DANA HOLDING CORP
Form 10-K
March 14, 2008

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2007

Commission file number 1-1063

Dana Holding Corporation
(Exact name of registrant as specified in its charter)
Successor registrant to Dana Corporation

Delaware *(State or other jurisdiction of incorporation or organization)*	**26-1531856** *(IRS Employer Identification No.)*
4500 Dorr Street, Toledo, Ohio *(Address of principal executive offices)*	**43615** *(Zip Code)*

Registrant s telephone number, including area code:
(419) 535-4500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:
None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting Company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

On June 30, 2007, the last business day of the most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the predecessor registrant was approximately $315,000,000 based on the average high and low trading prices of such common stock on the OTC Bulletin Board.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No o

On January 31, 2008, the predecessor registrant s common stock, par value $1.00 per share, was cancelled and the registrant initiated the process of issuing 100,000,000 shares of common stock, par value $0.01 per share. There were 97,971,791 shares of registrant s common stock outstanding at March 3, 2008.

DANA HOLDING CORPORATION FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

TABLE OF CONTENTS

PART I

(Dollars in millions, except per share amounts)

Item 1. *Business*

General

Dana Holding Corporation (Dana), a global company incorporated in Delaware in 2007, is headquartered in Toledo, Ohio. We are a leading supplier of axle, driveshaft, structural, sealing and thermal products for global vehicle manufacturers. Our people design and manufacture products for every major vehicle producer in the world. We employ approximately 35,000 people in 26 countries and we operate 113 major facilities worldwide.

As a result of Dana Corporation s emergence from bankruptcy under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code) on January 31, 2008 (the Effective Date), Dana is the successor registrant to Dana Corporation (Prior Dana) pursuant to Rule 12g-3 under the Securities Exchange Act of 1934.

The terms Dana , we, our, and us, when used in this report with respect to the period prior to Dana Corporation s emergence from bankruptcy, are references to Prior Dana, and when used with respect to the period commencing after Dana Corporation s emergence, are references to Dana. These references include the subsidiaries of Prior Dana or Dana, as the case may be, unless otherwise indicated or the context requires otherwise.

Emergence from Reorganization Proceedings

Background Prior Dana and forty of its wholly-owned subsidiaries (collectively, the Debtors) operated their businesses as debtors-in-possession under Chapter 11 of the Bankruptcy Code from March 3, 2006 (the Filing Date) until emergence from bankruptcy on January 31, 2008. The Debtors Chapter 11 cases (collectively, the Bankruptcy Cases) were consolidated in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) under the caption *In re Dana Corporation, et al.*, Case No. 06-10354 (BRL). Neither Dana Credit Corporation (DCC) and its subsidiaries nor any of our non-U.S. affiliates were Debtors.

On December 26, 2007, the Bankruptcy Court entered an order (the Confirmation Order) confirming the Third Amended Joint Plan of Reorganization of Debtors and Debtors-in-Possession (as modified, the Plan) and, on the Effective Date, the Plan was consummated and we emerged from bankruptcy.

As provided in the Plan and the Confirmation Order, asbestos personal injury claims were reinstated, and holders of such claims may continue to assert them. Certain other specific categories of claims against the Debtors (primarily worker s compensation and inter-company liabilities to non-Debtors) were retained and are being discharged in the normal course of business.

Settlement obligations relating to non-pension retiree benefits for retirees and union employees and long-term disability (LTD) benefits for union claimants were satisfied with cash payments of $788 to non-Dana sponsored Voluntary Employee Benefit Associations (VEBAs) established for the benefit of the retirees and union employees, including the LTD claimants. Additionally, we paid DCC $49, the remaining amount due to DCC noteholders, thereby settling DCC s general unsecured claim of $325 against the Debtors. DCC, in turn, used these funds to repay the noteholders in full. Administrative claims, priority tax claims and other classes of allowed claims of $222 were satisfied by payment of cash at emergence, or will be satisfied with cash payments as soon thereafter as practical.

Except as specifically provided in the Plan, the distributions under the Plan were in exchange for, and in complete satisfaction, discharge and release of, all claims and third-party ownership interests in the Debtors arising on or before the Effective Date, including any interest accrued on such claims from and after the Filing Date.

