method, an income approach, to value customer relationships. We used a replacement cost method to value fixed assets. The developed technology and customer relationship intangible assets are being amortized on a straight-line basis over twelve and ten years, respectively, and property, plant and equipment is being depreciated on a straight-line basis over useful lives ranging from one to twenty years.

The results of operations of the business are reported in our Off-Highway operating segment from the date of acquisition. The pro forma effects of this acquisition would not materially impact our reported results for any period presented, and as a result no pro forma financial information is presented. During 2019, the business contributed sales of \$21.

TM4 — On June 22, 2018, we acquired a 55% ownership interest in TM4 Inc. (TM4) from Hydro-Québec. TM4 designs and manufactures motors, power inverters, and control systems for electric vehicles, offering a complementary portfolio to Dana’s electric gearboxes and thermal-management technologies for batteries, motors, and inverters. The transaction establishes Dana as the only supplier with full e-Drive design, engineering, and manufacturing capabilities – offering electro-mechanical propulsion solutions to each of its end markets. The transaction further strengthens Dana’s position in China, the world’s fastest-growing market for electric vehicles. The terms of the agreement provide Hydro-Québec with the right to put all, and not less than all, of its shares in TM4 to Dana at fair value any time after June 22, 2021, see Note 9 for additional information. TM4 owns a 50% interest in PEPS, a joint venture in China with PEBL, which offers electric mobility solutions throughout China and Asia. See discussion of Dana’s subsequent acquisition of PEBL’s 50% interest in PEPS above.

We paid \$125 at closing, using cash on hand. The purchase consideration and the related allocation to the acquisition date fair values of the assets acquired and liabilities assumed are presented in the following table:

Total purchase consideration	<u>\$ 125</u>
Cash and cash equivalents	\$ 3
Accounts receivable - Trade	3
Accounts receivable - Other	1
Inventories	4
Goodwill	148
Intangibles	24
Investment in affiliates	49
Property, plant and equipment	5
Accounts payable	(2)
Accrued payroll and employee benefits	(1)
Other accrued liabilities	(7)
Redeemable noncontrolling interest	<u>(102)</u>
Total purchase consideration allocation	<u>\$ 125</u>

Goodwill recognized in this transaction is primarily attributable to synergies expected to arise after the acquisition and the assembled workforce and is not deductible for tax purposes. The fair values assigned to intangibles include \$14 allocated to developed technology and \$10 allocated to trademarks and trade names. We used the relief from royalty method, an income approach, to value developed technology and the trademarks and trade names. We used a replacement cost method to value fixed assets. We used a combination of the discounted cash flow, an income approach, and the guideline public company method, a market approach, to value the equity method investment in PEPS. The developed technology intangible assets are being amortized on a straight-line basis over ten years, and property, plant and equipment is being depreciated on a straight-line basis over useful lives ranging from five to six years. The trademarks and trade names are considered indefinite-lived intangible assets.

Dana is consolidating TM4 as the governing documents provide Dana with a controlling financial interest. The results of operations of the business are reported in our Commercial Vehicle operating segment from the date of acquisition. Transaction related expenses associated with completion of the acquisition totaling \$5 were charged to other income (expense), net in 2018. The pro forma effects of this acquisition would not materially impact our reported results for any period presented, and as a result no pro forma financial statements are presented. During 2018, the business contributed sales of \$11.

Note 3. Goodwill and Other Intangible Assets

Goodwill — Our goodwill is tested for impairment annually as of October 31 for all of our reporting units, and more frequent if events or circumstances warrant such a review. We completed numerous acquisitions in 2018

and 2019 that are included in our Commercial Vehicle and Off-Highway reporting units. These acquisitions were recorded on the balance sheet at their estimated acquisition date fair values and therefore had no cushion of fair value over their carrying value. As a result of the effect of the global COVID-19 pandemic on our expected future operating cash flows, a decrease in our share price which reduced our market capitalization below the book value of net assets and lower cushion in our expected reporting unit fair values as a result of the recent acquisitions, we determined certain impairment triggers had occurred in the first quarter of 2020. Accordingly, we performed interim impairment analyses at each of our reporting units as of March 31, 2020.

Based on the results of our interim impairment tests, we concluded that carrying value exceeded fair value in our Commercial Vehicle and Light Vehicle reporting units and we recorded a goodwill impairment charge of \$ 51 in the first quarter of 2020. Our testing for the Off-Highway reporting unit indicated that fair value slightly exceeded carrying value and, accordingly, no impairment charge was required. The reduction in fair values, and the corresponding impairment charges, were primarily driven by the negative effect of the global COVID-19 pandemic on each reporting unit's near-term cash flows. The estimated fair value of our Off-Highway and Commercial Vehicle reporting units were greater than their carrying values at October 31, 2020 by 14% and 4%, respectively. Discount rates of 12% and 14% were used in the valuation of our Off-Highway and Commercial Vehicle reporting units. These discount rates were based on a market participant developed weighted average cost of capital adjusted to reflect the risk inherent in future cash flows, perpetual growth rates and projected future economic and market conditions. An increase of the discount rate to 13.6% and 14.7% would be required to result in fair value being equal to carrying value for the Off-Highway and Commercial Vehicle reporting units. We expect that the fair value of our reporting units will continue to exceed their carrying values in future periods.

The remaining change in the carrying amount of goodwill in 2020 is primarily due to the acquisition of Ashwoods, measurement period adjustments for the Nordresa acquisition and currency fluctuation. The change in the carrying amount of goodwill in 2019 was due to the acquisitions of Nordresa, PEPS, ODS and SME and currency fluctuation. As a result of our annual goodwill impairment test performed in the fourth quarter of 2019, we concluded that the goodwill resulting from the acquisition of Magnum Gaskets in 2016 was unrecoverable. Accordingly, a full impairment charge of \$6 was recorded for the year ended December 31, 2019. See Note 2 for additional information on recent acquisitions.

Changes in the carrying amount of goodwill by segment —

	Light Vehicle	Commercial Vehicle	Off-Highway	Power Technologies	Total
Balance, December 31, 2018	\$ 3	\$150	\$105	\$ 6	\$264
Acquisitions		74	160		234
Impairment				(6)	(6)
Currency impact		4	(3)		1
Balance, December 31, 2019	3	228	262	—	493
Acquisition		(5)	26		21
Impairment	(3)	(48)			(51)
Currency impact		2	14		16
Balance, December 31, 2020	<u>\$—</u>	<u>\$177</u>	<u>\$302</u>	<u>\$—</u>	<u>\$479</u>

Non-amortizable intangible assets — Our non-amortizable intangible assets include a portion of our trademarks and trade names. Non-amortizable trademarks and trade names consist of the Dana[®], Spicer[®] and TM4[®] trademarks and trade names utilized in our Commercial Vehicle and Off-Highway segments. We value trademarks and trade names using a relief from royalty method which is based on revenue streams. No impairment was recorded during the two years ended December 31, 2020 in connection with the required annual assessment for trademarks and trade names.

During the third quarter of 2012, we entered a strategic alliance with Fallbrook Technologies Inc. (Fallbrook). The transaction with Fallbrook was accounted for as a business combination and the original purchase price allocation included \$20 of intangible assets used in research and development activities, which had been classified as indefinite-lived. Since the third quarter of 2012, we had been working with several customers to commercialize the continuously variable planetary (CVP) technology primarily in combustion engine applications. During the second quarter of 2018 key customers notified us of their intention to redirect their development efforts to electrification and cease further development efforts of the CVP technology in combustion engine applications. We determined that it was more likely than not that the fair value of the related intangible assets was less than their carrying amount. We used the multi-period excess earnings method, an income approach, to fair value the assets used in research and development activities. Given the lack of adequate identifiable future revenue streams, it was determined that the \$20 of intangible assets used in research and development activities was fully impaired during the second quarter of 2018.

Amortizable intangible assets — Our amortizable intangible assets include core technology, customer relationships and a portion of our trademarks and trade names. Core technology includes the proprietary know-how and expertise that is inherent in our products and manufacturing processes. Customer relationships include the established relationships with our customers and the related ability of these customers to continue to generate future recurring revenue and income. Amortizable trademarks and trade names includes the Graziano™, Fairfield® and Brevini® trademarks and trade names utilized in our Off-Highway segment.

These assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. We group the assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the undiscounted future cash flows. We use our internal forecasts, which we update quarterly, to develop our cash flow projections. These forecasts are based on our knowledge of our customers' production forecasts, our assessment of market growth rates, net new business, material and labor cost estimates, cost recovery agreements with customers and our estimate of savings expected from our restructuring activities. The most likely factors that would significantly impact our forecasts are changes in customer production levels and loss of significant portions of our business. Our valuation is applied over the life of the primary assets within the asset groups. If the undiscounted cash flows do not indicate that the carrying amount of the asset group is recoverable, an impairment charge is recorded if the carrying amount of the asset group exceeds its fair value based on discounted cash flow analyses or appraisals. There were no impairments recorded during the two years ended December 31, 2020.

Components of other intangible assets —

	Weighted Average Useful Life (years)	December 31, 2020			December 31, 2019		
		Gross Carrying Amount	Accumulated Impairment and Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Impairment and Amortization	Net Carrying Amount
Amortizable intangible assets							
Core technology . . .	8	\$146	\$(103)	\$ 43	\$133	\$ (94)	\$ 39
Trademarks and trade names	13	31	(9)	22	30	(6)	24
Customer relationships	8	525	(431)	94	509	(407)	102
Non-amortizable intangible assets							
Trademarks and trade names		<u>77</u>		<u>77</u>	<u>75</u>		<u>75</u>
		<u>\$779</u>	<u>\$(543)</u>	<u>\$236</u>	<u>\$747</u>	<u>\$(507)</u>	<u>\$240</u>

The net carrying amounts of intangible assets, other than goodwill, attributable to each of our operating segments at December 31, 2020 were as follows: Light Vehicle – \$22, Commercial Vehicle – \$68, Off-Highway – \$139 and Power Technologies – \$7.

Amortization expense related to amortizable intangible assets —

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Charged to cost of sales	\$ 7	\$ 5	\$ 2
Charged to amortization of intangibles	<u>13</u>	<u>12</u>	<u>8</u>
Total amortization	<u>\$20</u>	<u>\$17</u>	<u>\$10</u>

The following table provides the estimated aggregate pre-tax amortization expense related to intangible assets for each of the next five years based on December 31, 2020 exchange rates. Actual amounts may differ from these estimates due to such factors as currency translation, customer turnover, impairments, additional intangible asset acquisitions and other events.

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Amortization expense	\$19	\$19	\$19	\$19	\$19

Note 4. Restructuring of Operations

Our restructuring activities have historically included rationalizing our operating footprint by consolidating facilities, positioning operations in lower cost locations and reducing overhead costs. In recent years, our focus has been primarily headcount reduction initiatives to reduce operating costs, including actions taken at acquired businesses to rationalize cost structures and achieve operating synergies. Restructuring expense includes costs associated with current and previously announced actions and is comprised of contractual and noncontractual separation costs and exit costs, including certain operating costs of facilities that we are in the process of closing.

Net restructuring charges of \$34 and \$29 in 2020 and 2019 were comprised of severance and benefit costs related to integration of recent acquisitions, headcount reductions across our operations and exit costs related to previously announced actions.

Net restructuring charges of \$25 in 2018 were primarily comprised of severance and benefit costs related to a voluntary retirement program in North America, headcount reduction actions in our operations and corporate functions in Brazil and administrative cost reduction initiatives primarily in Europe and North America. In response to continued market recovery in our Off-Highway business in Europe, management re-evaluated the economic conditions of our global Off-Highway business and determined that \$7 of the previously approved restructuring actions were no longer economically prudent.

Accrued restructuring costs and activity, including noncurrent portion —

	Employee Termination Benefits	Exit Costs	Total
Balance, December 31, 2017	\$ 21	\$ 5	\$ 26
Charges to restructuring	28	4	32
Adjustments of accruals	(7)		(7)
Cash payments	(16)	(5)	(21)
Currency impact	(1)		(1)
Balance, December 31, 2018	25	4	29
Charges to restructuring	21	10	31
Adjustments of accruals	(2)		(2)
Cash payments	(31)	(9)	(40)
Currency impact			—
Lease cease-use reclassification		(4)	(4)
Balance, December 31, 2019	13	1	14
Charges to restructuring	30	6	36
Adjustments of accruals	(2)		(2)
Cash payments	(12)	(7)	(19)
Currency impact	1		1
Balance, December 31, 2020	<u>\$ 30</u>	<u>\$—</u>	<u>\$ 30</u>

At December 31, 2020, accrued employee termination benefits include costs to reduce approximately 500 employees to be completed over the next year.

Cost to complete — The following table provides project-to-date and estimated future restructuring expenses for completion of our approved restructuring initiatives for our business segments at December 31, 2020.

	Expense Recognized			Future Cost to Complete
	Prior to 2020	2020	Total to Date	
Commercial Vehicle	\$ 39	\$2	\$41	\$2
Light Vehicle	\$—	\$1	\$ 1	\$1

The future cost to complete includes estimated separation costs, primarily those associated with one-time benefit programs, and exit costs through 2021, equipment transfers and other costs which are required to be recognized as closures are finalized or as incurred during the closure.

Note 5. Inventories

Inventory components at December 31 —

	2020	2019
Raw materials	\$ 473	\$ 470
Work in process and finished goods	752	787
Inventory reserves	(76)	(64)
Total	<u>\$1,149</u>	<u>\$1,193</u>

Note 6. Supplemental Balance Sheet and Cash Flow Information

Supplemental balance sheet information at December 31 —

	<u>2020</u>	<u>2019</u>
Other current assets:		
Prepaid expenses	\$ 95	\$ 109
Other	32	28
Total	<u>\$ 127</u>	<u>\$ 137</u>
Other noncurrent assets:		
Marketable securities	\$ 49	\$ —
Customer incentive payments	45	37
Prepaid expenses	2	3
Deferred financing costs	5	6
Pension assets, net of related obligations	3	4
Other	65	70
Total	<u>\$ 169</u>	<u>\$ 120</u>
Property, plant and equipment, net:		
Land and improvements to land	\$ 210	\$ 223
Buildings and building fixtures	646	621
Machinery and equipment	3,613	3,355
Finance lease right-of-use assets	72	41
Total cost	4,541	4,240
Less: accumulated depreciation	<u>(2,290)</u>	<u>(1,975)</u>
Net	<u>\$ 2,251</u>	<u>\$ 2,265</u>
Other accrued liabilities (current):		
Non-income taxes payable	\$ 56	\$ 65
Accrued interest	13	11
Warranty reserves	43	36
Deferred income	7	6
Work place injury costs	6	5
Restructuring costs	30	14
Payable under forward contracts	9	5
Environmental	5	5
Other expense accruals	139	115
Total	<u>\$ 308</u>	<u>\$ 262</u>
Other noncurrent liabilities:		
Income tax liability	\$ 51	\$ 47
Interest rate swap market valuation	128	71
Deferred income tax liability	38	40
Work place injury costs	15	17
Warranty reserves	55	65
Other noncurrent liabilities	81	65
Total	<u>\$ 368</u>	<u>\$ 305</u>

Cash, cash equivalents and restricted cash at —

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Cash and cash equivalents	\$559	\$508	\$510	\$603
Restricted cash included in other current assets	5	6	7	3
Restricted cash included in other noncurrent assets	3	4	3	4
Total cash, cash equivalents and restricted cash	<u>\$567</u>	<u>\$518</u>	<u>\$520</u>	<u>\$610</u>

Supplemental cash flow information —

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Change in working capital:			
Change in accounts receivable	\$(66)	\$134	\$(113)
Change in inventories	69	35	(110)
Change in accounts payable	82	(96)	97
Change in accrued payroll and employee benefits	(22)	(21)	(28)
Change in accrued income taxes	(9)	(19)	(3)
Change in other current assets and liabilities	(7)	(50)	44
Net	<u>\$ 47</u>	<u>\$(17)</u>	<u>\$(113)</u>
Cash paid during the period for:			
Interest	\$129	\$117	\$ 90
Income taxes	98	125	145
Noncash investing and financing activities:			
Purchases of property, plant and equipment held in accounts payable	\$ 50	\$ 71	\$ 91
Stock compensation plans	12	17	18
Noncash dividends declared	—	1	1

Note 7. Leases

Our leases generally have remaining lease terms of one year to eleven years, some of which include options to extend the leases for up to ten years. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The following table provides a summary of the location and amounts related to finance leases recognized in the consolidated balance sheet. Short-term lease costs were insignificant as of December 31, 2020 and 2019.

	Classification	<u>2020</u>	<u>2019</u>
Finance lease right-of-use assets	Property, plant and equipment, net	\$72	\$41
Finance lease liabilities	Current portion of long-term debt	7	5
Finance lease liabilities	Long-term debt	53	24

Components of lease expense —

	<u>2020</u>	<u>2019</u>
Operating lease cost	\$52	\$50
Finance lease cost:		
Amortization of right-of-use assets	\$ 5	\$ 3
Interest on lease liabilities	2	1
Total finance lease cost	<u>\$ 7</u>	<u>\$ 4</u>

Supplemental cash flow information related to leases —

	<u>2020</u>	<u>2019</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$52	\$50
Operating cash flows from finance leases	2	1
Financing cash flows from finance leases	4	3
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$57	\$24
Finance leases	32	13

Supplemental balance sheet information related to leases —

	<u>2020</u>	<u>2019</u>
Weighted-average remaining lease term (years):		
Operating leases	6	6
Finance leases	14	9
Weighted-average discount rate:		
Operating leases	4.3%	5.5%
Finance leases	4.4%	3.2%

Maturities —

	<u>Operating Leases</u>	<u>Finance Leases</u>
2021	\$ 50	\$ 9
2022	41	9
2023	29	8
2024	24	6
2025	21	5
Thereafter	<u>61</u>	<u>49</u>
Total lease payments	226	86
Less: interest	<u>30</u>	<u>26</u>
Present value of lease liabilities	<u>\$196</u>	<u>\$60</u>

Operating lease payments presented in the table above exclude approximately \$18 of minimum lease payments for real estate leases signed but not yet commenced. These leases are expected to commence in 2021.

Note 8. Stockholders' Equity

Preferred Stock

We are authorized to issue 50,000,000 shares of Dana preferred stock, par value \$0.01 per share. There were no preferred shares outstanding at December 31, 2020 or 2019.

Common Stock

We are authorized to issue 450,000,000 shares of Dana common stock, par value \$0.01 per share. At December 31, 2020, there were 154,958,240 shares of our common stock issued and 144,515,658 shares outstanding, net of 10,442,582 in treasury shares. Treasury shares include those shares withheld at cost to satisfy tax obligations from stock awards issued under our stock compensation plan in addition to shares repurchased through share repurchase programs.

Our Board of Directors declared a cash dividend of ten cents per share of common stock in the first quarter of 2020. Aggregate 2020 declared dividends totaled \$15 and cash dividends paid totaled \$15. Dividends accrue on restricted stock units (RSUs) granted under our stock compensation program and will be paid in cash or additional units when the underlying units vest.

Share repurchase program — On February 16, 2021 our Board of Directors approved an extension of our existing common stock share repurchase program through December 31, 2023. Approximately \$150 remained available under the program for future share repurchases as of December 31, 2020.

Changes in equity —

During the first quarter of 2018, a wholly-owned subsidiary of Dana purchased the ownership interest in Dana Spicer (Thailand) Limited (a non wholly-owned consolidated subsidiary of Dana) held by ROC-Spicer, Ltd. (a non wholly-owned consolidated subsidiary of Dana). Dana maintained its controlling financial interest in Dana Spicer (Thailand) Limited and accordingly accounted for the purchase as an equity transaction. The excess of the fair value of the consideration paid over the carrying value of the investment attributable to the noncontrolling interest in ROC-Spicer, Ltd. was recognized as additional noncontrolling interest with a corresponding reduction of the additional paid-in capital of Dana. During the third quarter of 2018, Yulon Motor Co., Ltd. (Yulon) purchased a direct ownership interest in two of our consolidated operating subsidiaries. Yulon's ownership interest in the two consolidated operating subsidiaries did not change as a result of the transactions, as it previously owned the same percentages indirectly through a series of consolidated holding companies. The cash received from Yulon was recognized as additional noncontrolling interest. The amount received, less withholding taxes, was returned to Yulon in the form of a dividend in the fourth quarter of 2018.

Changes in each component of AOCI of the parent —

	Parent Company Stockholders				
	Foreign Currency Translation	Hedging	Investments	Defined Benefit Plans	Accumulated Other Comprehensive Loss
Balance, December 31, 2017	\$(670)	\$ (64)	\$ 2	\$(610)	\$(1,342)
Other comprehensive income (loss):					
Currency translation adjustments	(48)				(48)
Holding loss on net investment hedge	(3)				(3)
Holding gains and losses		66			66
Reclassification of amount to net income (a)		(56)			(56)
Net actuarial losses				(8)	(8)
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)				34	34
Other				2	2
Tax expense				(5)	(5)
Other comprehensive income (loss)	(51)	10	—	23	(18)
Adoption of ASU 2016-01 financial instruments adjustment, January 1, 2018			(2)		(2)
Balance, December 31, 2018	(721)	(54)	—	(587)	(1,362)
Other comprehensive income (loss):					
Currency translation adjustments	8				8
Holding gains and losses		58			58
Reclassification of amount to net income (a)		(33)			(33)
Net actuarial gains				71	71
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)				286	286
Tax expense	(1)	(1)		(13)	(15)
Other comprehensive income	7	24	—	344	375
Balance, December 31, 2019	(714)	(30)	—	(243)	(987)
Other comprehensive income (loss):					
Currency translation adjustments	(88)				(88)
Holding gains and losses		(78)			(78)
Reclassification of amount to net income (a)		117			117
Net actuarial losses				(11)	(11)
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)				20	20
Other comprehensive income (loss)	(88)	39	—	9	(40)
Deconsolidation of non-wholly owned subsidiary				1	1
Balance, December 31, 2020	<u>\$(802)</u>	<u>\$ 9</u>	<u>\$—</u>	<u>\$(233)</u>	<u>\$(1,026)</u>

Notes:

- (a) Realized gains and losses from currency-related forward contracts associated with forecasted transactions or from other derivative instruments treated as cash flow hedges are reclassified from AOCI into the same line item in the consolidated statement of operations in which the underlying forecasted transaction or other hedged item is recorded. See Note 15 for additional details.
- (b) See Note 12 for additional details.

Note 9. Redeemable Noncontrolling Interests

In connection with the acquisition of a controlling interest in TM4 from Hydro-Québec on June 22, 2018, we recognized \$102 for Hydro-Québec's 45% redeemable noncontrolling interest in TM4. On July 29, 2019, we broadened our relationship with Hydro-Québec, with Hydro-Québec acquiring an indirect 45% redeemable noncontrolling interest in SME and an additional indirect 22.5% redeemable noncontrolling interest in PEPS which resulted in recognition of additional redeemable noncontrolling interest of \$64. On April 14, 2020, Hydro-Québec acquired an indirect 45% redeemable noncontrolling interest in Ashwoods which resulted in recognition of additional redeemable noncontrolling interest of \$7. The terms of the agreement provide Hydro-Québec with the right to put all, and not less than all, of its ownership interests in TM4, SME, PEPS and Ashwoods to Dana at fair value any time after June 22, 2021. See Note 2 for additional information.

Redeemable noncontrolling interests reflected as of the balance sheet date are the greater of the redeemable noncontrolling interest balances adjusted for comprehensive income items and distributions or the redemption values. Redeemable noncontrolling interest adjustments of redemption value are recorded in retained earnings. We estimate the fair value of the redemption value using an income based approach based on discounted cash flow projections. In determining fair value using discounted cash flow projections, we make significant assumptions and estimates about the extent and timing of future cash flows, including revenue growth rates, projected EBITDA, discount rates, terminal growth rates and exit multiples.

Reconciliation of changes in redeemable noncontrolling interests —

	<u>2020</u>	<u>2019</u>
Balance, beginning of period	\$167	\$100
Capital contribution from redeemable noncontrolling interest	4	4
Sale of redeemable noncontrolling interest	7	64
Adjustment to redemption value	38	
Comprehensive income (loss) adjustments:		
Net loss attributable to redeemable noncontrolling interests	(30)	(6)
Other comprehensive income (loss) attributable to redeemable noncontrolling interests	(6)	5
Balance, end of period	<u>\$180</u>	<u>\$167</u>

Note 10. Earnings per Share

Reconciliation of the numerators and denominators of the earnings per share calculations —

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net income (loss) available to common stockholders - Numerator basic and diluted	<u>\$ (31)</u>	<u>\$ 226</u>	<u>\$ 427</u>
Denominator:			
Weighted-average common shares outstanding - Basic	144.5	144.0	145.0
Employee compensation-related shares, including stock options	—	1.1	1.5
Weighted-average common shares outstanding - Diluted	<u>144.5</u>	<u>145.1</u>	<u>146.5</u>

The share count for diluted earnings per share is computed on the basis of the weighted-average number of common shares outstanding plus the effects of dilutive common stock equivalents (CSEs) outstanding during the period. We excluded 1.4 million, 0.1 million and 0.2 million CSEs from the calculations of diluted earnings per share for the years 2020, 2019 and 2018 as the effect of including them would have been anti-dilutive. In addition, we excluded CSEs that satisfied the definition of potentially dilutive shares of 0.7 million for 2020 since there was no net income available to common stockholders for this period.

Note 11. Stock Compensation

2017 Omnibus Incentive Plan

The 2017 Omnibus Incentive Plan (the Plan) authorizes the grant of stock options, stock appreciation rights (SARs), RSUs and performance share units (PSUs) through April 2027. Cash-settled awards do not count against the maximum aggregate number. At December 31, 2020, there were 3.1 million shares available for future grants. Shares of common stock to be issued under the Plan are made available from authorized and unissued Dana common stock.

Award activity — (shares in millions)

	Options		SARs		RSUs		PSUs	
	Shares	Exercise Price*	Shares	Exercise Price*	Shares	Grant-Date Fair Value*	Shares	Grant-Date Fair Value*
December 31, 2019	0.6	\$16.13	0.1	\$16.27	2.0	\$20.56	0.7	\$19.99
Granted					1.3	15.53	0.5	14.42
Exercised or vested					(0.6)	19.58	(0.2)	19.15
Forfeited or expired					(0.2)	18.86	(0.2)	18.14
December 31, 2020	<u>0.6</u>	16.27	<u>0.1</u>	16.50	<u>2.5</u>	18.27	<u>0.8</u>	15.18

* Weighted-average per share

	2020	2019	2018
Total stock compensation expense	\$14	\$19	\$16
Total grant-date fair value of awards vested	16	16	16
Cash received from exercise of stock options			2
Cash paid to settle SARs and RSUs	2	2	2
Intrinsic value of stock options and SARs exercised		1	3
Intrinsic value of RSUs and PSUs vested	14	17	18

Compensation expense is generally measured based on the fair value at the date of grant and is recognized on a straight-line basis over the vesting period. For options and SARs, we use an option-pricing model to estimate fair value. For RSUs and PSUs, the fair value is based on the closing market price of our common stock at the date of grant. Awards that are settled in cash are subject to liability accounting. Accordingly, the fair value of such awards is remeasured at the end of each reporting period until settled or expired. We had accrued \$ 4 and \$3 for cash-settled awards at December 31, 2020 and 2019. During 2020 we issued 0.6 million and 0.3 million shares of common stock based on vesting of RSUs and PSUs. At December 31, 2020, the total unrecognized compensation cost related to the nonvested awards granted and expected to vest was \$19. This cost is expected to be recognized over a weighted-average period of 1.8 years.

Stock options and stock appreciation rights — The exercise price of each option or SAR equals the closing market price of our common stock on the date of grant. Options and SARs generally vest over three years and their maximum term is ten years. Shares issued upon the exercise of options are recorded as common stock and additional paid-in capital at the option price. SARs are settled in cash for the difference between the market price on the date of exercise and the exercise price. We have not granted stock options or SARs since 2013. All outstanding awards are fully vested and exercisable. At December 31, 2020, the outstanding awards have an aggregate intrinsic value of \$2 and a weighted-average remaining contractual life of 1.3 years.

Restricted stock units and performance shares units — Each RSU or PSU granted represents the right to receive one share of Dana common stock or, at the election of Dana (for units awarded to board members) or for employees located outside the U.S. (for employee awarded units), cash equal to the market value per share. All RSUs contain dividend equivalent

rights. RSUs granted to non-employee directors vest on the first anniversary date of the grant and those granted to employees generally cliff vest fully after three years. PSUs granted to employees vest if specified performance goals are achieved during the respective performance period, generally three years.

Under the 2020 stock compensation award program, the number of PSUs that ultimately vest is contingent on achieving a specified free cash flow target and a specified margin target, with an even distribution between the two targets. Our 2019 and 2018 programs had specified return on invested capital targets and specified margin targets, with an even distribution between the two targets. We estimated the fair value at grant date based on the closing market price of our common stock at the date of grant adjusted for the value of assumed dividends over the period because the awards are not dividend protected. The estimated grant date value is accrued over the performance period and adjusted as appropriate based on performance relative to the target.

Cash incentive awards — Our 2017 Omnibus Incentive Plan provides for cash incentive awards. We make awards annually to certain eligible employees designated by Dana, including certain executive officers. Awards under the plan are based on achieving certain financial performance goals. The performance goals of the plan are established annually by the Board of Directors.

Under the 2020 annual incentive program, participants were eligible to receive cash awards based on achieving a cash flow performance goal. Under the 2019 and 2018 annual incentive programs, participants were eligible to receive cash awards based on achieving earnings and cash flow performance goals. We accrued \$23, \$27 and \$33 of expense in 2020, 2019 and 2018 for the expected cash payments under these programs.

Note 12. Pension and Postretirement Benefit Plans

We sponsor various defined benefit, qualified and nonqualified, pension plans covering eligible employees. Other postretirement benefits (OPEB), including medical and life insurance, are provided for certain employees upon retirement.

We also sponsor various defined contribution plans that cover the majority of our employees. Under the terms of the qualified defined contribution retirement plans, employee and employer contributions may be directed into a number of diverse investments. None of these qualified defined contribution plans allow direct investment in our stock.

In October 2017, upon authorization by the Dana Board of Directors, we commenced the process of terminating one of our U.S. defined benefit pension plans. During the second quarter of 2019, payments were made from plan assets to those plan participants that elected to take the lump-sum payout option. In June 2019, we entered into (a) a definitive commitment agreement by and among Dana, Athene Annuity and Life Company (Athene) and State Street Global Advisors, as independent fiduciary to the plan, and (b) a definitive commitment agreement by and among Dana, Companion Life Insurance Company (Companion) and State Street Global Advisors, as independent fiduciary to the plan. Pursuant to the definitive commitment agreements, the plan purchased group annuity contracts that irrevocably transferred to the insurance companies the remaining future pension benefit obligations of the plan. Plan participant's benefits are unchanged as a result of the termination. We contributed \$59 to the plan prior to the purchase of the group annuity contracts. The purchase of group annuity contracts was then funded directly by the assets of the plan in June 2019. By irrevocably transferring the obligations to Athene and Companion, we reduced our unfunded pension obligation by approximately \$165 and recognized a pre-tax pension settlement charge of \$256 in 2019.

Funded status — The following tables provide reconciliations of the changes in benefit obligations, plan assets and funded status.

	Pension Benefits				OPEB			
	2020		2019		2020		2019	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Reconciliation of benefit obligation:								
Obligation at beginning of period	\$772	\$412	\$1,501	\$364	\$3	\$88	\$—	\$83
Interest cost	21	5	40	8		2		3
Service cost		9		8		1		
Actuarial loss	68	10	13	41	1	4	1	2
Benefit payments	(51)	(13)	(90)	(14)		(4)	(1)	(4)
Acquisitions			161	25			3	
Settlements		(4)	(853)	(13)				
Curtailedment				(1)				
Deconsolidation of subsidiary		(8)						
Translation adjustments		27		(6)		2		4
Obligation at end of period	<u>\$810</u>	<u>\$438</u>	<u>\$ 772</u>	<u>\$412</u>	<u>\$4</u>	<u>\$93</u>	<u>\$ 3</u>	<u>\$88</u>

	Pension Benefits				OPEB			
	2020		2019		2020		2019	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Reconciliation of fair value of plan assets:								
Fair value at beginning of period	\$724	\$ 78	\$1,301	\$ 71	\$—	\$—	\$—	\$—
Actual return on plan assets	107	3	171	11				
Employer contributions	1	14	59	17		4	1	4
Benefit payments	(51)	(13)	(90)	(14)		(4)	(1)	(4)
Settlements		(4)	(853)	(13)				
Acquisitions			136	7				
Deconsolidation of subsidiary		(8)						
Translation adjustments		(1)		(1)				
Fair value at end of period	<u>\$781</u>	<u>\$ 69</u>	<u>\$ 724</u>	<u>\$ 78</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>
Funded status at end of period	<u>\$ (29)</u>	<u>\$(369)</u>	<u>\$ (48)</u>	<u>\$(334)</u>	<u>\$ (4)</u>	<u>\$(93)</u>	<u>\$ (3)</u>	<u>\$(88)</u>

Amounts recognized in the balance sheet —

	Pension Benefits				OPEB			
	2020		2019		2020		2019	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Amounts recognized in the consolidated balance sheet:								
Noncurrent assets	\$ 2	\$ 1	\$—	\$ 4	\$—	\$—	\$—	\$—
Current liabilities		(14)		(13)		(5)		(5)
Noncurrent liabilities	(31)	(356)	(48)	(325)	(4)	(88)	(3)	(83)
Net amount recognized	<u>\$(29)</u>	<u>(369)</u>	<u>\$(48)</u>	<u>\$(334)</u>	<u>\$ (4)</u>	<u>\$(93)</u>	<u>\$ (3)</u>	<u>\$(88)</u>

Amounts recognized in AOCI —

	Pension Benefits				OPEB			
	2020		2019		2020		2019	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Amounts recognized in AOCI:								
Net actuarial loss (gain)	<u>\$142</u>	<u>\$108</u>	<u>\$157</u>	<u>\$108</u>	<u>\$2</u>	<u>\$(8)</u>	<u>\$1</u>	<u>\$(12)</u>
AOCI before tax	142	108	157	108	2	(8)	1	(12)
Deferred taxes	16	(30)	13	(28)		3		4
Net	<u>\$158</u>	<u>\$ 78</u>	<u>170</u>	<u>\$ 80</u>	<u>\$2</u>	<u>\$(5)</u>	<u>\$1</u>	<u>\$ (8)</u>

The 2020 actuarial gain of \$4 on the U.S. plans was largely the result of the actual return on assets exceeding the expected asset return partially offset by the decrease in discount rate and result of reflecting updated mortality tables.

The 2019 actuarial gain of \$107 on the U.S. plans was largely the result of the actual return on assets exceeding the expected asset return.

Aggregate funding levels — The following table presents information regarding the aggregate funding levels of our defined benefit pension plans at December 31:

	2020		2019	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Plans with fair value of plan assets in excess of obligations:				
Accumulated benefit obligation	\$ 16	\$ 14	\$ 15	\$ 17
Projected benefit obligation	16	14	15	17
Fair value of plan assets	17	15	16	21
Plans with obligations in excess of fair value of plan assets:				
Accumulated benefit obligation	\$794	\$391	\$757	\$363
Projected benefit obligation	794	424	757	395
Fair value of plan assets	764	54	708	57

Fair value of pension plan assets —

Asset Category	Total	Fair Value Measurements at December 31, 2020						
		U.S.				Non-U.S.		
		Level 1	Level 2	Level 3	NAV (a)	Level 1	Level 2	Level 3
Equity securities:								
U.S. all cap (b)	\$ 40	\$40	\$—	\$—	\$—	\$—	\$—	\$—
U.S. large cap	36				36			
EAFE composite	23				23			
Emerging markets	16				16			
Fixed income securities:								
Corporate bonds	572		189		383			
U.S. Treasury strips	22		22					
Non-U.S. government securities	16		1				15	
Emerging market debt	12				12			
Alternative investments:								
Insurance contracts (c)	58			6				52
Real estate	18				18			
Other	2						2	
Cash and cash equivalents	35		35					
Total	\$850	\$40	\$247	\$ 6	\$488	\$—	\$ 17	\$ 52

Asset Category	Fair Value Measurements at December 31, 2019							
	Total	U.S.				Non-U.S.		
		Level 1	Level 2	Level 3	NAV (a)	Level 1	Level 2	Level 3
Equity securities:								
U.S. all cap (b)	\$ 39	\$39	\$—	\$—	\$—	\$—	\$—	\$—
U.S. large cap	28				28			
EAFE composite	19				19			
Emerging markets	9				9			
Fixed income securities:								
Corporate bonds	492		186		306			
U.S. Treasury strips	37		37					
Non-U.S. government securities	21					21		
Emerging market debt	11				11			
Alternative investments:								
Insurance contracts (c)	50			4				46
Real estate	20				20			
Other	11					11		
Cash and cash equivalents	65		65					
Total	\$802	\$39	\$288	\$ 4	\$393	\$—	\$ 32	\$ 46

Notes:

- Certain assets are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy.
- This category comprises a combination of small-, mid- and large-cap equity stocks that are allocated at the investment manager's discretion. Investments include common and preferred securities as well as equity funds that invest in these instruments.
- This category comprises contracts placed with insurance companies where the underlying assets are invested in fixed interest securities.

Reconciliation of Level 3 Assets	2020	2020	2019	2019
	U.S. Insurance Contracts	Non-U.S. Insurance Contracts	U.S. Insurance Contracts	Non-U.S. Insurance Contracts
Fair value at beginning of period	\$4	\$46	\$—	\$35
Actual gains relating to assets still held at the reporting date	2	4		7
Purchases, sales and settlements		(2)	4	5
Currency impact		4		(1)
Fair value at end of period	\$6	\$52	\$ 4	\$46

Valuation Methods

Equity securities — The fair value of equity securities held directly by the trust is based on quoted market prices. When the equity securities are held in commingled funds that are not publicly traded, the fair value of our interest in the fund is its NAV as determined by quoted market prices for the underlying holdings.

Fixed income securities — The fair value of fixed income securities held directly by the trust is based on a bid evaluation process with input from independent pricing sources. When the fixed income securities are held in commingled funds that are not publicly traded, the fair value of our interest in the fund is its NAV as determined by a similar valuation of the underlying holdings.

Insurance contracts — The values shown for insurance contracts are the amounts reported by the insurance company and approximate the fair values of the underlying investments.

Real estate — The investments in real estate represent ownership interests in commingled funds and partnerships that invest in real estate. The investment managers determine the NAV of these ownership interests using the fair value of the underlying real estate which is obtained via independent third party appraisals prepared on a periodic basis. Assumptions used to value the properties are updated quarterly. For the component of the real estate portfolio under development, the investments are carried at cost until they are completed and valued by a third party appraiser.

Cash and cash equivalents — The fair value of cash and cash equivalents is set equal to its amortized cost.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while we believe the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment policy — Target asset allocations of U.S. pension plans are established through an investment policy, which is updated periodically and reviewed by an Investment Committee, comprised of certain company officers. The investment policy allows for a flexible asset allocation mix which is intended to provide appropriate diversification to lessen market volatility while assuming a reasonable level of economic risk.

Our policy recognizes that properly managing the relationship between pension assets and pension liabilities serves to mitigate the impact of market volatility on our funding levels. The investment policy permits plan assets to be invested in a number of diverse categories, including a Growth Portfolio, an Immunizing Portfolio and a Liquidity Portfolio. These sub-portfolios are intended to balance the generation of incremental returns with the management of overall risk.