Table of Contents

Organization In connection with the formation of a new holding company, we formed a new legal organization aligned with how our businesses are managed operationally. Except as described below, all operating assets and related undischarged liabilities of Prior Dana were transferred to new legal entities within the new holding company structure. Certain other assets and liabilities, including those associated with asbestos personal injury claims, were retained in Prior Dana, which was then merged into Dana Companies, LLC, a consolidated wholly owned subsidiary of Dana. The assets of Dana Companies, LLC include insurance rights relating to coverage against these liabilities and other assets sufficient to satisfy its liabilities. Dana Companies, LLC will continue to process asbestos personal injury claims in the normal course of business and will continue to pay such claims in cash. Dana Companies, LLC will be separately managed, and will have an independent board member. The independent board member is required to approve certain transactions including dividends or other transfers of $1 or more of value to Dana. We expect our involvement with Dana Companies, LLC will be limited to service agreements for certain administrative activities. See Contingencies discussion in Item 7 for a discussion of our asbestos liabilities.

Common Stock Pursuant to the Plan, all of the issued and outstanding shares of Prior Dana common stock, par value $1.00 per share, and any other outstanding equity securities of Prior Dana, including all options and warrants, were cancelled. On the Effective Date, we began the process of issuing 100 million shares of Dana common stock, par value $0.01 per share, including approximately 70 million shares for allowed unsecured nonpriority claims, approximately 28 million additional shares deposited to a reserve for disputed unsecured nonpriority claims in Class 5B under the Plan, approximately 1 million shares for payment of post-emergence bonuses to union employees and approximately 1 million shares to pay bonuses to non-union hourly and salaried non-management employees. The terms and conditions governing these distributions are set forth in the Plan and Confirmation Order. The charge to earnings for these bonuses was recorded as of the Effective Date.

Preferred Stock Pursuant to the Plan, we issued 2,500,000 shares of 4.0% Series A Preferred Stock, par value $0.01 per share (the Series A Preferred) and 5,400,000 shares of 4.0% Series B Preferred Stock, par value $0.01 per share (the Series B Preferred) on the Effective Date. The Series A Preferred was sold to Centerbridge Partners, L.P. and certain of its affiliates (Centerbridge) for $250, less a commitment fee of $3 and expense reimbursement of $5, resulting in net proceeds of $242. The Series B Preferred was sold to certain qualified investors (as described in the Plan) for $540, less a commitment fee of $11, resulting in net proceeds of $529.

In accordance with the terms of the preferred stock, all of the shares of preferred stock are, at the holder s option, convertible into a number of fully paid and non-assessable shares of new common stock. The price at which each share of preferred stock will be convertible into common stock is 83% of its distributable market equity value per share, provided the ownership percentage held following the hypothetical conversion of all preferred stock falls within a range defined in the Restated Certificate of Incorporation. The distributable market equity value is the per share value of the common stock determined by calculating the volume-weighted average trading price of such common stock on the New York Stock Exchange for the 22 trading days beginning on February 1, 2008 (the first trading day after the Effective Date) but disregarding the days with the highest and lowest volume-weighted average sale prices during such period. The 20-day volume-weighted average trading price was $11.60.

The range of ownership is a function of our net debt plus the value of our minority interests as of the Effective Date. If the amount of our net debt plus the value of our minority interests as of the Effective Date is $525, then 36.3% would be the upper end of the range of ownership. Since the conversion of all preferred stock at 83% of the $11.60 would result in more than 36.3% of our fully diluted common stock being issued to the holders of preferred stock, the conversion price would be the price at which the preferred stock is convertible into 36.3% of our total common stock assuming conversion of all preferred stock. The upper end of the range is subject to adjustment, as provided in the Restated Certificate of Incorporation, to the extent that our net debt plus the value of our minority interests as of the Effective Date is an amount other than $525. The initial conversion price is also subject to certain adjustments as set forth in the Restated Certificate of Incorporation.

3

Table of Contents

Shares of Series A Preferred having an aggregate liquidation preference of not more than $125 and the Series B Preferred will be convertible at any time at the option of the applicable holder on or after July 31, 2008. The remaining shares of Series A Preferred will be convertible after January 31, 2011. In addition, in the event that the common stock s per share closing sale price exceeds 140% of the conversion price divided by 0.83 for at least 20 consecutive trading days beginning on or after January 31, 2013, we will be able to force conversion of all, but not less than all, of the preferred stock. The price at which the preferred stock is convertible will be subject to adjustment in certain customary circumstances, including as a result of stock splits and combinations, dividends and distributions and issuances of common stock or common stock derivatives at a price below the preferred stock conversion price in effect at that time.