The Growth Portfolio is invested in a diversified pool of assets in order to generate an incremental return with an acceptable level of risk. The Immunizing Portfolio is a hedging portfolio that may be comprised of fixed income securities and overlay positions. This portfolio is designed to offset changes in the value of the pension liability due to changes in interest rates. The Liquidity Portfolio is a cash portfolio designed to meet short-term liquidity needs and reduce the plans' overall risk. As a result of our diversification strategies, there are no significant concentrations of risk within the portfolio of investments.

The allocations among portfolios are adjusted as needed to meet changing objectives and constraints and to manage the risk of adverse changes in the unfunded positions of our plans. At December 31, 2020, the U.S. plans had targets of 20% for the Growth Portfolio (U.S. and non-U.S. equities, high-yield fixed income, real estate, emerging market debt and cash), 78% for the Immunizing Portfolio (long duration U.S. Treasury strips, corporate bonds and cash) and 2% for the Liquidity Portfolio (cash and short-term securities). The assets held at December 31, 2020 by the U.S. plans were invested 21% in the Growth Portfolio, 76% in the Immunizing Portfolio and 3% in the Liquidity Portfolio.

Significant assumptions — The significant weighted-average assumptions used in the measurement of pension benefit obligations at December 31 of each year and the net periodic benefit cost for each year are as follows:

	2020		2019		2018	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Pension benefit obligations:						
Discount rate	2.43%	1.40%	3.21%	1.72%	4.22%	2.42%
Net periodic benefit cost:						
Discount rate	2.79%	2.10%	3.41%	2.50%	2.56%	2.54%
Rate of compensation increase	N/A	3.36%	N/A	3.28%	N/A	3.21%
Expected return on plan assets	5.00%	4.45%	6.00%	4.61%	6.00%	4.66%

The pension plan discount rate assumptions are evaluated annually in consultation with our outside actuarial advisers. Long-term interest rates on high quality corporate debt instruments are used to determine the discount rate. For our largest plans, discount rates are developed using a discounted bond portfolio analysis, with appropriate consideration given to defined benefit payment terms and duration of the liabilities. In the above table, the discount rate used to determine U.S. pension obligations at the end of 2018 does not consider the terminated plan which had an implied discount rate of 3.46%.

For pension and other postretirement benefit plans that utilize a full yield curve approach to estimate the interest and service components of net periodic benefit cost, we apply the specific spot rates along the yield curve used in the most recent remeasurement of the benefit obligation to the relevant projected cash flows. We believe this method improves the correlation between the projected cash flows and the corresponding interest rates and provides a more precise measurement of interest and service costs. Since the remeasurement of total benefit obligations is not affected, the resulting reduction in periodic benefit cost is offset by an increase in the actuarial loss.

The expected rate of return on plan assets was selected on the basis of our long-term view of return and risk assumptions for major asset classes. We define long-term as forecasts that span at least the next ten years. Our long-term outlook is influenced by a combination of return expectations by individual asset class, actual historical experience and our diversified investment strategy. We consult with and consider the opinions of financial professionals in developing appropriate capital market assumptions. Return projections are also validated using a simulation model that incorporates yield curves, credit spreads and risk premiums to project long-term prospective returns. The appropriateness of the expected rate of return is assessed on an annual basis and revised if necessary. We have a high percentage of total assets in fixed income securities since the benefit accruals are frozen for all of our U.S. pension plans. Based on this assessment, we have selected a 3.50% expected return on asset assumption for 2021 for our U.S. plans.

The significant weighted-average assumptions used in the measurement of OPEB obligations at December 31 of each year and the net periodic benefit cost for each year are as follows:

	2020		2019		2018
	U.S.	Non-U.S.	U.S.	Non-U.S.	Non-U.S.
OPEB benefit obligations:					
Discount rate	2.67%	2.55%	3.37%	3.10%	3.71%
Net periodic benefit cost:					
Discount rate	3.19%	3.15%	4.08%	3.76%	3.42%
Initial health care cost trend rate	N/A	4.64%	N/A	4.22%	4.12%
Ultimate health care cost trend rate	N/A	5.13%	N/A	4.93%	5.10%
Year ultimate reached	N/A	2023	N/A	2023	2023

The discount rate selection process was similar to the process used for the pension plans. Assumed health care cost trend rates have a significant effect on the health care obligation. To determine the trend rates, consideration is given to the plan design, recent experience and health care economics.

Estimated future benefit payments and contributions — Expected benefit payments by our pension and OPEB plans for each of the next five years and for the following five-year period are as follows:

<u>Year</u>	<u>Pension Benefits</u>		<u>OPEB</u>	
	<u>U.S.</u>	<u>Non-U.S.</u>	<u>U.S.</u>	<u>Non-U.S.</u>
2021	\$ 51	\$ 17	\$—	\$ 5
2022	51	16		5
2023	50	16		5
2024	50	20		5
2025	49	17		5
2026 to 2030	229	109	1	24
Total	\$480	\$195	\$ 1	\$49

Pension benefits are funded through deposits with trustees that satisfy, at a minimum, the applicable funding regulations. OPEB benefits are funded as they become due. There are no projected contributions to be made during 2021 for our U.S. plans and projected contributions of \$16 for our non-U.S. plans.

Multi-employer pension plans — We participate in the Steelworkers Pension Trust (SPT) multi-employer pension plan which provides pension benefits to certain of our U.S. employees represented by the United Steelworkers and United Automobile Workers unions. Contributions are made in accordance with our collective bargaining agreements and rates are generally based on hours worked. The collective bargaining agreements expire August 18, 2021. The trustees of the SPT have provided us with the latest data available for the plan year ended December 31, 2020. As of that date, the plan is not fully funded. We could be held liable to the plan for our obligations as well as those of other employers as a result of our participation in the plan.

Contribution rates could increase if the plan is required to adopt a funding improvement plan or a rehabilitation plan, if the performance of plan assets does not meet expectations or as a result of future collectively bargained wage and benefit agreements. If we choose to stop participating in the plan, we may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Pension Protection Act (PPA) defines a zone status for each plan. Plans in the green zone are at least 80% funded, plans in the yellow zone are at least 65% funded and plans in the red zone are generally less than 65% funded. The SPT plan has utilized extended amortization provisions to amortize its losses from 2008. The plan recertified its zone status after using the extended amortization provisions as allowed by law. The SPT plan has not implemented a funding improvement or rehabilitation plan, nor are such plans pending. Our contributions to the SPT exceeded 5% of the total contributions to the plan.

<u>Pension Fund</u>	<u>Employer Identification Number/Plan Number</u>	<u>PPA Zone Status</u>		<u>Funding Plan Pending/ Implemented</u>	<u>Contributions by Dana</u>			<u>Surcharge Imposed</u>
		<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>	<u>2018</u>	
SPT	23-6648508 / 499	Green	Green	No	\$14	\$13	\$12	No

Note 13. Marketable Securities

	2020			2019		
	Cost	Unrealized Gains (Losses)	Fair Value	Cost	Unrealized Gains (Losses)	Fair Value
Certificates of deposit - Current marketable securities	\$21	\$—	\$21	\$ 19	\$—	\$ 19
Corporate securities - Noncurrent marketable securities	\$16	\$ 33	\$49	\$—	\$—	\$—

Certificates of deposit maturing in one year or less total \$21 at December 31, 2020.

We held \$16 of convertible notes receivable from our investment in Hyliion Inc. On October 1, 2020, Hyliion completed its merger with Tortoise Acquisition Corp. The business combination resulted in the combined company being renamed Hyliion Holdings Corp., with its common stock being listed on the New York Stock Exchange under the ticker symbol HYLN. Effective with the completed merger, our notes receivable were converted into 2,988,229 common shares of HYLN. Our investment in Hyliion is included in noncurrent marketable securities and carried at fair value with changes in fair value included in net income in future periods. The strategic partnership with Hyliion establishes Dana as the preferred supplier for e-propulsion systems to Hyliion as long as Dana maintains a minimum equity investment in Hyliion.

Note 14. Financing Agreements

Long-term debt at December 31 —

	Interest Rate	2020	2019
Senior Notes due December 15, 2024	5.500%	\$ 425	\$ 425
Senior Notes due April 15, 2025	5.750%*	400	400
Senior Notes due June 1, 2026	6.500%*	375	375
Senior Notes due November 15, 2027	5.375%	400	300
Senior Notes due June 15, 2028	5.625%	400	
Term A Facility			474
Term B Facility		349	349
Other indebtedness		106	61
Debt issuance costs		(27)	(28)
		<u>2,428</u>	<u>2,356</u>
Less: Current portion of long-term debt		8	20
Long-term debt, less debt issuance costs		<u>\$2,420</u>	<u>\$2,336</u>

* In conjunction with the issuance of the April 2025 Notes we entered into 8-year fixed-to-fixed cross-currency swaps which have the effect of economically converting the April 2025 Notes to euro-denominated debt at a fixed rate of 3.850%. In conjunction with the issuance of the June 2026 Notes we entered into 10-year fixed-to-fixed cross-currency swaps which have the effect of economically converting the June 2026 Notes to euro-denominated debt at a fixed rate of 5.140%. See Note 15 for additional information.

Interest on the senior notes is payable semi-annually and interest on the Term B Facility is payable quarterly. Other indebtedness includes the note payable to SME, borrowings from various financial institutions, finance lease obligations and the unamortized fair value adjustment related to a terminated interest rate swap. See Note 2 for additional information on the note payable to SME and Note 15 for additional information on the terminated interest rate swap.

Scheduled principal payments on long-term debt, excluding finance leases at December 31, 2020 —

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Maturities	\$—	\$4	\$5	\$453	\$404

Senior notes activity — In June 2020, we completed the sale of \$400 in senior unsecured notes (June 2028 Notes) at 5.625%. The June 2028 Notes rank equally with Dana’s other unsecured senior notes. Interest on the notes is payable on December 15 and June 15 of each year, beginning on December 15, 2020. The June 2028 Notes will mature on June 15, 2028. Net proceeds of the offering totaled \$395. Financing costs of \$5 were recorded as deferred costs and are being amortized to interest expense over the life of the notes. The proceeds from the offering were used to pay down outstanding borrowings under our Revolving Facility and for general corporate purposes. Also, we completed the sale of an additional \$100 of November 2027 Notes at 5.375%. The November 2027 Notes rank equally with Dana’s other unsecured senior notes. Interest on the notes is payable on May 15 and November 15 of each year, beginning on November 15, 2020. The November 2027 Notes will mature on November 15, 2027. Net proceeds of the offering totaled \$99. Financing costs of \$1 were recorded as deferred costs and are being amortized to interest expense over the life of the notes. The proceeds from the offering were used for general corporate purposes.

In November 2019, we completed the sale of \$300 in senior unsecured notes (November 2027 Notes) at 5.375%. The November 2027 Notes rank equally with Dana’s other unsecured senior notes. Interest on the notes is payable on May 15 and November 15 of each year, beginning on May 15, 2020. The November 2027 Notes will mature on November 15, 2027. Net proceeds of the offering totaled \$296. Financing costs of \$4 were recorded as deferred costs and are being amortized to interest expense over the life of the notes. The proceeds from the offering were used to redeem our September 2023 Notes. On November 22, 2019, we redeemed \$162 of our September 2023 Notes pursuant to a tender offer at a weighted average price equal to 102.250% plus accrued and unpaid interest. On November 26, 2019, we called the remaining \$138 of our September 2023 Notes at a price equal to 102.000% plus accrued and unpaid interest. The \$9 loss on extinguishment of debt recorded in November 2019 includes the redemption premiums and transaction costs associated with the tender offer and the call and the write-off of \$2 of previously deferred financing costs associated with the September 2023 Notes.

Senior notes redemption provisions — We may redeem some or all of the senior notes at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest to the redemption date, if redeemed during the 12-month period commencing on the anniversary date of the senior notes in the year set forth below:

Year	Redemption Price				
	<u>December 2024 Notes</u>	<u>April 2025 Notes</u>	<u>June 2026 Notes</u>	<u>November 2027 Notes</u>	<u>June 2028 Notes</u>
2020	101.833%	104.313%			
2021	100.917%	102.875%	103.250%		
2022	100.000%	101.438%	102.167%	102.688%	
2023	100.000%	100.000%	101.083%	101.344%	102.813%
2024		100.000%	100.000%	100.000%	101.406%
2025			100.000%	100.000%	100.000%
2026				100.000%	100.000%
2027					100.000%

Prior to June 1, 2021, we may redeem some or all of the June 2026 Notes at a redemption price of 100.000% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus a “make-whole” premium. We have not separated the make-whole premium from the underlying debt instrument to account for it as a derivative instrument as the economic characteristics and the risks of this embedded derivative are clearly and closely related to the economic characteristics and risks of the underlying debt.

At any time prior to November 15, 2022, we may redeem up to 35% of the aggregate principal amount of the November 2027 Notes in an amount not to exceed the amount of proceeds of one or more equity offerings, at a price equal to 105.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 50% of the original aggregate principal amount of the November 2027 Notes remains outstanding after the redemption. Prior to November 15, 2022, we may redeem some or all of the November 2027 Notes at a redemption price of 100.000% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus a “make-whole” premium. We have not separated the make-whole premium from the underlying debt instrument to account for it as a derivative instrument as the economic characteristics and the risks of this embedded derivative are clearly and closely related to the economic characteristics and risks of the underlying debt.

At any time prior to June 15, 2023, we may redeem up to 35% of the aggregate principal amount of the June 2028 Notes in an amount not to exceed the amount of proceeds of one or more equity offerings, at a price equal to 105.625% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 50% of the original aggregate principal amount of the June 2028 Notes remains outstanding after the redemption. Prior to June 15, 2023, we may redeem some or all of the June 2028 Notes at a redemption price of 100.000% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus a “make-whole” premium. We have not separated the make-whole premium from the underlying debt instrument to account for it as a derivative instrument as the economic characteristics and the risks of this embedded derivative are clearly and closely related to the economic characteristics and risks of the underlying debt.

Credit agreement — On February 28, 2019, we entered into an amended credit and guaranty agreement comprised of a \$500 term facility (the Term A Facility), a \$450 term facility (the Term B Facility and, together with the Term A Facility, the Term Facilities) and a \$750 revolving credit facility (the Revolving Facility). The Term A Facility and the Revolving Facility were expansions of our existing facilities. On February 28, 2019, we drew the \$225 available under the Term A Facility and the \$450 available under the Term B Facility. The proceeds from the Term Facilities were used to acquire the Oerlikon Drive Systems segment of the Oerlikon Group and pay for related integration activities. We were required to make equal quarterly installments on the Term A Facility on the last day of each fiscal quarter of \$8 beginning March 31, 2019 and 0.25% of the aggregate principal advances of the Term B Facility quarterly commencing on June 30, 2019. On August 30, 2019, we amended our credit and guaranty agreement, increasing the Revolving Facility to \$1,000 and extending the maturities and reducing the interest rates of both the Revolving Facility and the Term A Facility. We recorded deferred fees of \$13 and \$4 related to the amendments to the Term Facilities and the Revolving Facility, respectively. The deferred fees are being amortized over the life of the applicable facilities. On August 30, 2019, we borrowed \$100 on the Revolving Facility and paid down a similar amount of the Term B Facility. We are no longer required to make quarterly installments on the Term B Facility. On December 31, 2020, we fully paid down the Term A Facility. We wrote off \$3 of previously deferred financing costs associated with the Term A Facility. We may prepay some or all of the amounts under the Term B Facility without penalty. Deferred financing costs on our Revolving Facility are included in other noncurrent assets. The Revolving Facility matures on August 17, 2024 and the Term B Facility matures on February 28, 2026.

The Term B Facility and the Revolving Facility are guaranteed by all of our wholly-owned domestic subsidiaries subject to certain exceptions (the guarantors) and are secured by a first-priority lien on substantially all of the assets of Dana and the guarantors, subject to certain exceptions.

Advances under the Revolving Facility bear interest at a floating rate based on, at our option, the base rate or Eurodollar rate (each as described in the credit and guaranty agreement) plus a margin as set forth below:

<u>Total Net Leverage Ratio</u>	<u>Margin</u>	
	<u>Base Rate</u>	<u>Eurodollar Rate</u>
Less than or equal to 1.00:1.00	0.25%	1.25%
Greater than 1.00:1.00 but less than or equal to 2.00:1.00	0.50%	1.50%
Greater than 2.00:1.00	0.75%	1.75%

The Term B Facility bears interest based on, at our option, the Base Rate plus 1.25% or the Eurodollar rate plus 2.25%. We have elected to pay interest on our advances under the Term B Facility at the Eurodollar Rate. The interest rate on the Term B Facility was 2.397%, inclusive of the applicable margins, as of December 31, 2020.

Commitment fees are applied based on the average daily unused portion of the available amounts under the Revolving Facility as set forth below:

<u>Total Net Leverage Ratio</u>	<u>Commitment Fee</u>
Less than or equal to 1.00:1.00	0.250%
Greater than 1.00:1.00 but less than or equal to 2.00:1.00	0.375%
Greater than 2.00:1.00	0.500%

Up to \$275 of the Revolving Facility may be applied to letters of credit, which reduces availability. We pay a fee for issued and undrawn letters of credit in an amount per annum equal to the applicable margin for Eurodollar rate advances based on a quarterly average availability under issued and undrawn letters of credit under the Revolving Facility and a per annum fronting fee of 0.125%, payable quarterly.

At December 31, 2020, we had no outstanding borrowings under the Revolving Facility and had utilized \$21 for letters of credit. We had availability at December 31, 2020 under the Revolving Facility of \$979 after deducting the letters of credit.

Bridge facility — On April 16, 2020, we entered into a \$500 bridge facility (the Bridge Facility). We recorded deferred fees of \$5 related to the Bridge Facility. The deferred fees were being amortized over the life of the Bridge Facility. The Bridge Facility was to mature on April 15, 2021. On June 19, 2020, in connection with the issuance of our June 2028 Notes, we terminated the Bridge Facility and wrote off the \$5 of deferred fees associated with the Bridge Facility.

Debt covenants — At December 31, 2020, we were in compliance with the covenants of our financing agreements. Under the Term B Facility, Revolving Facility and the senior notes, we are required to comply with certain incurrence-based covenants customary for facilities of these types and, in the case of the Revolving Facility, a maintenance covenant tested on the last day of each fiscal quarter requiring us to maintain a first lien net leverage ratio not to exceed 2.00 to 1.00.

Note 15. Fair Value Measurements and Derivatives

In measuring the fair value of our assets and liabilities, we use market data or assumptions that we believe market participants would use in pricing an asset or liability including assumptions about risk when appropriate. Our valuation techniques include a combination of observable and unobservable inputs.

Fair value measurements on a recurring basis — Assets and liabilities that are carried in our balance sheet at fair value are as follows:

<u>Category</u>	<u>Balance Sheet Location</u>	<u>Fair Value Level</u>	<u>Fair Value</u>	
			<u>December 31, 2020</u>	<u>December 31, 2019</u>
Certificates of deposit	Marketable securities	2	\$ 21	\$ 19
Available-for-sale securities	Other noncurrent assets	1	49	—
Currency forward contracts				
Cash flow hedges	Accounts receivable - Other	2	15	14
Cash flow hedges	Other accrued liabilities	2	1	2
Undesignated	Accounts receivable - Other	2	2	1
Undesignated	Other accrued liabilities	2	1	1
Interest rate collars	Other accrued liabilities	2	7	3
Currency swaps				
Cash flow hedges	Other noncurrent liabilities	2	128	71

Fair Value Level 1 assets and liabilities reflect quoted prices in active markets. Fair Value Level 2 assets and liabilities reflect the use of significant other observable inputs.

Fair value of financial instruments — The financial instruments that are not carried in our balance sheet at fair value are as follows:

	<u>Fair Value Level</u>	<u>2020</u>		<u>2019</u>	
		<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Long term debt	2	\$2,376	\$2,475	\$2,384	\$2,450

Interest rate derivatives — Our portfolio of derivative financial instruments periodically includes interest rate swaps and interest rate collars designed to mitigate our interest rate risk. As of December 31, 2020, no fixed-to-floating interest rate swaps remain outstanding. However, a \$4 fair value adjustment to the carrying amount of our December 2024 Notes, associated with a fixed-to-floating interest rate swap that had been executed but was subsequently terminated during 2015, remains deferred at December 31, 2020. This amount is being amortized as a reduction of interest expense through the period ending December 2024, the scheduled maturity date of the December 2024 Notes. The amount amortized as a reduction of interest expense was not material during the year ended December 31, 2020. We have outstanding interest rate collars with a notional value of \$425 that will mature in December 2021. For interest rate collars, no payments or receipts are exchanged unless interest rates rise or fall in excess of a predetermined ceiling or floor rate.

Foreign currency derivatives — Our foreign currency derivatives include forward contracts associated with forecasted transactions, primarily involving the purchases and sales of inventory through the next fifteen months, as well as currency swaps associated with certain recorded external notes payable and intercompany loans receivable and payable. Periodically, our foreign currency derivatives also include net investment hedges of certain of our investments in foreign operations.

We have executed fixed-to-fixed cross-currency swaps in conjunction with the issuance of certain notes to eliminate the variability in the functional-currency-equivalent cash flows due to changes in exchange rates associated with the forecasted principal and interest payments. All of the underlying designated financial instruments, and any subsequent replacement debt, have been designated as the hedged items in each respective cash flow hedge relationship, as shown in the table below. Designated as cash flow hedges of the forecasted principal and interest payments of the underlying designated financial instruments, or subsequent replacement debt, all of the swaps economically convert the underlying designated financial instruments into the functional

currency of each respective holder. The impact of the interest rate differential between the inflow and outflow rates on all fixed-to-fixed cross-currency swaps is recognized during each period as a component of interest expense.

The following fixed-to-fixed cross-currency swaps were outstanding at December 31, 2020:

Underlying Financial Instrument				Derivative Financial Instrument			
Description	Type	Face Amount	Rate	Designated Notional Amount	Traded Amount	Inflow Rate	Outflow Rate
April 2025 Notes	Payable	\$400	5.75%	\$400	€371	5.75%	3.85%
June 2026 Notes	Payable	\$375	6.50%	\$375	€338	6.50%	5.14%
Luxembourg Intercompany Notes	Receivable	€278	3.70%	€278	\$300	5.38%	3.70%

All of the swaps are expected to be highly effective in offsetting the corresponding currency-based changes in cash outflows related to the underlying designated financial instruments. Based on our qualitative assessment that the critical terms of all of the underlying designated financial instruments and all of the associated swaps match and that all other required criteria have been met, we do not expect to incur any ineffectiveness. As effective cash flow hedges, changes in the fair value of the swaps will be recorded in OCI during each period. Additionally, to the extent the swaps remain effective, the appropriate portion of AOCI will be reclassified to earnings each period as an offset to the foreign exchange gain or loss resulting from the remeasurement of the underlying designated financial instruments. See Note 14 for additional information about the April 2025 Notes and the June 2026 Notes. To the extent the swaps are no longer effective, changes in their fair values will be recorded in earnings.

The total notional amount of outstanding foreign currency forward contracts, involving the exchange of various currencies, was \$386 at December 31, 2020 and \$508 at December 31, 2019. The total notional amount of outstanding foreign currency swaps, including the fixed-to-fixed cross-currency swaps, was \$1,118 at December 31, 2020 and \$1,090 at December 31, 2019.

The following currency derivatives were outstanding at December 31, 2020:

Functional Currency	Traded Currency	Notional Amount (U.S. Dollar Equivalent)			Maturity
		Designated	Undesignated	Total	
U.S. dollar	Canadian dollar, Mexican peso	\$ 84	\$ 45	\$ 129	Aug-2021
Euro	U.S. dollar, Australian dollar, Swiss franc, Chinese renminbi, Hungarian forint, Indian rupee, Japanese yen, Mexican peso, Singapore dollar	72	4	76	Jan-2024
British pound	U.S. dollar, euro	1	5	6	Apr-2021
South African rand	U.S. dollar, euro		7	7	Jan-2021
Thai baht	U.S. dollar, euro	6	31	37	Dec-2021
Canadian dollar	U.S. dollar	5		5	Aug-2021
Brazilian real	U.S. dollar, euro	29	10	39	Sep-2021
Indian rupee	U.S. dollar, euro, British pound		81	81	Jan-2022
Chinese renminbi	Canadian dollar, euro		6	6	Jan-2021
Total forward contracts		<u>197</u>	<u>189</u>	<u>386</u>	
U.S. dollar	euro	343		343	Nov-2027
Euro	U.S. dollar	775		775	Jun-2026
Total currency swaps		<u>1,118</u>	<u>—</u>	<u>1,118</u>	
Total currency derivatives		<u>\$1,315</u>	<u>\$189</u>	<u>\$1,504</u>	

Designated cash flow hedges — With respect to contracts designated as cash flow hedges, changes in fair value during the period in which the contracts remain outstanding are reported in OCI to the extent such contracts remain effective. Effectiveness is measured by using regression analysis to determine the degree of correlation between the change in the fair value of the derivative instrument and the change in the associated foreign currency exchange rates. Changes in fair value of contracts not designated as cash flow hedges or as net investment hedges are recognized in other income (expense), net in the period in which the changes occur. Realized gains and losses from currency-related forward contracts associated with forecasted transactions or from other derivative instruments, including those that have been designated as cash flow hedges and those that have not been designated, are recognized in the same line item in the consolidated statement of operations in which the underlying forecasted transaction or other hedged item is recorded. Accordingly, amounts are potentially recorded in sales, cost of sales or, in certain circumstances, other income (expense), net.

	2018		
	Net sales	Cost of sales	Other income (expense), net
<u>Derivatives Designated as Cash Flow Hedges</u>			
Total amounts of income and expense line items presented in the consolidated statement of operations in which the effects of cash flow hedges are recorded	\$8,143	\$6,986	\$(29)
(Gain) or loss on cash flow hedging relationships			
Foreign currency forwards			
Amount of (gain) loss reclassified from AOCI into income		(1)	
Cross-currency swaps			
Amount of (gain) loss reclassified from AOCI into income			(55)

The amounts reclassified from AOCI into income for the cross-currency swaps represent an offset to a foreign exchange loss on our foreign currency-denominated intercompany and external debt instruments.

Certain of our hedges of forecasted transactions have not formally been designated as cash flow hedges. As undesignated forward contracts, the changes in the fair value of such contracts are included in earnings for the duration of the outstanding forward contract. Any realized gain or loss on the settlement of such contracts is recognized in the same period and in the same line item in the consolidated statement of operations as the underlying transaction. The following table provides a summary of the location and amount of gains or losses recognized in the consolidated statement of operations associated with undesignated hedging relationships.

Derivatives Not Designated as Hedging Instruments	Amount of Gain (Loss) Recognized in Income			Location of Gain or (Loss) Recognized in Income
	2020	2019	2018	
Foreign currency forward contracts	\$—	\$—	\$(5)	Cost of sales
Foreign currency forward contracts	(6)	(14)	(5)	Other income (expense), net

During the first quarter of 2019 we settled the outstanding undesignated Swiss franc notional deal contingent forward related to the ODS acquisition for \$21, resulting in a realized loss of \$13 included in other income (expense), net in the first quarter of 2019.

Net investment hedges — We periodically designate derivative contracts or underlying non-derivative financial instruments as net investment hedges. With respect to contracts designated as net investment hedges, we apply the forward method, but for non-derivative financial instruments designated as net investment hedges, we apply the spot method. Under both methods, we report changes in fair value in the CTA component of OCI during the period in which the contracts remain outstanding to the extent such contracts and non-derivative financial instruments remain effective.

Note 16. Commitments and Contingencies

Product liabilities — Accrued product liability costs were \$1 and \$10 for product liability costs at December 31, 2020 and 2019. We had also recognized amounts recoverable from third parties of \$11 and \$13 at the respective dates. Payments made to claimants precede recovery of amounts from third parties, and may result in recoverable amounts in excess of the total liability. We estimate these liabilities based on current information and assumptions about the value and likelihood of the claims against us.

Environmental liabilities — Accrued environmental liabilities were \$10 and \$13 at December 31, 2020 and 2019. We consider the most probable method of remediation, current laws and regulations and existing technology in estimating our environmental liabilities.

Guarantee of lease obligations — In connection with the divestiture of our Structural Products business in 2010, leases covering three U.S. facilities were assigned to a U.S. affiliate of Metalsa. Under the terms of the sale agreement, we will guarantee the affiliate’s performance under the leases, which run through June 2025, including approximately \$6 of annual payments. In the event of a required payment by Dana as guarantor, we are entitled to pursue full recovery from Metalsa of the amounts paid under the guarantee and to take possession of the leased property.

Other legal matters — We are subject to various pending or threatened legal proceedings arising out of the normal course of business or operations. In view of the inherent difficulty of predicting the outcome of such matters, we cannot state what the eventual outcome of these matters will be. However, based on current knowledge and after consultation with legal counsel, we believe that any liabilities that may result from these proceedings will not have a material adverse effect on our liquidity, financial condition or results of operations.

Note 17. Warranty Obligations

We record a liability for estimated warranty obligations at the dates our products are sold. We record the liability based on our estimate of costs to settle future claims. Adjustments to our estimated costs at time of sale are made as claim experience and other new information becomes available. Obligations for service campaigns and other occurrences are recognized as adjustments to prior estimates when the obligation is probable and can be reasonably estimated.

Changes in warranty liabilities —

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of period	\$101	\$ 75	\$ 76
Amounts accrued for current period sales	35	35	37
Adjustments of prior estimates	1	2	(1)
Settlements of warranty claims	(42)	(35)	(35)
Acquisitions		24	
Currency impact	<u>3</u>		<u>(2)</u>
Balance, end of period	<u>\$ 98</u>	<u>\$101</u>	<u>\$ 75</u>

Note 18. Income Taxes

Income tax expense (benefit) —

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current			
U.S. federal and state	\$ 14	\$ 13	\$ 14
Non-U.S.	<u>79</u>	<u>92</u>	<u>128</u>
Total current	93	105	142
Deferred			
U.S. federal and state	(23)	(104)	(47)
Non-U.S.	<u>(12)</u>	<u>(33)</u>	<u>(17)</u>
Total deferred	<u>(35)</u>	<u>(137)</u>	<u>(64)</u>
Total expense (benefit)	<u>\$ 58</u>	<u>\$ (32)</u>	<u>\$ 78</u>

We record interest and penalties related to uncertain tax positions as a component of income tax expense or benefit. Net interest expense for the periods presented herein is not significant.

Income before income taxes —

	<u>2020</u>	<u>2019</u>	<u>2018</u>
U.S. operations	\$(128)	\$(166)	\$ 26
Non-U.S. operations	115	337	468
Earnings before income taxes	<u>\$ (13)</u>	<u>\$ 171</u>	<u>\$494</u>

Income tax audits — We conduct business globally and, as a result, file income tax returns in multiple jurisdictions that are subject to examination by taxing authorities throughout the world. With few exceptions, we are no longer subject to U.S. federal, state and local or foreign income tax examinations for years before 2010.

We are currently under audit by U.S. and foreign authorities for certain taxation years. When the issues related to these periods are settled, the total amounts of unrecognized tax benefits for all open tax years may be modified. Audit outcomes and the timing of the audit settlements are subject to uncertainty and we cannot make an estimate of the impact on our financial position at this time.

U.S. tax reform legislation — Beginning in 2018, the Tax Cuts and Jobs Act (“Act”) may trigger a taxable deemed dividend to the extent that the annual earnings of our foreign subsidiaries exceed a specified threshold, based on the value of tangible foreign operating assets. The deemed dividend, if any, from this global intangible low-taxed income (GILTI) may be offset by the use of other tax attributes in that year, and specifically, the GILTI rules may impact the amount of cash tax savings that net operating losses provide. The SEC staff has indicated that a company should make and disclose certain policy elections related to accounting for GILTI. As to whether we will recognize deferred taxes for basis differences expected to reverse as GILTI or account for the effect of GILTI as a period cost when incurred, we intend to account for the tax effect of GILTI as a period cost. As to the realizability of the tax benefit provided by net operating losses, we are electing to utilize the tax law ordering approach.

Effective tax rate reconciliation —

	<u>2020</u>		<u>2019</u>		<u>2018</u>	
	\$	%	\$	%	\$	%
U.S. federal income tax rate	(3)	21	36	21	103	21
Adjustments resulting from:						
State & local income taxes, net of federal benefit	6	(46)	(1)	(1)	6	1
Non-US income / expense	(5)	39	25	15	23	5
Credits & tax incentives	(55)	423	(62)	(37)	(87)	(18)
US foreign derived intangible income	(24)	185	(4)	(2)		
US tax & withholding tax on non-US earnings	20	(154)	21	12	14	3
Intercompany sale of certain operating assets	27	(207)			5	1
Settlement and return adjustments	3	(23)	(19)	(11)	29	6
Enacted change in tax rates	(2)	15	3	2	6	1
Pension settlement			73	43		
Mexican non-deductible cost of goods sold	17	(130)				
Goodwill impairment	8	(61)				
Miscellaneous items	6	(46)	(2)	(1)	1	—
Valuation allowance adjustments	<u>60</u>	<u>(462)</u>	<u>(102)</u>	<u>(60)</u>	<u>(22)</u>	<u>(4)</u>
Effective income tax rate	<u>58</u>	<u>(446)</u>	<u>(32)</u>	<u>(19)</u>	<u>78</u>	<u>16</u>

During 2020, we recognized tax expense of \$60 for additional valuation allowances in foreign jurisdictions due to reduced income projections. We also recognized a benefit of \$26 for the release of valuation allowance in Australia, based on recent history of profitability and increased income projections. For the year, we also recognized tax benefits of \$37 related to tax actions that adjusted federal tax credits. A pre-tax goodwill impairment charge of \$51 with an associated income tax benefit of \$1 was recorded. In conjunction with the completion of the intercompany sale of certain assets to a non-U.S. affiliate, tax expense of \$12 was recorded, including the corresponding foreign derived intangible income benefit.

During 2019, we recognized a benefit of \$22 for the release of valuation allowance in a subsidiary in Brazil based on recent history of profitability and increased income projections. A pre-tax pension settlement charge of \$259 was recorded, resulting in income tax expense of \$11 and a valuation allowance release of \$18. For the year, we also recognized benefits for the release of valuation allowance in the US of \$34 based on increased income projections and \$30 based on the development of a tax planning strategy related to federal tax credits. Partially offsetting this benefit in the US was \$6 of expense related to a US state law change. During the second quarter of 2019, we also recorded tax benefits of \$48 related to tax actions that adjusted federal tax credits.

During 2018, we recognized a benefit of \$44 related to U.S. state law changes and the development and implementation of a tax planning strategy which adjusted federal tax credits, along with federal and state net operating losses and the associated valuation allowances. We also recognized benefits of \$11 relating to the reversal of a provision for an uncertain tax position, \$5 relating to the release of valuation allowances in the US based on improved income projections and \$7 due to permanent reinvestment assertions. Partially offsetting these benefits was \$5 of expense to settle outstanding tax matters in a foreign jurisdiction.

Foreign income repatriation — We continue to analyze and adjust the estimated impact of the non-U.S. income and withholding tax liabilities based on the amount and source of these earnings, as well as the expected means through which those earnings may be taxed. We recognized net expense of \$6 in 2020, \$3 in 2019 and a net benefit of \$7 in 2018, related to future income taxes and non-U.S. withholding taxes on repatriations from operations that are not permanently reinvested. We also paid withholding taxes of \$9, \$10 and \$11 during 2020, 2019 and 2018 related to the actual transfer of funds to the U.S. The unrecognized tax liability associated with the operations in which we are permanently reinvested is \$5 at December 31, 2020.

The earnings of our certain non-U.S. subsidiaries may be repatriated to the U.S. in the form of repayments of intercompany borrowings. Certain of our international operations had intercompany loan obligations to the U.S. totaling \$1,338 at the end of 2020. Included in this amount are intercompany loans and related interest accruals with an equivalent value of \$21 which are denominated in a foreign currency and considered to be permanently invested.

Valuation allowance adjustments — We have recorded valuation allowances in several entities where the recent history of operating losses does not allow us to satisfy the “more likely than not” criterion for the recognition of deferred tax assets. Consequently, there is no income tax expense or benefit recognized on the pre-tax income or losses in these jurisdictions as valuation allowances are adjusted to offset the associated tax expense or benefit.

When evaluating the need for a valuation allowance we consider all components of comprehensive income, and we weigh the positive and negative evidence, putting greater reliance on objectively verifiable evidence than on projections of future profitability that are dependent on actions that have not occurred as of the assessment date. We also consider changes to the historical financial results due to activities that were either new to the business or not expected to recur in the future, in order to identify the core earnings of the business. A sustained period of profitability, after considering changes to the historical results due to implemented actions and nonrecurring events, along with positive expectations for future profitability are necessary to reach a determination that a valuation allowance should be released. In 2020, we recognized a benefit of \$26 for the release of valuation allowance in a subsidiary in Australia based on recent history of profitability and increased income projections. During the third quarter of 2019, we recognized a benefit of \$22 for the release of a valuation allowance in a subsidiary in Brazil based on recent history of profitability and increased income projections.

Deferred tax assets and liabilities — Temporary differences and carryforwards give rise to the following deferred tax assets and liabilities.

	<u>2020</u>	<u>2019</u>
Net operating loss carryforwards	\$ 240	\$ 258
Postretirement benefits, including pensions	92	87
Research and development costs	149	124
Expense accruals	76	81
Other tax credits recoverable	234	244
Capital loss carryforwards	47	42
Inventory reserves	25	19
Postemployment and other benefits	5	6
Intangibles	17	
Leasing activities	43	46
Total	<u>928</u>	<u>907</u>
Valuation allowances	<u>(259)</u>	<u>(190)</u>
Deferred tax assets	<u>669</u>	<u>717</u>
Unremitted earnings	(10)	(4)
Intangibles		(34)
Depreciation	(87)	(104)
Other		(33)
Deferred tax liabilities	<u>(97)</u>	<u>(175)</u>
Net deferred tax assets	<u>\$ 572</u>	<u>\$ 542</u>

Carryforwards — Our deferred tax assets include benefits expected from the utilization of net operating loss (NOL), capital loss and credit carryforwards in the future. The following table identifies the net operating loss deferred tax asset components and the related allowances that existed at December 31, 2020. Due to time limitations on the ability to realize the benefit of the carryforwards, additional portions of these deferred tax assets may become unrealizable in the future.

	<u>Deferred Tax Asset</u>	<u>Valuation Allowance</u>	<u>Carryforward Period</u>	<u>Earliest Year of Expiration</u>
Net operating losses				
U.S. federal	\$ 40	\$ —	20	2030
U.S. state	61	(33)	Various	2021
Brazil	14	(5)	Unlimited	
France	8		Unlimited	
Australia	26		Unlimited	
Italy	31	(27)	Unlimited	
Germany	6	(6)	Unlimited	
Lithuania	1		Unlimited	
South Africa	2		Unlimited	
Spain	1		Unlimited	
U.K.	7	(7)	Unlimited	
Canada	28	(25)	20	2022
India	1		8	2028
China	14	(14)	5	2021
Total	<u>\$240</u>	<u>\$(117)</u>		

In addition to the NOL carryforwards listed in the table above, we have deferred tax assets related to capital loss carryforwards of \$47 which are fully offset with valuation allowances at December 31, 2020. We also have deferred tax assets of \$234 related to other credit carryforwards which are partially offset with \$19 of valuation allowances at December 31, 2020. The capital losses can be carried forward indefinitely while the other credits are generally available for 10 to 20 years.

The use of our \$190 U.S. federal NOL as of December 31, 2020 is subject to limitation due to the change in ownership of our stock in January 2008. Generally, the application of the relevant Internal Revenue Code (IRC) provisions will release the limitation on \$84 of pre-change NOLs each year, allowing pre-change losses to offset post-change taxable income. However, there can be no assurance that trading in our shares will not affect another change in ownership under the IRC which could further limit our ability to utilize our available NOLs.