Dividends on the preferred stock are payable in cash at a rate of 4% per annum on a quarterly basis. If at any time we fail to pay the equivalent of six quarterly dividends on the preferred stock, the holders of the preferred stock, voting separately as a single class, will be entitled to elect two additional directors to our Board of Directors. However, so long as Centerbridge owns Series A Preferred having an aggregate liquidation preference of at least $125, this provision will not be applicable.

In connection with the issuance of the preferred stock, we entered into two registration rights agreements: one with Centerbridge and the other with the purchasers of Series B Preferred, and we also entered into a shareholders agreement. Under the terms of these agreements and our Restated Certificate of Incorporation, Centerbridge was granted representation on our Board of Directors and certain approval rights related to the management of our business. See Note 11 to the financial statements in Item 8 for additional information.

Financing at Emergence On the Effective Date, Dana, as Borrower, and certain of our domestic subsidiaries, as guarantors, entered into an exit financing facility (the Exit Facility) with Citicorp USA, Inc., Lehman Brothers Inc. and Barclays Capital. The Exit Facility consists of a Term Facility Credit and Guarantee Agreement in the total aggregate amount of $1,430 (the Term Facility) and a $650 Revolving Credit and Guaranty Agreement (the Revolving Facility). The Term Facility was fully drawn in borrowings of $1,350 on the Effective Date and $80 on February 1, 2008. There were no borrowings under the Revolving Facility, but $200 was utilized for existing letters of credit. Net proceeds from the Exit Facility were $1,276 after $114 of original issue discount and $40 of customary issuance costs and fees. The net proceeds were used to repay the Senior Secured Superpriority Debtor-in-Possession Credit Agreement (DIP Credit Agreement), make other payments required upon exit from bankruptcy and provide liquidity to fund working capital and other general corporate purposes. See Financing Activities in Item 7 and Note 16 to the financial statements in Item 8 for the terms and conditions of the Exit Facility.

Fresh Start Accounting As required by accounting principles generally accepted in the United States (GAAP), we adopted fresh start accounting effective February 1, 2008 following the guidance of SOP 90-7. The financial statements for the periods ended December 31, 2007 and prior do not include the effect of any changes in our capital structure or changes in the fair value of assets and liabilities as a result of fresh start accounting. See Note 23 to the financial statements in Item 8 for an unaudited pro-forma presentation of the impact of emergence from reorganization and fresh start accounting on our financial position at December 31, 2007. The actual impact at emergence on January 31, 2008 will be reported in our Form 10-Q for the first quarter of 2008. For additional explanation of the impact of reorganization under the Plan and the application of fresh start accounting see Emergence from Reorganization Proceedings in Item 7 and Notes 1 and 23 to the financial statements in Item 8.

Overview of our Business

Markets

We serve three primary markets:

Automotive market In the light vehicle market, we design and manufacture light axles, driveshafts, structural products, sealing products, thermal products and related service parts for passenger cars and light trucks including pick-up trucks, sport utility vehicles (SUVs), vans and crossover utility vehicles (CUVs).

Commercial vehicle market In the commercial vehicle market, we sell, design and manufacture axles, driveshafts, chassis and suspension modules, ride controls and related modules and systems, engine sealing products, thermal products, and related service parts for medium- and heavy-duty trucks, buses and other commercial vehicles.

Off-Highway market In the off-highway market, we sell, design and manufacture axles, transaxles, driveshafts, suspension components, transmissions, electronic controls, related modules and systems, sealing products, thermal products, and related service parts for construction machinery and leisure/utility vehicles and outdoor power, agricultural, mining, forestry and material handling equipment and a variety of non-vehicular, industrial applications.

We have two primary business units: the Automotive Systems Group (ASG), which sells products mostly into the automotive market, and the Heavy Vehicle Technologies and Systems Group (HVTSG), which sells products to the commercial vehicle and off-highway markets. ASG is organized into individual operating segments specializing in product lines, while HVTSG is organized to serve specific markets.

Segments

Senior management and our Board review our operations in seven operating segments under the two primary business units.

ASG operates with five segments: Light Axle Products (Axle), Driveshaft Products (Driveshaft), Sealing Products (Sealing), Thermal Products (Thermal) and Structural Products (Structures). ASG reported sales of $5,934 in 2007, with Ford Motor Company (Ford), General Motors Corp. (GM) and Toyota Motor Corporation (Toyota) among its largest customers. At December 31, 2007, ASG employed 27,000 people and had 86 facilities in 21 countries.

HVTSG is comprised of two operating segments: Commercial Vehicle and Off-Highway, each of which focuses on specific markets. HVTSG generated sales of $2,784 in 2007. In 2007, the largest Commercial Vehicle customers were PACCAR Inc (PACCAR), Navistar International Inc (Navistar), Daimler AG (Daimler), Ford, MAN Nutzfahrzeuge Group, GM Truck, Blue Diamond Truck, S de RL de CV, Crane Carrier Corporation and Oshkosh Corporation. The largest Off-Highway customers included Deere & Company, AGCO Corporation and the Manitou Group. At December 31, 2007, HVTSG employed 7,000 people and had 21 facilities in 10 countries.

The operating segments of our ASG and HVTSG business units provide the core products shown below.

Business Unit	Segment	Products	Market
ASG	Axle	Front and rear axles, differentials, torque couplings, and modular assemblies	Light vehicle
ASG	Driveshaft*	Driveshafts	Light and commercial vehicle
ASG	Sealing	Gaskets, cover modules, heat shields, and engine sealing systems	Light and commercial vehicle and off-highway
ASG	Thermal	Cooling and heat transfer products	Light and commercial vehicle and off-highway
ASG	Structures	Frames, cradles, and side rails	Light and commercial vehicle
HVTSG	Commercial Vehicle	Axles, driveshafts*, steering shafts, suspensions, tire management systems	Commercial vehicle
HVTSG	Off-Highway	Axles, transaxles, driveshafts* and end-fittings, transmissions, torque converters, and electronic controls	Off-highway

* The Driveshaft segment of ASG supplies product directly to original equipment commercial vehicle customers. It also supplies our Commercial Vehicle and Off-Highway segments with these components for original equipment off-highway customers and replacement part customers in both the commercial vehicle and off-highway markets.

Divestitures

In October 2005, our Board of Directors approved the divestiture of three businesses (engine hard parts, fluid products and pump products). These businesses employed approximately 9,100 people in 44 operations worldwide with annual revenues exceeding $1,200 in 2006. These businesses are presented in our financial statements as discontinued operations through the dates of divestiture.

We have substantially completed these approved divestitures and have also sold other investments and businesses since 2005. All of these activities are summarized below.

In January 2007, we sold our trailer axle business manufacturing assets for $28 in cash and recorded an after-tax gain of $14.

In March 2007:

We sold our engine hard parts business to MAHLE GmbH (MAHLE) and received cash proceeds of $98, of which $10 remains escrowed pending satisfaction of certain indemnification obligations. We recorded an after-tax loss of $42 in the first quarter of 2007 in connection with this sale and an after-tax loss of $3 in the second quarter related to a South American operation.

We sold our 30% equity interest in GETRAG Getriebe-und Zahnradfabrik Hermann Hagenmeyer GmbH & Cie KG (GETRAG) to our joint venture partner, an affiliate of GETRAG, for $207 in cash. An impairment charge of $58 had been recorded in the fourth quarter of 2006 to adjust this equity investment to fair value and an additional charge of $2 after tax was recorded in the first quarter of 2007 based on the value of the investment at the time of closing.

In July and August 2007, we completed the sale of our fluid products hose and tubing business to Orhan Holding A.S. and certain of its affiliates. Aggregate cash proceeds of $84 were received from these transactions, and an aggregate after-tax gain of $32 was recorded in the third quarter in connection with the sale of this business. A final purchase price adjustment is pending on this sale.

In August 2007, we and certain of our affiliates executed an axle agreement and related transaction documents providing for a series of transactions relating to our rights and obligations under two joint ventures with GETRAG and certain of its affiliates. These agreements provided for relief from non-compete provisions in various agreements restricting our ability to participate in certain markets for axle products other than through participation in the joint ventures; the grant of a call option to GETRAG to acquire our ownership interests in the two joint ventures for a purchase price of $75; our payment to GETRAG of $11 under certain conditions; the withdrawal, with prejudice, of bankruptcy claims aggregating approximately $66 filed by GETRAG and one of the joint venture entities relating to our alleged breach of certain non-compete provisions; the amendment, assumption, rejection and/or termination of certain other agreements between the parties; and the grant of certain mutual releases by us and various other parties. In connection with these agreements, $11 was recorded as liabilities subject to compromise and as a charge to other income, net in the second quarter of 2007 based on the determination that the liability was probable. In October, 2007, these agreements were approved by the Bankruptcy Court and became effective. The $11 liability was reclassified to other current liabilities at December 31, 2007.