Unrecognized tax benefits — Unrecognized tax benefits are the difference between a tax position taken, or expected to be taken, in a tax return and the benefit recognized for accounting purposes. Interest income or expense, as well as penalties relating to income tax audit adjustments and settlements, are recognized as components of income tax expense or benefit. Interest of \$6 and \$12 was accrued on the uncertain tax positions at December 31, 2020 and 2019.

Reconciliation of gross unrecognized tax benefits —

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of period	\$119	\$107	\$119
Decrease related to expiration of statute of limitations	(5)	(10)	(4)
Decrease related to prior years tax positions	(1)		(15)
Increase related to prior years tax positions	3	13	8
Increase related to current year tax positions	9	9	10
Decrease related to settlements	(21)		(11)
Balance, end of period	<u>\$104</u>	<u>\$119</u>	<u>\$107</u>

We anticipate that the change in our gross unrecognized tax benefits will not be significant in the next twelve months as a result of examinations in various jurisdictions. The settlement of these matters will not impact the effective tax rate. Gross unrecognized tax benefits of \$68 would impact the effective tax rate if recognized. If other open matters are settled with the IRS or other taxing jurisdictions, the total amounts of unrecognized tax benefits for open tax years may be modified.

Note 19. Other Income (Expense), Net

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Non-service cost components of pension and OPEB costs	\$(10)	\$(23)	\$(15)
Government grants and incentives	14	15	12
Foreign exchange gain (loss)	8	(11)	(12)
Strategic transaction expenses, net of transaction breakup fee income	(20)	(41)	(18)
Gain on investment in Hyliion	33		
Non-income tax legal judgment		6	
Gain on liquidation of foreign subsidiary		12	
Other, net	(3)	17	4
Other income (expense), net	<u>\$ 22</u>	<u>\$(25)</u>	<u>\$(29)</u>

Foreign exchange gains and losses on cross-currency intercompany loan balances that are not of a long-term investment nature are included above. Foreign exchange gains and losses on intercompany loans that are permanently invested are reported in OCI.

Strategic transaction expenses relate primarily to costs incurred in connection with acquisition and divestiture related activities, including costs to complete the transaction and post-closing integration costs. Strategic transaction expenses in 2020 were primarily attributable to the acquisition of ODS and Nordresa and certain other strategic initiatives. Strategic transaction expenses in 2019 were primarily attributable to the acquisition of ODS. Strategic transaction expenses in 2018 were primarily attributable to our bid to acquire the driveline business of GKN plc., our acquisition of an ownership interest in TM4, our pending acquisition of the ODS and integration costs associated with our acquisitions of BFP and BPT, and were partially offset by a \$40 transaction breakup fee associated with the GKN plc. transaction. See Note 2 for additional information.

We held \$16 of convertible notes receivable from our investment in Hyliion Inc. On October 1, 2020, Hyliion Inc. completed its merger with Tortoise Acquisition Corp. The business combination resulted in the combined company being renamed Hyliion Holdings Corp. (Hyliion), with its common stock being listed on the New York Stock Exchange under the ticker symbol HYLN. Effective with the completed merger, our notes receivable were converted into 2,988,229 common shares of HYLN. Our investment in Hyliion will be included in noncurrent marketable securities and carried at fair value with changes in fair value included in net income in future periods. The strategic partnership with Hyliion establishes Dana as the preferred supplier for e-propulsion systems to Hyliion as long as Dana maintains a minimum equity investment in Hyliion.

During the first quarter of 2019, we won a legal judgment regarding the methodology used to calculate PIS/COFINS tax on imports into Brazil.

During the fourth quarter of 2019, we liquidated a foreign subsidiary. The resulting non-cash gain is attributable to the recognition of accumulated currency translation adjustments.

Note 20. Revenue from Contracts with Customers

We generate revenue from selling production parts to original equipment manufacturers (OEMs) and service parts to OEMs and aftermarket customers. While we provide production and service parts to certain OEMs under awarded multi-year programs, these multi-year programs do not contain any commitment to volume by the customer. As such, individual customer releases or purchase orders represent the contract with the customer. Our customer contracts do not provide us with an enforceable right to payment for performance completed to date throughout the contract term. As such, we recognize part sales revenue at the point in time when the parts are shipped, and risk of loss has transferred to the customer. We have elected to continue to include shipping and handling fees billed to customers in revenue, while including costs of shipping and handling in costs of sales. Taxes collected from customers are excluded from revenues and credited directly to obligations to the appropriate government agencies. Payment terms with our customers are established based on industry and regional practices and generally do not exceed 180 days.

We continually seek new business opportunities and at times provide incentives to our customers for new program awards. We evaluate the underlying economics of each payment made to our customers to determine the proper accounting by understanding the nature of the payment, the rights and obligations in the contract, and other relevant facts and circumstances. Upfront payments to our customers are capitalized if we determine that the payments are incremental and incurred only if the new business is obtained and we expect to recover these amounts from the customer over the term of the new business program. We recognize a reduction to revenue as products that the upfront payments are related to are transferred to the customer, based on the total amount of products expected to be sold over the term of the program. We evaluate the amounts capitalized each period for recoverability and expense any amounts that are no longer expected to be recovered. We had \$8 and \$5 recorded in other current assets and \$45 and \$37 recorded in other noncurrent assets at December 31, 2020 and December 31, 2019.

Certain of our customer contracts include rebate incentives. We estimate expected rebates and accrue the corresponding refund liability, as a reduction of revenue, at the time covered product is sold to the customer based on anticipated customer purchases during the rebate period and contractual rebate percentages. Refund

liabilities are included in other accrued liabilities on our consolidated balance sheet. We provide standard fitness for use warranties on the products we sell, accruing for estimated costs related to product warranty obligations at time of sale. See Note 17 for additional information.

Contract liabilities are primarily comprised of cash deposits made by customers with cash in advance payment terms. Generally, our contract liabilities turn over frequently given our relatively short production cycles. Contract liabilities were \$27 and \$23 at December 31, 2020 and December 31, 2019. Contract liabilities are included in other accrued liabilities on our consolidated balance sheet.

Disaggregation of revenue —

The following table disaggregates revenue for each of our operating segments by geographical market:

	Light Vehicle	Commercial Vehicle	Off-Highway	Power Technologies	Total
<u>2020</u>					
North America	\$2,228	\$ 693	\$ 252	\$ 429	\$3,602
Europe	346	192	1,260	411	2,209
South America	108	200	32	18	358
Asia Pacific	356	96	426	59	937
Total	<u>\$3,038</u>	<u>\$1,181</u>	<u>\$1,970</u>	<u>\$ 917</u>	<u>\$7,106</u>
<u>2019</u>					
North America	\$2,679	\$ 948	\$ 317	\$ 529	\$4,473
Europe	325	233	1,617	431	2,606
South America	137	312	40	20	509
Asia Pacific	468	118	386	60	1,032
Total	<u>\$3,609</u>	<u>\$1,611</u>	<u>\$2,360</u>	<u>\$1,040</u>	<u>\$8,620</u>
<u>2018</u>					
North America	\$2,477	\$ 908	\$ 141	\$ 580	\$4,106
Europe	347	271	1,423	443	2,484
South America	186	308	34	18	546
Asia Pacific	565	125	246	71	1,007
Total	<u>\$3,575</u>	<u>\$1,612</u>	<u>\$1,844</u>	<u>\$1,112</u>	<u>\$8,143</u>

Note 21. Segments, Geographical Area and Major Customer Information

We are a global provider of high-technology products to virtually every major vehicle manufacturer in the world. We also serve the stationary industrial market. Our technologies include drive systems (axles, driveshafts, transmissions, and wheel and track drives); motion systems (winches, slew drives, and hub drives); electrodynamic technologies (motors, inverters, software and control systems, battery-management systems, and fuel cell plates); sealing solutions (gaskets, seals, cam covers, and oil pan modules); thermal-management technologies (transmission and engine oil cooling, battery and electronics cooling, charge air cooling, and thermal-acoustical protective shielding); and digital solutions (active and passive system controls and descriptive and predictive analytics). We serve our global light vehicle, medium/heavy vehicle and off-highway markets through four operating segments – Light Vehicle Drive Systems (Light Vehicle), Commercial Vehicle Drive and Motion Systems (Commercial Vehicle), Off-Highway Drive and Motion Systems (Off-Highway) and Power Technologies, which is the center of excellence for sealing and thermal-management technologies that span all customers in our on-highway and off-highway markets. These operating segments have global responsibility and accountability for business commercial activities and financial performance.

Dana evaluates the performance of its operating segments based on external sales and segment EBITDA. Segment EBITDA is a primary driver of cash flows from operations and a measure of our ability to maintain and

continue to invest in our operations and provide shareholder returns. Our segments are charged for corporate and other shared administrative costs. Segment EBITDA may not be comparable to similarly titled measures reported by other companies.

Segment information —

	External Sales	Inter- Segment Sales	Segment EBITDA	Capital Spend	Depreciation	Net Assets
<u>2020</u>						
Light Vehicle	\$3,038	\$ 104	\$ 239	\$131	\$167	\$1,432
Commercial Vehicle	1,181	71	36	41	34	808
Off-Highway	1,970	44	234	67	91	1,348
Power Technologies	917	19	94	38	32	360
Eliminations and other		(238)		49	21	146
Total	<u>\$7,106</u>	<u>\$ —</u>	<u>\$ 603</u>	<u>\$326</u>	<u>\$345</u>	<u>\$4,094</u>
<u>2019</u>						
Light Vehicle	\$3,609	\$ 124	\$ 438	\$179	\$149	\$1,369
Commercial Vehicle	1,611	100	138	52	37	897
Off-Highway	2,360	17	330	85	87	1,364
Power Technologies	1,040	23	117	46	30	367
Eliminations and other		(264)		64	19	124
Total	<u>\$8,620</u>	<u>\$ —</u>	<u>\$1,023</u>	<u>\$426</u>	<u>\$322</u>	<u>\$4,121</u>
<u>2018</u>						
Light Vehicle	\$3,575	\$ 133	\$ 398	\$195	\$124	\$1,288
Commercial Vehicle	1,612	107	146	27	38	811
Off-Highway	1,844	12	285	36	43	707
Power Technologies	1,112	23	149	36	30	363
Eliminations and other		(275)		31	25	29
Total	<u>\$8,143</u>	<u>\$ —</u>	<u>\$ 978</u>	<u>\$325</u>	<u>\$260</u>	<u>\$3,198</u>

Net assets include accounts receivable, inventories, other current assets, goodwill, intangibles, investments in affiliates, other noncurrent assets, net property, plant and equipment, accounts payable and current accrued liabilities.

Reconciliation of segment EBITDA to consolidated net income —

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Segment EBITDA	\$ 603	\$1,023	\$ 978
Corporate expense and other items, net	(10)	(4)	(21)
Depreciation	(345)	(322)	(260)
Amortization	(20)	(17)	(10)
Non-service cost components of pension and OPEB costs	(10)	(23)	(15)
Restructuring charges, net	(34)	(29)	(25)
Stock compensation expense	(14)	(19)	(16)
Strategic transaction expenses, net of transaction breakup fee income	(20)	(41)	(18)
Amounts attributable to previously divested/closed operations	(1)	(5)	
Impairment of goodwill and indefinite-lived intangible asset	(51)	(6)	(20)
Gain on investment in Hyliion	33		
Acquisition related inventory adjustments		(13)	
Non-income tax legal judgment		6	
Pension settlement charges		(259)	
Gain on disposal group held for sale			3
Gain on liquidation of foreign subsidiary		12	
Other items	(7)	(11)	(17)
Earnings before interest and income taxes	124	292	579
Loss on extinguishment of debt	(8)	(9)	
Interest income	9	10	11
Interest expense	138	122	96
Earnings (loss) before income taxes	(13)	171	494
Income tax expense (benefit)	58	(32)	78
Equity in earnings of affiliates	20	30	24
Net income (loss)	<u>\$ (51)</u>	<u>\$ 233</u>	<u>\$ 440</u>

Reconciliation of segment net assets to consolidated total assets —

	<u>2020</u>	<u>2019</u>
Segment net assets	\$4,094	\$4,121
Accounts payable and other current liabilities	1,863	1,769
Other current and long-term assets	<u>1,419</u>	<u>1,330</u>
Consolidated total assets	<u>\$7,376</u>	<u>\$7,220</u>

Geographic information — Of our 2020 consolidated net sales, the U.S., Italy, Germany and China account for 48%, 14%, 6% and 5%, respectively. No other country accounted for more than 5% of our consolidated net sales during 2020. Sales are attributed to the location of the product entity recording the sale. Long-lived assets represent property, plant and equipment.

	Net Sales			Long-Lived Assets		
	2020	2019	2018	2020	2019	2018
North America						
United States	\$3,404	\$4,069	\$3,613	\$ 957	\$ 972	\$ 860
Other North America	198	404	493	106	105	87
Total	3,602	4,473	4,106	1,063	1,077	947
Europe						
Italy	993	1,186	971	252	248	138
Germany	429	478	513	132	131	133
Other Europe	787	942	1,000	310	265	241
Total	2,209	2,606	2,484	694	644	512
South America	358	509	546	97	126	129
Asia Pacific						
China	379	321	311	111	106	91
Other Asia Pacific	558	711	696	286	312	171
Total	937	1,032	1,007	397	418	262
Total	<u>\$7,106</u>	<u>\$8,620</u>	<u>\$8,143</u>	<u>\$2,251</u>	<u>\$2,265</u>	<u>\$1,850</u>

Sales to major customers — Ford and FCA are the only individual customers to whom sales have exceeded 10% of our consolidated sales in each of the past three years. Sales to Ford were \$1,436 (20%) in 2020, \$1,753 (20%) in 2019 and \$1,646 (20%) in 2018. Sales to FCA (via a directed supply relationship) exceeded the threshold in 2020 at \$839 (12%), 2019 at \$988 (11%) and 2018 at \$911 (11%).

Note 22. Equity Affiliates

We have a number of investments in entities that engage in the manufacture and supply of vehicular parts (primarily axles, axle housing and driveshafts) and electronic control units.

Dividends received from equity affiliates were \$ 27, \$21 and \$20 in 2020, 2019 and 2018.

Equity method investments exceeding \$5 at December 31, 2020 —

	Ownership Percentage	Investment
Dongfeng Dana Axle Co., Ltd. (DDAC)	50%	\$ 99
ROC-Spicer, Ltd.	50%	21
Pi Innovo Holdings Limited	49%	17
Axles India Limited	48%	8
All others as a group		5
Investments in equity affiliates		150
Investments in affiliates carried at cost		2
Investments in affiliates		<u>\$152</u>

On February 5, 2020, we acquired an additional ownership interest in Ashwoods. The additional interest, along with our existing ownership interest, provided us with a controlling financial interest in Ashwoods. As such, we ceased accounting for our investment in Ashwoods under the equity method. See Note 2 for additional information.

On October 1, 2020, we received a \$4 cash dividend from Bendix Spicer Foundation Brake, LLC (BSFB). Immediately following the receipt of the cash dividend, we sold our 20% ownership interest in BSFB to Bendix Commercial Vehicle Systems LLC. We received \$50, consisting of \$21 in cash, a note receivable of \$25 and deferred proceeds of \$4. The proceeds received approximated the carrying value of our investment in BSFB. The note receivable and deferred proceeds are due in one year and bear interest at 1.65%.

On October 20, 2020, we acquired a 49% ownership interest in Pi Innovo Holdings Limited (Pi Innovo) for consideration of \$17, using cash on hand. The consideration paid is subject to adjustment based on cash and working capital balances as of the closing date. Pi Innovo designs, develops and manufactures electronic control units spanning a range of applications and industries. We are accounting for our investment in Pi Innovo by applying the equity method.

On December 16, 2020, we sold a portion of our ownership interest in ROC-Spicer, Ltd. (ROC-Spicer) to China Motor Corporation (CMC), reducing our ownership interest in ROC-Spicer to 50%. In conjunction with the decrease in our ownership interest, the ROC-Spicer shareholders agreement was amended, eliminating our controlling financial interest in ROC-Spicer. Upon our loss of control, we recognized a \$2 loss to other income (expense), net on the deconsolidation of ROC-Spicer. Of the \$2 loss, \$1 is related to the remeasurement of our retained investment in ROC-Spicer. The \$21 fair value of our retained interest in ROC-Spicer was determined based on the share sale to CMC. Our retained investment in ROC-Spicer is being accounted for by applying the equity method.

Our equity method investment in ROC-Spicer is included in the net assets of our Light Vehicle operating segment. Our equity method investments in DDAC, Pi Innovo and Axles India Limited are included in the net assets of our Commercial Vehicle operating segment.

The carrying value of our equity method investments at December 31, 2020 was \$17 more than our share of the affiliates' book value, with our recent investment in Pi Innovo accounting for \$16 of the basis difference. We are still in the process of completing the valuation of Pi Innovo's assets and liabilities, but expect the \$16 basis difference to be attributed to a combination of identified intangible assets and goodwill.

Dana Incorporated
Quarterly Results (Unaudited)
(In millions, except per share amounts)

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
2020				
Net sales	\$1,926	\$1,078	\$1,994	\$2,108
Gross margin	\$ 206	\$ (10)	\$ 214	\$ 211
Net income (loss)	\$ 38	\$ (173)	\$ 45	\$ 39
Net income (loss) attributable to the parent company	\$ 58	\$ (174)	\$ 45	\$ 40
Net income (loss) per share available to parent company common stockholders				
Basic	\$ 0.40	\$ (1.20)	\$ 0.31	\$ 0.28
Diluted	\$ 0.40	\$ (1.20)	\$ 0.31	\$ 0.27
2019				
Net sales	\$2,163	\$2,306	\$2,164	\$1,987
Gross margin	\$ 300	\$ 326	\$ 282	\$ 223
Net income	\$ 101	\$ (66)	\$ 112	\$ 86
Net income (loss) attributable to the parent company	\$ 98	\$ (68)	\$ 111	\$ 85
Net income (loss) per share available to parent company common stockholders				
Basic	\$ 0.68	\$ (0.47)	\$ 0.77	\$ 0.59
Diluted	\$ 0.68	\$ (0.47)	\$ 0.77	\$ 0.58

Note: Gross margin is net sales less cost of sales.

During 2020, our quarterly results were significantly impacted by the global COVID-19 pandemic, with the impact being most severe during the second quarter. Net income for the first quarter of 2020 includes a \$51 pre-tax goodwill impairment charge and \$34 of net income tax benefits related to discrete items. Net loss for the second quarter includes a \$5 pre-tax charge for the write-off of deferred financing costs and \$56 of net income tax expense related to discrete items. Net income for the fourth quarter includes a \$33 pre-tax gain on notes receivable conversion and subsequent adjustment of shares to fair value, a \$3 pre-tax charge for the write-off of deferred financing costs and \$14 of net income tax benefits related to discrete items.

Net income for the first quarter of 2019 includes \$16 of net income tax benefits related to discrete items. Net loss for the second quarter of 2019 includes a \$258 pre-tax pension settlement charge related to the termination of one of our U.S. defined benefit pension plans and \$87 of net income tax benefits related to discrete items. Net income for the third quarter of 2019 includes \$22 of income tax benefit related to a discrete item. Net income for the fourth quarter of 2019 includes a \$6 pre-tax goodwill impairment charge and a \$9 pre-tax loss on extinguishment of debt.

Dana Incorporated
Schedule II
Valuation and Qualifying Accounts and Reserves
(In millions)

Amounts deducted from assets in the balance sheets —

	<u>Balance at beginning of period</u>	<u>Amounts charged (credited) to income</u>	<u>Allowance utilized</u>	<u>Adjustments arising from change in currency exchange rates and other items</u>	<u>Balance at end of period</u>
Accounts Receivable - Allowance for Doubtful Accounts					
2020	\$ 9	\$ —	\$ (1)	\$ (1)	\$ 7
2019	\$ 9	\$ 2	\$—	\$ (2)	\$ 9
2018	\$ 8	\$ 3	\$—	\$ (2)	\$ 9
Inventory Reserves					
2020	\$ 64	\$ 23	\$ (14)	\$ 3	\$ 76
2019	\$ 51	\$ 25	\$ (16)	\$ 4	\$ 64
2018	\$ 53	\$ 15	\$ (11)	\$ (6)	\$ 51
Deferred Tax Assets - Valuation Allowance					
2020	\$190	\$ 60	\$—	\$ 9	\$259
2019	\$281	\$(102)	\$—	\$11	\$190
2018	\$301	\$ (31)	\$—	\$11	\$281

Dana Incorporated

Consolidated Statement of Operations (Unaudited)
(In millions, except per share amounts)

	Three Months Ended March 31,	
	2021	2020
Net sales	\$2,263	\$1,926
Costs and expenses		
Cost of sales	2,012	1,720
Selling, general and administrative expenses	119	106
Amortization of intangibles	4	3
Restructuring charges, net	1	3
Impairment of goodwill		(51)
Other income (expense), net	(19)	4
Earnings before interest and income taxes	108	47
Interest income	2	2
Interest expense	34	29
Earnings before income taxes	76	20
Income tax expense (benefit)	22	(16)
Equity in earnings of affiliates	14	2
Net income	68	38
Less: Noncontrolling interests net income	1	2
Less: Redeemable noncontrolling interests net loss	(4)	(22)
Net income attributable to the parent company	<u>\$ 71</u>	<u>\$ 58</u>
Net income per share available to common stockholders		
Basic	\$ 0.49	\$ 0.40
Diluted	\$ 0.48	\$ 0.40
Weighted-average common shares outstanding		
Basic	144.9	144.2
Diluted	146.4	144.8

The accompanying notes are an integral part of the consolidated financial statements.

Dana Incorporated

Consolidated Statement of Comprehensive Income (Unaudited)
(In millions)

	Three Months Ended March 31,	
	2021	2020
Net income	\$ 68	\$ 38
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	(5)	(154)
Hedging gains and losses	(17)	29
Defined benefit plans	3	3
Other comprehensive loss	(19)	(122)
Total comprehensive income (loss)	49	(84)
Less: Comprehensive loss attributable to noncontrolling interests	1	17
Less: Comprehensive loss attributable to redeemable noncontrolling interests	3	14
Comprehensive income (loss) attributable to the parent company	\$ 53	\$ (53)

The accompanying notes are an integral part of the consolidated financial statements.

Dana Incorporated
Consolidated Balance Sheet (Unaudited)
(In millions, except share and per share amounts)

	March 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 483	\$ 559
Marketable securities	26	21
Accounts receivable		
Trade, less allowance for doubtful accounts of \$6 in 2021 and \$7 in 2020	1,428	1,201
Other	237	231
Inventories	1,260	1,149
Other current assets	139	127
Total current assets	3,573	3,288
Goodwill	488	479
Intangibles	250	236
Deferred tax assets	613	611
Other noncurrent assets	153	169
Investments in affiliates	149	152
Operating lease assets	192	190
Property, plant and equipment, net	2,184	2,251
Total assets	\$ 7,602	\$ 7,376
Liabilities and equity		
Current liabilities		
Short-term debt	\$ 26	\$ 26
Current portion of long-term debt	8	8
Accounts payable	1,536	1,331
Accrued payroll and employee benefits	203	190
Taxes on income	44	35
Current portion of operating lease liabilities	42	43
Other accrued liabilities	311	308
Total current liabilities	2,170	1,941
Long-term debt, less debt issuance costs of \$26 in 2021 and \$27 in 2020 ..	2,420	2,420
Noncurrent operating lease liabilities	157	154
Pension and postretirement obligations	463	479
Other noncurrent liabilities	340	368
Total liabilities	5,550	5,362
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	182	180
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, 145,142,687 and 144,515,658 shares outstanding	2	2
Additional paid-in capital	2,415	2,408
Retained earnings	583	530
Treasury stock, at cost (10,657,998 and 10,442,582 shares)	(161)	(156)
Accumulated other comprehensive loss	(1,044)	(1,026)
Total parent company stockholders' equity	1,795	1,758
Noncontrolling interests	75	76
Total equity	1,870	1,834
Total liabilities and equity	\$ 7,602	\$ 7,376

The accompanying notes are an integral part of the consolidated financial statements.

Dana Incorporated
Consolidated Statement of Cash Flows (Unaudited)
(In millions)

	Three Months Ended March 31,	
	2021	2020
Operating activities		
Net income	\$ 68	\$ 38
Depreciation	88	85
Amortization	7	4
Amortization of deferred financing charges	2	2
Earnings of affiliates, net of dividends received	(14)	(2)
Stock compensation expense	5	4
Deferred income taxes	(6)	(35)
Pension expense, net		1
Impairment of goodwill		51
Change in working capital	(133)	(183)
Other, net	10	(16)
Net cash provided by (used in) operating activities	27	(51)
Investing activities		
Purchases of property, plant and equipment	(53)	(63)
Acquisition of businesses, net of cash acquired	(17)	(8)
Purchases of marketable securities	(11)	(12)
Proceeds from sales and maturities of marketable securities	6	6
Settlements of undesignated derivatives		(3)
Other, net	2	(5)
Net cash used in investing activities	(73)	(85)
Financing activities		
Net change in short-term debt	(1)	298
Proceeds from long-term debt	2	4
Repayment of long-term debt	(1)	(1)
Deferred financing payments	(2)	
Dividends paid to common stockholders	(14)	(15)
Distributions to noncontrolling interests		(1)
Contributions from noncontrolling interests	1	2
Other, net	(1)	(4)
Net cash provided by (used in) financing activities	(16)	283
Net increase (decrease) in cash, cash equivalents and restricted cash	(62)	147
Cash, cash equivalents and restricted cash – beginning of period	567	518
Effect of exchange rate changes on cash balances	(12)	(29)
Cash, cash equivalents and restricted cash – end of period (Note 5)	\$ 493	\$ 636
Non-cash investing activity		
Purchases of property, plant and equipment held in accounts payable	\$ 56	\$ 73

The accompanying notes are an integral part of the consolidated financial statements.

Dana Incorporated
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Notes to Consolidated Financial Statements (Unaudited)
(In millions, except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies

General

Dana Incorporated (Dana) is headquartered in Maumee, Ohio and was incorporated in Delaware in 2007. As a global provider of high technology driveline (axles, driveshafts and transmissions); sealing and thermal-management products; and motors, power inverters, and control systems for electric vehicles our customer base includes virtually every major vehicle manufacturer in the global light vehicle, medium/heavy vehicle and off-highway markets.

The terms “Dana,” “we,” “our” and “us,” when used in this report, are references to Dana. These references include the subsidiaries of Dana unless otherwise indicated or the context requires otherwise.

Summary of significant accounting policies

Basis of presentation — Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. These statements are unaudited, but in the opinion of management include all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the results for the interim periods. The results reported in these consolidated financial statements should not necessarily be taken as indicative of results that may be expected for the entire year. The financial information included herein should be read in conjunction with the consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020 (the 2020 Form 10-K).

During the second quarter of 2020, we identified an error in the loss attributable to redeemable noncontrolling interests due to incorrectly excluding the share of the goodwill impairment charge related to the redeemable noncontrolling interests. Of the \$48 impairment charge recorded for the Commercial Vehicle reporting unit during the quarter ended March 31, 2020, \$20 should have been attributable to the redeemable noncontrolling interests.

We concluded that the error was not material to the financial statements for the quarter ended March 31, 2020 and therefore, amendment of the previously filed Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 was not required. In accordance with ASC Topic 250, “Accounting Changes and Error Corrections,” we corrected the error of the prior period by revising the then year-to-date consolidated financial statements. The first quarter of 2020 presented herein has been revised in this filing. The following historical consolidated financial information includes both the consolidated financial information “as previously reported” in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, as well as the consolidated financial information “as revised” to reflect the correction of the error.

	Period Ended March 31, 2020		
	As Previously Reported	Adjustment (unaudited)	As Revised
Consolidated Statement of Operations			
Net income	\$38	\$—	\$ 38
Less: Noncontrolling interests net income	2		2
Less: Redeemable noncontrolling interests net loss	(2)	(20)	(22)
Net income attributable to the parent company	\$38	\$ 20	\$ 58

	Period Ended March 31, 2020		
	As Previously Reported	Adjustment (unaudited)	As Revised
Net income per share available to common stockholders			
Basic	\$0.26	\$0.14	\$0.40
Diluted	\$0.26	\$0.14	\$0.40
Consolidated Statement of Comprehensive Income			
Total comprehensive loss	\$ (84)	\$ —	\$ (84)
Less: Comprehensive loss attributable to noncontrolling interests	17		17
Less: Comprehensive (income) loss attributable to redeemable noncontrolling interests	(6)	20	14
Comprehensive income (loss) attributable to the parent company	\$ (73)	\$ 20	\$ (53)

	Period Ended March 31, 2020		
	As Previously Reported	Adjustment (unaudited)	As Revised
Consolidated Balance Sheet			
Redeemable noncontrolling interests	\$175	\$(20)	\$155
Retained earnings	\$644	\$20	\$664

Recently adopted accounting pronouncements

On January 1, 2021, we adopted Accounting Standards Update (ASU) 2019-12, *Income Taxes – Simplifying the Accounting for Income Taxes*. This guidance is intended to simplify various aspects of income tax accounting including the elimination of certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. Adoption of this guidance requires certain changes to primarily be made prospectively, with some changes to be made retrospectively. The adoption of this standard did not have a material impact on our consolidated financial statements.

Recently issued accounting pronouncements

In March 2020, the FASB issued ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* and in January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform*. The guidance is intended to provide temporary optional expedients and exceptions to GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burden related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The amendments in these ASUs are elective and are effective upon issuance for all entities through December 31, 2022. We are currently assessing the impact of the guidance on our consolidated financial statements.

Note 2. Acquisitions

Pi Innovo Holding Limited — On March 1, 2021, we acquired the remaining 51% ownership interest in Pi Innovo Holding Limited (Pi Innovo). Pi Innovo designs, develops and manufactures electronic control units spanning a range of applications and industries. The acquisition of the remaining ownership interest provides us with a 100% ownership interest in Pi Innovo. The total purchase consideration of \$35 is comprised of \$18 of cash paid at closing and the \$17 fair value of our previously held equity method investment in Pi Innovo. The results of operations of the business are reported within our Commercial Vehicle operating segment. The pro forma effects of this acquisition would not materially impact our reported results for any period presented, and as a result no pro forma financial information is presented.

Ashwoods Innovations Limited — On February 5, 2020, we acquired Curtis Instruments, Inc.'s (Curtis) 35.4% ownership interest in Ashwoods Innovations Limited (Ashwoods). Ashwoods designs and manufactures permanent magnet electric motors for the automotive, material handling and off-highway vehicle markets. The acquisition of Curtis' interest in Ashwoods, along with our existing ownership interest in Ashwoods, provided us with a 97.8% ownership interest and a controlling financial interest in Ashwoods. We recognized a \$3 gain to other income (expense), net on the required remeasurement of our previously held equity method investment in Ashwoods to fair value. The total purchase consideration of \$22 is comprised of \$8 of cash paid to Curtis at closing, the \$10 fair value of our previously held equity method investment in Ashwoods and \$4 related to the effective settlement of a pre-existing loan payable due from Ashwoods. During March 2020, we acquired the remaining noncontrolling interests in Ashwoods held by employee shareholders. See Hydro-Québec relationship discussion below for details of subsequent changes in our ownership interest in Ashwoods. The results of operations of the business are reported within our Off-Highway operating segment. The pro forma effects of this acquisition would not materially impact our reported results for any period presented, and as a result no pro forma financial information is presented.

Hydro-Québec Relationship — On April 14, 2020, Hydro-Québec acquired an indirect 45% redeemable noncontrolling interest in Ashwoods. We received \$9 in cash at closing, inclusive of \$2 in proceeds on a loan from Hydro-Québec. Dana will continue to consolidate Ashwoods as the governing documents continue to provide Dana with a controlling financial interest in this subsidiary.

Note 3. Goodwill and Other Intangible Assets

Goodwill — Our goodwill is tested for impairment annually as of October 31 for all of our reporting units, and more frequent if events or circumstances warrant such a review. No impairment charge was recorded in connection with our annual goodwill impairment test performed as of October 31, 2020 and we did not identify any events or circumstances during the first quarter 2021 that required an interim impairment test. We expect that the fair value of our reporting units will continue to exceed their carrying values in future periods.

As a result of the effect of the global COVID-19 pandemic on our expected future operating cash flows, a decrease in our share price which reduced our market capitalization below the book value of net assets and lower cushion in our expected reporting unit fair values as a result of the recent acquisitions, we determined certain impairment triggers had occurred in the first quarter of 2020. Accordingly, we performed interim impairment analyses at each of our reporting units as of March 31, 2020. Based on the results of our interim impairment tests, we concluded that carrying value exceeded fair value in our Commercial Vehicle and Light Vehicle reporting units and we recorded a goodwill impairment charge of \$51 in the first quarter of 2020. See Note 3 to our consolidated financial statements in Item 8 of our 2020 Form 10-K for additional information on these impairment losses.

The change in the carrying amount of goodwill in 2021 is primarily due to the acquisition of Pi Innovo, measurement period adjustments for the 2020 Ashwoods acquisition and currency fluctuation. See Note 2 for additional information on recent acquisitions.

Changes in the carrying amount of goodwill by segment —

	<u>Light Vehicle</u>	<u>Commercial Vehicle</u>	<u>Off-Highway</u>	<u>Power Technologies</u>	<u>Total</u>
Balance, December 31, 2020	\$—	\$177	\$302	\$—	\$479
Acquisitions		24	(11)		13
Currency impact		3	(7)		(4)
Balance, March 31, 2021	<u>\$—</u>	<u>\$204</u>	<u>\$284</u>	<u>\$—</u>	<u>\$488</u>

Components of other intangible assets —

	Weighted Average Useful Life (years)	<u>March 31, 2021</u>			<u>December 31, 2020</u>		
		Gross Carrying Amount	Accumulated Impairment and Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Impairment and Amortization	Net Carrying Amount
Amortizable intangible assets							
Core technology	8	\$162	\$(103)	\$ 59	\$146	\$(103)	\$ 43
Trademarks and trade names	13	31	(10)	21	31	(9)	22
Customer relationships	8	523	(428)	95	525	(431)	94
Non-amortizable intangible assets							
Trademarks and trade names		<u>75</u>		<u>75</u>	<u>77</u>		<u>77</u>
		<u>\$791</u>	<u>\$(541)</u>	<u>\$250</u>	<u>\$779</u>	<u>\$(543)</u>	<u>\$236</u>

The net carrying amounts of intangible assets, other than goodwill, attributable to each of our operating segments at March 31, 2021 were as follows: Light Vehicle — \$21, Commercial Vehicle — \$79, Off-Highway — \$144 and Power Technologies — \$6.

Amortization expense related to amortizable intangible assets —

	<u>Three Months Ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Charged to cost of sales	\$3	\$1
Charged to amortization of intangibles	<u>4</u>	<u>3</u>
Total amortization	<u>\$7</u>	<u>\$4</u>

The following table provides the estimated aggregate pre-tax amortization expense related to intangible assets for each of the next five years based on March 31, 2021 exchange rates. Actual amounts may differ from these estimates due to such factors as currency translation, customer turnover, impairments, additional intangible asset acquisitions and other events.

	<u>Remainder of 2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Amortization expense	\$16	\$22	\$22	\$21	\$21

Note 4. Restructuring of Operations

Our restructuring activities have historically included rationalizing our operating footprint by consolidating facilities, positioning operations in lower cost locations and reducing overhead costs. In recent years our focus has been primarily headcount reduction initiatives to reduce operating costs, including actions taken at acquired businesses to rationalize cost structures and achieve operating synergies. Restructuring expense includes costs associated with current and previously announced actions and is comprised of contractual and noncontractual separation costs and exit costs, including certain operating costs of facilities that we are in the process of closing.

Net restructuring charges of \$1 and \$3 in the first quarters of 2021 and 2020 were comprised of severance and benefit costs related to integration of recent acquisitions, headcount reductions across our operations and exit costs related to previously announced actions.

Accrued restructuring costs and activity —

	<u>Employee Termination Benefits</u>	<u>Exit Costs</u>	<u>Total</u>
Balance, December 31, 2020	\$30	\$—	\$30
Charges to restructuring		1	1
Cash payments	(4)	(1)	(5)
Currency impact	<u>(1)</u>		<u>(1)</u>
Balance, March 31, 2021	<u>\$25</u>	<u>\$—</u>	<u>\$25</u>

At March 31, 2021, the accrued employee termination benefits include costs to reduce approximately 500 employees to be completed over the next year.

Cost to complete — The following table provides project-to-date and estimated future restructuring expenses for completion of our approved restructuring initiatives for our business segments at March 31, 2021.

	<u>Expense Recognized</u>			<u>Future Cost to Complete</u>
	<u>Prior to 2021</u>	2021	<u>Total to Date</u>	
Commercial Vehicle	\$41	\$—	\$41	\$2

The future cost to complete includes estimated separation costs, primarily those associated with one-time benefit programs, and exit costs through 2021, equipment transfers and other costs which are required to be recognized as closures are finalized or as incurred during the closure.

Note 5. Supplemental Balance Sheet and Cash Flow Information

Inventory components at —

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$ 532	\$ 473
Work in process and finished goods ...	805	752
Inventory reserves	<u>(77)</u>	<u>(76)</u>
Total	<u>\$1,260</u>	<u>\$1,149</u>

Cash, cash equivalents and restricted cash at —

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Cash and cash equivalents	\$483	\$559	\$628	\$508
Restricted cash included in other current assets	7	5	5	6
Restricted cash included in other noncurrent assets	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>
Total cash, cash equivalents and restricted cash	<u>\$493</u>	<u>\$567</u>	<u>\$636</u>	<u>\$518</u>

6. Stockholders' Equity

Common stock — Our Board of Directors declared a cash dividend of ten cents per share of common stock in the first quarter of 2021. Dividends accrue on restricted stock units (RSUs) granted under our stock compensation program and will be paid in cash or additional units when the underlying units vest.

Share repurchase program — On February 16, 2021 our Board of Directors approved an extension of our existing common stock share repurchase program through December 31, 2023. Approximately \$ 150 remained available for future share repurchases as of March 31, 2021.

Changes in equity —

	Three Months Ended March 31,						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Non- controlling Interests	Total Equity
<u>2021</u>							
Balance, December 31, 2020	\$2	\$2,408	\$530	\$(156)	\$(1,026)	\$76	\$1,834
Net income			71			1	72
Other comprehensive income					(18)	(2)	(20)
Common stock dividends			(14)				(14)
Redeemable noncontrolling interests adjustment to redemption value			(4)				(4)
Stock compensation		7					7
Stock withheld for employee taxes				(5)			(5)
Balance, March 31, 2021	<u>\$2</u>	<u>2,415</u>	<u>\$583</u>	<u>\$(161)</u>	<u>\$(1,044)</u>	<u>\$75</u>	<u>\$1,870</u>
<u>2020</u>							
Balance, December 31, 2019	\$2	2,386	\$622	\$(150)	\$ (987)	\$95	\$1,968
Adoption of ASU 2016-13 credit losses, January 1, 2020			(1)				(1)
Net income			58			2	60
Other comprehensive loss					(111)	(19)	(130)
Common stock dividends			(15)				(15)
Distributions to noncontrolling interests ..						(1)	(1)
Stock compensation		5					5
Stock withheld for employee taxes				(6)			(6)
Balance, March 31, 2020	<u>\$2</u>	<u>2,391</u>	<u>\$664</u>	<u>\$(156)</u>	<u>\$(1,098)</u>	<u>\$77</u>	<u>\$1,880</u>

Changes in each component of accumulated other comprehensive income (loss) (AOCI) of the parent —

	Parent Company Stockholders			
	Foreign Currency Translation	Hedging	Defined Benefit Plans	Accumulated Other Comprehensive Loss
Balance, December 31, 2020	\$(802)	\$ 9	\$(233)	\$(1,026)
Other comprehensive income (loss):				
Currency translation adjustments	(4)			(4)
Holding gains and losses		32		32
Reclassification of amount to net income (a)		(50)		(50)
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)			4	4
Tax (expense) benefit		1	(1)	—
Other comprehensive income (loss)	(4)	(17)	3	(18)
Balance, March 31, 2021	\$(806)	\$ (8)	\$(230)	\$(1,044)
Balance, December 31, 2019	\$(714)	\$(30)	\$(243)	\$ (987)
Other comprehensive income (loss):				
Currency translation adjustments	(143)			(143)
Holding gains and losses		39		39
Reclassification of amount to net income (a)		(11)		(11)
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)			5	5
Tax (expense) benefit		1	(2)	(1)
Other comprehensive income (loss)	(143)	29	3	(111)
Balance, March 31, 2020	\$(857)	\$ (1)	\$(240)	\$(1,098)

- (a) Realized gains and losses from currency-related forward contracts associated with forecasted transactions or from other derivative instruments treated as cash flow hedges are reclassified from AOCI into the same line item in the consolidated statement of operations in which the underlying forecasted transaction or other hedged item is recorded. See Note 13 for additional details. (b) See Note 10 for additional details.

7. Redeemable Noncontrolling Interests

Hydro-Québec holds direct 45% redeemable noncontrolling interest in Dana TM4 Inc. and Dana TM4 USA, LLC and indirect 45% ownership interests in Dana (Beijing) Electric Motor Co., Ltd., Dana TM4 Italia S.r.l., Ashwoods Innovations Ltd. and Dana TM4 Private Limited (together Dana TM4). Hydro-Québec may put all, and not less than all, of its ownership interests in Dana TM4 to Dana at fair value any time after June 22, 2021. See Note 2 for additional information.

Redeemable noncontrolling interests reflected as of the balance sheet date are the greater of the redeemable noncontrolling interest balances adjusted for comprehensive income items and distributions or the redemption values. Redeemable noncontrolling interest adjustments of redemption value are recorded in retained earnings. We estimate the fair value of the redemption value using an income based approach based on discounted cash flow projections. In determining fair value using discounted cash flow projections, we make significant assumptions and estimates about the extent and timing of future cash flows, including revenue growth rates,

projected EBITDA, discount rates, terminal growth rates and exit multiples. See Note 1 for additional information on the correction of the error in net loss attributable to redeemable noncontrolling interests.

Reconciliation of changes in redeemable noncontrolling interests —

	Three Months Ended March 31,	
	2021	2020
Balance, beginning of period	\$ 180	\$ 167
Capital contribution from redeemable noncontrolling interest	1	2
Adjustment to redemption value	4	
Comprehensive income (loss) adjustments:		
Net loss attributable to redeemable noncontrolling interests	(4)	(22)
Other comprehensive income attributable to redeemable noncontrolling interests	1	8
Balance, end of period	<u>\$ 182</u>	<u>\$ 155</u>

Note 8. Earnings per Share

Reconciliation of the numerators and denominators of the earnings per share calculations —

	Three Months Ended March 31,	
	2021	2020
Net income available to common stockholders - Numerator basic and diluted	\$ 71	\$ 58
Denominator:		
Weighted-average common shares outstanding - Basic	144.9	144.2
Employee compensation-related shares, including stock options	1.5	0.6
Weighted-average common shares outstanding - Diluted	<u>146.4</u>	<u>144.8</u>

The share count for diluted earnings per share is computed on the basis of the weighted-average number of common shares outstanding plus the effects of dilutive common stock equivalents (CSEs) outstanding during the period. We excluded 0.9 million and 0.6 million CSEs from the calculation of diluted earnings per share for the first quarters of 2021 and 2020 as the effect of including them would have been anti-dilutive.

Note 9. Stock Compensation

The Compensation Committee of our Board of Directors approved the grant of RSUs and performance share units (PSUs) shown in the table below during 2021.

	Granted (In millions)	Grant Date Fair Value*
RSUs	0.8	\$23.43
PSUs	0.2	\$26.81

* Weighted-average per share

We calculated the fair value of the RSUs at grant date based on the closing market price of our common stock at the date of grant. The number of PSUs that ultimately vest is contingent on achieving specified financial targets and specified total shareholder return targets relative to peer companies. For the portion of the award based on financial metrics, we estimated the fair value of the PSUs at grant date based on the closing market price of our

common stock at the date of grant adjusted for the value of assumed dividends over the period because the awards are not dividend protected. For the portion of the award based on shareholder returns, we estimated the fair value of the PSUs at grant date using various assumptions as part of a Monte Carlo simulation. The expected term represents the period from the grant date to the end of the three-year performance period. The risk-free interest rate of 0.18% was based on U.S. Treasury constant maturity rates at the grant date. The dividend yield of 2.27% was calculated using a blended approach of a historical average yield calculated by dividing the expected annual dividend by the average stock price over the prior year and the current yield calculated by dividing the expected annual dividend by the grant date stock price. The estimated volatility of 62.8% was based on observed historical volatility of daily stock returns for the 3-year period preceding the grant date.

We received \$4 of cash from the exercise of stock options related to 0.2 million shares. We paid \$2 of cash to settle RSUs. We issued 0.5 million and 0.1 million shares of common stock based on the vesting of RSUs and PSUs during 2021. We recognized stock compensation expense of \$5 and \$4 during the first quarters of 2021 and 2020. At March 31, 2021, the total unrecognized compensation cost related to the nonvested awards granted and expected to vest was \$36. This cost is expected to be recognized over a weighted-average period of 2.3 years.

10. Pension and Postretirement Benefit Plans

We have a number of defined contribution and defined benefit, qualified and nonqualified, pension plans covering eligible employees. Other postretirement benefits (OPEB), including medical and life insurance, are provided for certain employees upon retirement.

Components of net periodic benefit cost (credit) —

	Pension				OPEB	
	2021		2020		2021	2020
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
<u>Three Months Ended March 31,</u>						
Interest cost	\$3	\$1	\$5	\$1	\$1	\$1
Expected return on plan assets	(7)		(9)	(1)		
Service cost		2		2		
Amortization of net actuarial loss	2	2	3	2		
Net periodic benefit cost (credit)	<u>\$(2)</u>	<u>\$5</u>	<u>\$(1)</u>	<u>\$4</u>	<u>\$1</u>	<u>\$1</u>

The service cost components of net periodic pension and OPEB costs are included in cost of sales and selling, general and administrative expenses as part of compensation cost and are eligible for capitalization in inventory and other assets. The non-service components are reported in other income (expense), net and are not eligible for capitalization.

Note 11. Marketable Securities

	March 31, 2021			December 31, 2020		
	Cost	Unrealized	Fair Value	Cost	Unrealized	Fair Value
		Gains (Losses)			Gains (Losses)	
Certificates of deposit - Current marketable securities	\$26	\$—	\$26	\$21	\$—	\$21
Corporate securities - Noncurrent marketable securities	\$16	\$ 16	\$32	\$16	\$ 33	\$49

Certificates of deposit maturing in one year or less total \$26 at March 31, 2021.

We held \$16 of convertible notes receivable from our investment in Hyliion Inc. On October 1, 2020, Hyliion completed its merger with Tortoise Acquisition Corp. The business combination resulted in the combined company being renamed Hyliion Holdings Corp., with its common stock being listed on the New York Stock Exchange under the ticker symbol HYLN. Effective with the completed merger, our notes receivable were converted into 2,988,229 common shares of HYLN. Our investment in Hyliion is included in noncurrent marketable securities and carried at fair value with changes in fair value included in other income (expense), net. The strategic partnership with Hyliion establishes Dana as the preferred supplier for e-propulsion systems to Hyliion as long as Dana maintains a minimum equity investment in Hyliion.

Note 12. Financing Agreements

Long-term debt at —

	<u>Interest Rate</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Senior Notes due December 15, 2024	5.500%	\$ 425	\$ 425
Senior Notes due April 15, 2025	5.750%*	400	400
Senior Notes due June 1, 2026	6.500%*	375	375
Senior Notes due November 15, 2027	5.375%	400	400
Senior Notes due June 15, 2028	5.625%	400	400
Team B Facility		349	349
Other indebtedness		105	106
Debt issuance cost		(26)	(27)
		<u>2,428</u>	<u>2,428</u>
Less: Current position of long-term debt		<u>8</u>	<u>8</u>
Long-term debt, less debt issuance cost		<u>\$2,420</u>	<u>\$2,420</u>

* In conjunction with the issuance of the April 2025 Notes we entered into 8-year fixed-to-fixed cross-currency swaps which have the effect of economically converting the April 2025 Notes to euro-denominated debt at a fixed rate of 3.850%. In conjunction with the issuance of the June 2026 Notes we entered into 10-year fixed-to-fixed cross-currency swaps which have the effect of economically converting the June 2026 Notes to eurodenominated debt at a fixed rate of 5.140%. See Note 13 for additional information.

Interest on the senior notes is payable semi-annually and interest on the Term Facility B is payable quarterly. Other indebtedness includes the note payable to the former owners of S.M.E. S.p.A., borrowings from various financial institutions, finance lease obligations and the unamortized fair value adjustment related to a terminated interest rate swap. See Note 13 for additional information on the terminated interest rate swap.

Senior notes activity — In June 2020, we completed the sale of \$400 in senior unsecured notes (June 2028 Notes) at 5.625%. The June 2028 Notes rank equally with Dana’s other unsecured senior notes. Interest on the notes is payable on December 15 and June 15 of each year, beginning on December 15, 2020. The June 2028 Notes will mature on June 15, 2028. Net proceeds of the offering totaled \$395. Financing costs of \$5 were recorded as deferred costs and are being amortized to interest expense over the life of the notes. The proceeds from the offering were used to pay down outstanding borrowings under our Revolving Facility and for general corporate purposes. Also, we completed the sale of an additional \$100 of November 2027 Notes at 5.375%. The November 2027 Notes rank equally with Dana’s other unsecured senior notes. Interest on the notes is payable on May 15 and November 15 of each year, beginning on November 15, 2020. The November 2027 Notes will mature on November 15, 2027. Net proceeds of the offering totaled \$99. Financing costs of \$1 were recorded as deferred costs and are being amortized to interest expense over the life of the notes. The proceeds from the offering were used for general corporate purposes.

We may redeem some or all of the senior notes at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest to the redemption date, if redeemed during the 12-month period commencing on the anniversary date of the senior notes in the year set forth below:

<u>Year</u>	<u>Redemption Price</u>				
	<u>December 2024 Notes</u>	<u>April 2025 Notes</u>	<u>June 2026 Notes</u>	<u>November 2027 Notes</u>	<u>June 2028 Notes</u>
2020	101.833%	104.313%			
2021	100.917%	102.875%	103.250%		
2022	100.000%	101.438%	102.167%	102.688%	
2023	100.000%	100.000%	101.083%	101.344%	102.813%
2024		100.000%	100.000%	100.000%	101.406%
2025			100.000%	100.000%	100.000%
2026				100.000%	100.000%
2027					100.000%

Prior to June 1, 2021, we may redeem some or all of the June 2026 Notes at a redemption price of 100.000% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus a “make-whole” premium. We have not separated the make-whole premium from the underlying debt instrument to account for it as a derivative instrument as the economic characteristics and the risks of this embedded derivative are clearly and closely related to the economic characteristics and risks of the underlying debt.

At any time prior to November 15, 2022, we may redeem up to 35% of the aggregate principal amount of the November 2027 Notes in an amount not to exceed the amount of proceeds of one or more equity offerings, at a price equal to 105.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 50% of the original aggregate principal amount of the November 2027 Notes remains outstanding after the redemption. Prior to November 15, 2022, we may redeem some or all of the November 2027 Notes at a redemption price of 100.000% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus a “make-whole” premium. We have not separated the make-whole premium from the underlying debt instrument to account for it as a derivative instrument as the economic characteristics and the risks of this embedded derivative are clearly and closely related to the economic characteristics and risks of the underlying debt.

At any time prior to June 15, 2023, we may redeem up to 35% of the aggregate principal amount of the June 2028 Notes in an amount not to exceed the amount of proceeds of one or more equity offerings, at a price equal to 105.625% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 50% of the original aggregate principal amount of the June 2028 Notes remains outstanding after the redemption. Prior to June 15, 2023, we may redeem some or all of the June 2028 Notes at a redemption price of 100.000% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus a “make-whole” premium. We have not separated the make-whole premium from the underlying debt instrument to account for it as a derivative instrument as the economic characteristics and the risks of this embedded derivative are clearly and closely related to the economic characteristics and risks of the underlying debt.

Credit agreement — On December 31, 2020, we fully paid down the Term A Facility. We wrote off \$3 of previously deferred financing costs associated with the Term A Facility. On March 25, 2021, we amended our credit and guaranty agreement, increasing the Revolving Facility to \$1,150 and extending the maturity to March 25, 2026. We recorded deferred fees of \$2 related to the amendment. The deferred fees are being amortized over the life of the applicable facilities. Deferred financing costs on our Revolving Facility are included in other noncurrent assets. The Term B Facility will mature on February 28, 2026. We may prepay some or all of the amounts under the Term B Facility without penalty.

The Term Facility B and the Revolving Facility are guaranteed by all of our wholly-owned domestic subsidiaries subject to certain exceptions (the guarantors) and are secured by a first-priority lien on substantially all of the assets of Dana and the guarantors, subject to certain exceptions.

Advances under the Revolving Facility bear interest at a floating rate based on, at our option, the base rate or Eurodollar rate (each as described in the credit agreement) plus a margin as set forth below:

<u>Total Net Leverage Ratio</u>	<u>Margin</u>	
	<u>Base Rate</u>	<u>Eurodollar Rate</u>
Less than or equal to 1.00:1.00	0.25%	1.25%
Greater than 1.00:1.00 but less than or equal to 2.00:1.00	0.50%	1.50%
Greater than 2.00:1.00	0.75%	1.75%

The Term B Facility bears interest based on, at our option, the Base Rate plus 1.25% or the Eurodollar rate plus 2.25%. We have elected to pay interest on our advances under Term Facility B at the Eurodollar Rate. The interest rate on the Term B Facility was 2.359%, inclusive of the applicable margins, as of March 31, 2021.

Commitment fees are applied based on the average daily unused portion of the available amounts under the Revolving Facility as set forth below:

<u>Total Net Leverage Ratio</u>	<u>Commitment Fee</u>
Less than or equal to 1.00:1.00	0.250%
Greater than 1.00:1.00 but less than or equal to 2.00:1.00	0.375%
Greater than 2.00:1.00	0.500%

Up to \$275 of the Revolving Facility may be applied to letters of credit, which reduces availability. We pay a fee for issued and undrawn letters of credit in an amount per annum equal to the applicable margin for Eurodollar rate advances based on a quarterly average availability under issued and undrawn letters of credit under the Revolving Facility and a per annum fronting fee of 0.125%, payable quarterly.

At March 31, 2021, we had no outstanding borrowings under the Revolving Facility and had utilized \$21 for letters of credit. We had availability at March 31, 2021 under the Revolving Facility of \$1,129 after deducting the letters of credit.

Bridge facility — On April 16, 2020, we entered into a \$500 bridge facility (the Bridge Facility). We recorded deferred fees of \$5 related to the Bridge Facility. The deferred fees were being amortized over the life of the Bridge Facility. The Bridge Facility was to mature on April 15, 2021. On June 19, 2020, in connection with the issuance of our June 2028 Notes, we terminated the Bridge Facility and wrote off the \$5 of deferred fees associated with the Bridge Facility.

Debt covenants — At March 31, 2021, we were in compliance with the covenants of our financing agreements. Under the Term B Facility, Revolving Facility and the senior notes, we are required to comply with certain incurrence-based covenants customary for facilities of these types and, in the case of the Revolving Facility, a maintenance covenant tested on the last day of each fiscal quarter requiring us to maintain a first lien net leverage ratio not to exceed 2.00 to 1.00.

Note 13. Fair Value Measurements and Derivatives

In measuring the fair value of our assets and liabilities, we use market data or assumptions that we believe market participants would use in pricing an asset or liability including assumptions about risk when appropriate. Our valuation techniques include a combination of observable and unobservable inputs.

Fair value measurements on a recurring basis — Assets and liabilities that are carried in our balance sheet at fair value are as follows:

Category	Balance Sheet Location	Fair Value Level	Fair Value	
			March 31, 2021	December 31, 2020
Certificates of deposit	Marketable securities	2	\$26	\$ 21
Available-for-sale securities . . .	Other noncurrent assets	1	32	49
Currency forward contracts				
Cash flow hedges	Accounts receivable - Other	2	11	15
Cash flow hedges	Other accrued liabilities	2	2	1
Undesignated	Accounts receivable - Other	2	2	2
Undesignated	Other accrued liabilities	2	2	1
Interest rate collars	Other accrued liabilities	2	6	7
Currency swaps				
Cash flow hedges	Other noncurrent liabilities	2	95	128

Fair Value Level 1 assets and liabilities reflect quoted prices in active markets. Fair Value Level 2 assets and liabilities reflect the use of significant other observable inputs.

Fair value of financial instruments — The financial instruments that are not carried in our balance sheet at fair value are as follows:

	Fair Value Level	March 31, 2021		December 31, 2020	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Long term debt	2	\$2,369	\$2,450	\$2,376	\$2,475

Interest rate derivatives — Our portfolio of derivative financial instruments periodically includes interest rate swaps and interest rate collars designed to mitigate our interest rate risk. As of March 31, 2021, no fixed-to-floating interest rate swaps remain outstanding. However, a \$3 fair value adjustment to the carrying amount of our December 2024 Notes, associated with a fixed-to-floating interest rate swap that had been executed but was subsequently terminated during 2015, remains deferred at March 31, 2021. This amount is being amortized as a reduction of interest expense through the period ending December 2024, the scheduled maturity date of the December 2024 Notes. The amount amortized as a reduction of interest expense was not material during the three months ended March 31, 2021. We have outstanding interest rate collars with a notional value of \$425 that will mature in December 2021. For interest rate collars, no payments or receipts are exchanged unless interest rates rise or fall in excess of a predetermined ceiling or floor rate.

Foreign currency derivatives — Our foreign currency derivatives include forward contracts associated with forecasted transactions, primarily involving the purchases and sales of inventory through the next fifteen months, as well as currency swaps associated with certain recorded external notes payable and intercompany loans receivable and payable. Periodically, our foreign currency derivatives also include net investment hedges of certain of our investments in foreign operations.

We have executed fixed-to-fixed cross-currency swaps in conjunction with the issuance of certain notes to eliminate the variability in the functional-currency-equivalent cash flows due to changes in exchange rates associated with the forecasted principal and interest payments. All of the underlying designated financial instruments, and any subsequent replacement debt, have been designated as the hedged items in each respective cash flow hedge relationship, as shown in the table below. Designated as cash flow hedges of the forecasted principal and interest payments of the underlying designated financial instruments, or subsequent replacement debt, all of the swaps economically convert the underlying

designated financial instruments into the functional currency of each respective holder. The impact of the interest rate differential between the inflow and outflow rates on all fixed-to-fixed cross-currency swaps is recognized during each period as a component of interest expense.

The following fixed-to-fixed cross-currency swaps were outstanding at March 31, 2021:

Underlying Financial Instrument				Derivative Financial Instrument			
Description	Type	Face Amount	Rate	Designated	Traded Amount	Inflow Rate	Outflow Rate
				Notional Amount			
April 2025 Notes	Payable	\$400	5.75%	\$400	€371	5.75%	3.85%
June 2026 Notes	Payable	\$375	6.50%	\$375	€338	6.50%	5.14%
Luxembourg Intercompany Notes	Receivable	€278	3.70%	€278	€300	5.38%	3.70%

All of the swaps are expected to be highly effective in offsetting the corresponding currency-based changes in cash outflows related to the underlying designated financial instruments. Based on our qualitative assessment that the critical terms of all of the underlying designated financial instruments and all of the associated swaps match and that all other required criteria have been met, we do not expect to incur any ineffectiveness. As effective cash flow hedges, changes in the fair value of the swaps will be recorded in OCI during each period. Additionally, to the extent the swaps remain effective, the appropriate portion of AOCI will be reclassified to earnings each period as an offset to the foreign exchange gain or loss resulting from the remeasurement of the underlying designated financial instruments. See Note 12 for additional information about the April 2025 Notes and the June 2026 Notes. To the extent the swaps are no longer effective, changes in their fair values will be recorded in earnings.

The total notional amount of outstanding foreign currency forward contracts, involving the exchange of various currencies, was \$422 at March 31, 2021 and \$386 at December 31, 2020. The total notional amount of outstanding foreign currency swaps, including the fixed-to-fixed crosscurrency swaps, was \$1,101 at March 31, 2021 and \$1,118 at December 31, 2020.

The following currency derivatives were outstanding at March 31, 2021:

Functional Currency	Traded Currency	Notional Amount (U.S. Dollar Equivalent)			
		Designated	Undesignated	Total	Maturity
U.S. dollar	Mexican peso, Canadian dollar	\$ 75	\$ 35	\$ 110	Dec-2021
Euro	U.S. dollar, Hungarian forint, British pound, Swiss franc, Indian rupee, Mexican peso, Australian dollar, Chinese renminbi, Brazilian real	55	29	84	Jan-2024
British pound	U.S. dollar, euro	2	1	3	Apr-2021
South African rand	U.S. dollar, euro, Thai baht		12	12	Apr-2021
Thai baht	U.S. dollar, euro	8	20	28	Dec-2021
Canadian dollar	U.S. dollar	6		6	Oct-2021
Brazilian real	U.S. dollar, euro	43	8	51	Mar-2022
Indian rupee	U.S. dollar, euro, British pound		118	118	Apr-2022
Chinese renminbi	Canadian dollar, euro		6	6	Apr-2021
Australian dollar	U.S. dollar, euro		4	4	Apr-2021
Total forward contracts		<u>189</u>	<u>233</u>	<u>422</u>	
U.S. dollar	euro	326		326	Nov-2027
Euro	U.S. dollar	775		775	Jun-2026
Total currency swaps		<u>1,101</u>	<u>—</u>	<u>1,101</u>	
Total currency derivatives		<u>\$1,290</u>	<u>\$233</u>	<u>\$1,523</u>	

Designated cash flow hedges — With respect to contracts designated as cash flow hedges, changes in fair value during the period in which the contracts remain outstanding are reported in OCI to the extent such contracts remain effective. Effectiveness is measured by using regression analysis to determine the degree of correlation between the change in the fair value of the derivative instrument and the change in the associated foreign currency exchange rates. Changes in fair value of contracts not designated as cash flow hedges or as net investment hedges are recognized in other income (expense), net in the period in which the changes occur. Realized gains and losses from currency-related forward contracts associated with forecasted transactions or from other derivative instruments, including those that have been designated as cash flow hedges and those that have not been designated, are recognized in the same line item in the consolidated statement of operations in which the underlying forecasted transaction or other hedged item is recorded. Accordingly, amounts are potentially recorded in sales, cost of sales or, in certain circumstances, other income (expense), net.

The following table provides a summary of deferred gains (losses) reported in AOCI as well as the amount expected to be reclassified to income in one year or less:

	Deferred Gain (Loss) in AOCI		
	March 31, 2021	December 31, 2020	Gain (loss) expected to be reclassified into income in one year or less
Forward Contracts	\$ 5	\$ 9	\$ 5
Collar	(5)	(6)	(5)
Cross-Currency Swaps	(12)	3	—
Total	<u>\$(12)</u>	<u>\$ 6</u>	<u>\$—</u>

The following table provides a summary of the location and amount of gains or losses recognized in the consolidated statement of operations associated with cash flow hedging relationships:

	Three Months Ended March 31, 2021		
	Net sales	Cost of sales	Other income (expense), net
<u>Derivatives Designated as Cash Flow Hedges</u>			
Total amounts of income and expense line items presented in the consolidated statement of operations in which the effects of cash flow hedges are recorded	\$2,263	\$2,012	\$(19)
(Gain) or loss on cash flow hedging relationships			
Foreign currency forwards			
Amount of (gain) loss reclassified from AOCI into income		(1)	(1)
Cross-currency swaps			
Amount of (gain) loss reclassified from AOCI into income			(48)
<u>Three Months Ended March 31, 2020</u>			
<u>Derivatives Designated as Cash Flow Hedges</u>			
Total amounts of income and expense line items presented in the consolidated statement of operations in which the effects of cash flow hedges are recorded	\$1,926	1,720	\$ 4
(Gain) or loss on cash flow hedging relationships			
Foreign currency forwards			
Amount of (gain) loss reclassified from AOCI into income		7	
Cross-currency swaps			
Amount of (gain) loss reclassified from AOCI into income			(18)

The amounts reclassified from AOCI into income for the cross-currency swaps represent an offset to a foreign exchange loss on our foreign currency-denominated intercompany and external debt instruments.

Certain of our hedges of forecasted transactions have not formally been designated as cash flow hedges. As undesignated forward contracts, the changes in the fair value of such contracts are included in earnings for the duration of the outstanding forward contract. Any realized gain or loss on the settlement of such contracts is recognized in the same period and in the same line item in the consolidated statement of operations as the underlying transaction. The following table provides a summary of the location and amount of gains or losses recognized in the consolidated statement of operations associated with undesignated hedging relationships.

Derivatives Not Designated as Hedging Instruments	Amount of Gain (Loss) Recognized in Income		Location of Gain or (Loss) Recognized in Income
	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	
Foreign currency forward contracts	\$—	\$ 5	Cost of sales
Foreign currency forward contracts	\$ (2)	\$(9)	Other income (expense), net

Net investment hedges — We periodically designate derivative contracts or underlying non-derivative financial instruments as net investment hedges. With respect to contracts designated as net investment hedges, we apply the forward method, but for non-derivative financial instruments designated as net investment hedges, we apply the spot method. Under both methods, we report changes in fair value in the cumulative translation adjustment (CTA) component of OCI during the period in which the contracts remain outstanding to the extent such contracts and non-derivative financial instruments remain effective.

Note 14. Commitments and Contingencies

Product liabilities — Accrued product liability costs were \$ 1 at March 31, 2021 and \$1 at December 31, 2020. We had also recognized amounts recoverable from third parties of \$11 at March 31, 2021 and \$11 at December 31, 2020. Payments made to claimants precede recovery of amounts from third parties, and may result in recoverable amounts in excess of the total liability. We estimate these liabilities based on current information and assumptions about the value and likelihood of the claims against us.

Environmental liabilities — Accrued environmental liabilities were \$9 at March 31, 2021 and \$10 at December 31, 2020. We consider the most probable method of remediation, current laws and regulations and existing technology in estimating our environmental liabilities.

Guarantee of lease obligations — In connection with the divestiture of our Structural Products business in 2010, leases covering three U.S. facilities were assigned to a U.S. affiliate of Metalsa. Under the terms of the sale agreement, we will guarantee the affiliate’s performance under the leases, which run through June 2025, including approximately \$6 of annual payments. In the event of a required payment by Dana as guarantor, we are entitled to pursue full recovery from Metalsa of the amounts paid under the guarantee and to take possession of the leased property.

Other legal matters — We are subject to various pending or threatened legal proceedings arising out of the normal course of business or operations. In view of the inherent difficulty of predicting the outcome of such matters, we cannot state what the eventual outcome of these matters will be. However, based on current knowledge and after consultation with legal counsel, we believe that any liabilities that may result from these proceedings will not have a material adverse effect on our liquidity, financial condition or results of operations.

Note 15. Warranty Obligations

We record a liability for estimated warranty obligations at the dates our products are sold. We record the liability based on our estimate of costs to settle future claims. Adjustments to our estimated costs at time of sale are made as claim experience and other new information becomes available. Obligations for service campaigns and other occurrences are recognized as adjustments to prior estimates when the obligation is probable and can be reasonably estimated.

Changes in warranty liabilities —

	Three Months Ended March 31,	
	2021	2020
Balance, beginning of period	\$98	\$101
Amounts accrued for current period sales	10	8
Adjustments of prior estimates	(1)	1
Settlements of warranty claims	(7)	(11)
Currency impact	(1)	(2)
Balance, end of period	<u>\$99</u>	<u>\$ 97</u>

Note 16. Income Taxes

We estimate the effective tax rate expected to be applicable for the full fiscal year and use that rate to provide for income taxes in interim reporting periods. We also recognize the tax impact of certain unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur.

We have generally not recognized tax benefits on losses generated in several entities where the recent history of operating losses does not allow us to satisfy the “more likely than not” criterion for the recognition of deferred tax assets. Consequently, there is no income tax expense or benefit recognized on the pre-tax income or losses in these jurisdictions as valuation allowances are adjusted to offset the associated tax expense or benefit.

We record interest and penalties related to uncertain tax positions as a component of income tax expense. Net interest expense for the periods presented herein is not significant.

We reported an income tax expense of \$22 and an income tax benefit of \$16 for the first three months ended March 31, 2021 and 2020, respectively. Our effective tax rates were 29% and (80)% for the first three months of 2021 and 2020. During the first quarter of 2020, a pre-tax goodwill impairment charge of \$51 with an associated income tax benefit of \$1 was recorded. Also, during the first quarter of 2020, we recorded tax benefits of \$37 related to tax actions that adjusted federal tax credits, tax expense of \$2 to record additional valuation allowance in the U.S. based on reduced income projections, and tax expense of \$4 to record valuation allowances in foreign jurisdictions due to reduced income projections. Excluding these items, the effective tax rate would be 23% for the 2020 three-month period. Our effective income tax rates vary from the U.S. federal statutory rate of 21% due to establishment, release and adjustment of valuation allowances in several countries, nondeductible expenses and deemed income, local tax incentives in several countries outside the U.S., different statutory tax rates outside the U.S. and withholding taxes related to repatriations of international earnings. The effective income tax rate may vary significantly due to fluctuations in the amounts and sources, both foreign and domestic, of pretax income and changes in the amounts of non-deductible expenses.

Dividends of earnings from non-U.S. operations are generally no longer subjected to U.S. income tax. We continue to analyze and adjust the estimated tax impact of the income and non-U.S. withholding tax liabilities based on the amounts and sources of these earnings.

Note 17. Other Income (Expense), Net

	Three Months Ended March 31,	
	2021	2020
Non-service cost components of pension and OPEB costs	\$ (2)	\$(2)
Government grants and incentives	3	4
Foreign exchange gain	1	5
Strategic transaction expenses	(3)	(6)
Loss on investment in Hyliion	(17)	
Loss on disposal group held for sale	(7)	
Other, net	6	3
Other income (expense), net	<u>\$(19)</u>	<u>\$ 4</u>

Foreign exchange gains and losses on cross-currency intercompany loan balances that are not of a long-term investment nature are included above. Foreign exchange gains and losses on intercompany loans that are permanently invested are reported in OCI.

Strategic transaction expenses relate primarily to costs incurred in connection with acquisition and divestiture related activities, including costs to complete the transaction and post-closing integration costs. Strategic transaction expenses in 2021 were primarily attributable to our pending acquisition of a portion of the thermal-management business of Modine Manufacturing Company and certain other strategic initiatives. Strategic transaction expenses in 2020 were primarily attributable to the acquisitions of the Oerlikon Drive Systems segment of the Oerlikon Group (ODS) and Nordresa Motors, Inc. and certain other strategic initiatives.

We held convertible notes receivable from our investment in Hyliion Inc. On October 1, 2020, Hyliion Inc. completed its merger with Tortoise Acquisition Corp. The business combination resulted in the combined company being renamed Hyliion Holdings Corp. (Hyliion), with its common stock being listed on the New York Stock Exchange under the ticker symbol HYLN. Effective with the completed merger, our notes receivable were converted into 2,988,229 common shares of HYLN. Our investment in Hyliion is included in noncurrent marketable securities and carried at fair value with changes in fair value included in net income. The strategic partnership with Hyliion establishes Dana as the preferred supplier for e-propulsion systems to Hyliion as long as Dana maintains a minimum equity investment in Hyliion.

In conjunction with our acquisition of ODS, we acquired a controlling financial interest in a joint venture in China. We are required to divest of our interest in this joint venture as it violates competitive restrictions of another of our China joint venture shareholder agreements. During the first quarter of 2021, we recorded an impairment charge of \$7, as we determined the carrying value of the disposal group exceeded its fair value less costs to sell. The disposal group has net assets of \$2 as of March 31, 2021. Individual asset and liability balances are not material and therefore the amounts have not been segregated as held for sale on our consolidated balance sheet. We completed the disposal of this business in April 2021.

Note 18. Revenue from Contracts with Customers

We generate revenue from selling production parts to original equipment manufacturers (OEMs) and service parts to OEMs and aftermarket customers. While we provide production and service parts to certain OEMs under awarded multi-year programs, these multi-year programs do not contain any commitment to volume by the customer. As such, individual customer releases or purchase orders represent the contract with the customer. Our customer contracts do not provide us with an enforceable right to payment for performance completed to date throughout the contract term. As such, we recognize part sales revenue at the point in time when the parts are shipped, and risk of loss has transferred to the customer. We have elected to continue to include shipping and

handling fees billed to customers in revenue, while including costs of shipping and handling in costs of sales. Taxes collected from customers are excluded from revenues and credited directly to obligations to the appropriate government agencies. Payment terms with our customers are established based on industry and regional practices and generally do not exceed 180 days.

We continually seek new business opportunities and at times provide incentives to our customers for new program awards. We evaluate the underlying economics of each payment made to our customers to determine the proper accounting by understanding the nature of the payment, the rights and obligations in the contract, and other relevant facts and circumstances. Upfront payments to our customers are capitalized if we determine that the payments are incremental and incurred only if the new business is obtained and we expect to recover these amounts from the customer over the term of the new business program. We recognize a reduction to revenue as products that the upfront payments are related to are transferred to the customer, based on the total amount of products expected to be sold over the term of the program. We evaluate the amounts capitalized each period for recoverability and expense any amounts that are no longer expected to be recovered. We had \$ 9 and \$8 recorded in other current assets and \$45 and \$45 recorded in other noncurrent assets at March 31, 2021 and December 31, 2020.

Certain of our customer contracts include rebate incentives. We estimate expected rebates and accrue the corresponding refund liability, as a reduction of revenue, at the time covered product is sold to the customer based on anticipated customer purchases during the rebate period and contractual rebate percentages. Refund liabilities are included in other accrued liabilities on our consolidated balance sheet. We provide standard fitness for use warranties on the products we sell, accruing for estimated costs related to product warranty obligations at time of sale. See Note 15 for additional information.

Contract liabilities are primarily comprised of cash deposits made by customers with cash in advance payment terms. Generally, our contract liabilities turn over frequently given our relatively short production cycles. Contract liabilities were \$29 and \$27 at March 31, 2021 and December 31, 2020. Contract liabilities are included in other accrued liabilities on our consolidated balance sheet.

Disaggregation of revenue —

The following table disaggregates revenue for each of our operating segments by geographical market:

<u>Three Months Ended March 31, 2021</u>	<u>Light Vehicle</u>	<u>Commercial Vehicle</u>	<u>Off-Highway</u>	<u>Power Technologies</u>	<u>Total</u>
North America	\$706	\$185	\$ 66	\$138	\$1,095
Europe	123	63	417	129	732
South America	36	70	9	5	120
Asia Pacific	126	34	140	16	316
Total	<u>\$991</u>	<u>\$352</u>	<u>\$632</u>	<u>\$288</u>	<u>\$2,263</u>

Three Months Ended March 31, 2020

North America	\$586	\$199	\$ 74	\$123	\$ 982
Europe	102	49	349	114	614
South America	30	63	7	5	105
Asia Pacific	90	22	102	11	225
Total	<u>\$808</u>	<u>\$333</u>	<u>\$532</u>	<u>\$253</u>	<u>\$1,926</u>

Note 19. Segments

We are a global provider of high-technology products to virtually every major vehicle manufacturer in the world. We also serve the stationary industrial market. Our technologies include drive systems (axles, driveshafts, transmissions, and wheel and track drives); motion systems (winches, slew drives, and hub drives); electrodynamic technologies (motors, inverters, software and control systems, battery-management systems, and fuel cell plates); sealing solutions (gaskets, seals, cam covers, and oil pan modules); thermal-management technologies (transmission and engine oil cooling, battery and electronics cooling, charge air cooling, and thermal-acoustical protective shielding); and digital solutions (active and passive system controls and descriptive and predictive analytics). We serve our global light vehicle, medium/heavy vehicle and off-highway markets through four operating segments – Light Vehicle Drive Systems (Light Vehicle), Commercial Vehicle Drive and Motion Systems (Commercial Vehicle), Off-Highway Drive and Motion Systems (Off-Highway) and Power Technologies, which is the center of excellence for sealing and thermal-management technologies that span all customers in our on-highway and off-highway markets. These operating segments have global responsibility and accountability for business commercial activities and financial performance.

Dana evaluates the performance of its operating segments based on external sales and segment EBITDA. Segment EBITDA is a primary driver of cash flows from operations and a measure of our ability to maintain and continue to invest in our operations and provide shareholder returns. Our segments are charged for corporate and other shared administrative costs. Segment EBITDA may not be comparable to similarly titled measures reported by other companies.

Segment information —

Three Months Ended March 31,	2021		2020			
	Inter-Segment Sales	External Sales	Segment EBITDA	External Sales	Inter-Segment Sales	Segment EBITDA
Light Vehicle	\$ 991	\$ 40	\$100	\$ 808	\$ 30	\$ 83
Commercial Vehicle	352	25	14	333	20	21
Off-Highway	632	13	80	532	9	72
Power Technologies	288	6	41	253	6	30
Eliminations and other		(84)			(65)	
Total	<u>\$2,263</u>	<u>\$—</u>	<u>\$235</u>	<u>\$1,926</u>	<u>\$—</u>	<u>\$206</u>

Reconciliation of segment EBITDA to consolidated net income —

	Three Months Ended March 31,	
	2021	2020
Segment EBITDA	\$235	\$206
Corporate expense and other items, net	(1)	(1)
Depreciation	(88)	(85)
Amortization	(7)	(4)
Non-service cost components of pension and OPEB costs	(2)	(2)
Restructuring charges, net	(1)	(3)
Stock compensation expense	(5)	(4)
Strategic transaction expenses	(3)	(6)
Loss on investment in Hylion	(17)	
Impairment of goodwill		(51)
Loss on disposal group held for sale	(7)	
Other items	4	(3)
Earnings before interest and income taxes	108	47
Interest income	2	2
Interest expense	34	29
Earnings before income taxes	76	20
Income tax expense (benefit)	22	(16)
Equity in earnings of affiliates	14	2
Net income	<u>\$ 68</u>	<u>\$ 38</u>

Note 20. Equity Affiliates

We have a number of investments in entities that engage in the manufacture and supply of vehicular parts (primarily axles, axle housings and driveshafts) and electronic control units.

Equity method investments exceeding \$5 at March 31, 2021 —

	Ownership Percentage	Investment
Dongfeng Dana Axle Co., Ltd. (DDAC)	50%	\$111
ROC-Spicer, Ltd.	50%	22
Axles India Limited	48%	9
All others as a group		5
Investments in equity affiliates		147
Investments in affiliates carried at cost		2
Investments in affiliates		<u>\$149</u>

On March 1, 2021, we acquired the remaining 51% ownership interest in Pi Innovo Holdings Limited (Pi Innovo). The additional interest, along with our existing ownership interest, provided us with a 100% ownership interest in Pi Innovo. As such, we ceased accounting for our investment in Pi Innovo under the equity method. See Note 2 for additional information.

€325,000,000

Dana Financing Luxembourg S.à r.l.

3.000% Senior Notes due 2029

Fully and unconditionally guaranteed by
Dana Incorporated



OFFERING MEMORANDUM

May 14, 2021

**Credit Suisse
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