In September 2007, we completed the sale of our coupled fluid products business to Coupled Products Acquisition LLC by having the buyer assume certain liabilities ($18) of the business at closing. We recorded an after-tax loss of $23 in the third quarter in connection with the sale of this business. A final purchase price adjustment is pending on this sale.

We completed the sale of a portion of the pump products business in October 2007, generating proceeds of $7 and a nominal after-tax gain which was recorded in the fourth quarter.

In January 2008, we completed the sale of the remaining assets of the pump products business to Melling Tool Company, generating proceeds of $5 and an after-tax loss of $1 that will be recorded in the first quarter of 2008.

Dana Credit Corporation

We historically had been a provider of lease financing services in selected markets through our wholly-owned subsidiary, DCC. However, in 2001, we determined that the sale of DCC s businesses would enable us to more sharply focus on our core businesses. Over the last six years, DCC has sold significant portions of its asset portfolio and has recorded asset impairments, reducing its portfolio from $2,200 in December 2001 to $7 at the end of 2007. In September 2006, we adopted a plan of liquidation providing for the disposition of substantially all of DCC s assets over an 18- to 24-month period and, in December 2006, DCC signed a forbearance agreement with its noteholders which allowed DCC to sell its remaining asset portfolio and use the proceeds to pay the forbearing noteholders a pro rata share of the cash generated. On the Effective Date, and pursuant to the Plan, we paid DCC $49, the remaining amount due to DCC noteholders, thereby settling DCC s general unsecured claim of $325 against the Debtors.

Presentation of Divested Businesses in the Financial Statements

The engine hard parts, fluid products and pump products businesses have been presented in the financial statements as discontinued operations. The trailer axle business and DCC did not meet the requirements for treatment as discontinued operations, and their results have been included with continuing operations. Substantially all of these operations have been sold as of December 31, 2007. See Note 5 to the financial statements in Item 8 for additional information on discontinued operations.

Table of Contents

Geographic

We maintain administrative organizations in four regions North America, Europe, South America and Asia Pacific to facilitate financial and statutory reporting and tax compliance on a worldwide basis and to support our business units. Our operations are located in the following countries:

North America	Europe		South America	Asia Pacific
Canada	Austria	Italy	Argentina	Australia
Mexico	Belguim	Spain	Brazil	China
United States	France	Sweden	Colombia	India
	Germany	Switzerland	South Africa	Japan
	Hungary	United Kingdom	Uruguay	South Korea
			Venezuela	Taiwan
				Thailand

Our international subsidiaries and affiliates manufacture and sell products similar to those we produce in the U.S. Our 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 the discussion of additional risk factors in Item 1A.

Non-U.S. sales comprised $4,721 of our 2007 consolidated sales of $8,721. Non-U.S. net income for 2007 was $10 while on a consolidated basis there was a net loss of $551. Non-U.S. net income includes $12 of equity in earnings of international affiliates. A summary of sales and long-lived assets by region can be found in Note 22 to the financial statements in Item 8.

Customer Dependence

We have thousands of customers around the world and have developed long-standing business relationships with many of them. Our ASG segments are largely dependent on light vehicle Original Equipment Manufacturers (OEM) customers, while our HVTSG segments have a broader and more geographically diverse customer base, including machinery and equipment manufacturers in addition to medium- and heavy-duty vehicle OEM customers.

Ford was the only individual customer accounting for 10% or more of our consolidated sales in 2007. As a percentage of total sales from continuing operations, our sales to Ford were approximately 23% in 2007 and 2006 and 26% in 2005, and our sales to GM were approximately 7% in 2007, 10% in 2006 and 11% in 2005.

In 2007, Toyota became our third largest customer. As a percentage of total sales from continuing operations, our sales to Toyota were 6% in 2007, 5% in 2006 and 4% in 2005. In 2006, PACCAR and Navistar were our third and fourth largest customers. PACCAR, Navistar, Chrysler LLC (Chrysler), Daimler and Nissan Motor Company Ltd. (Nissan), collectively accounted for approximately 19% of our revenues in 2007, 23% in 2006 and 21% in 2005.

Loss of all or a substantial portion of our sales to Ford, GM, Toyota 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. We continue to work to diversify our customer base and geographic footprint.

Table of Contents

Products

The mix of sales by product for the last three years is as follows:

	Percentage of Consolidated Sales		
	2007	**2006**	**2005**
ASG			
Axle	30.1%	25.9%	28.0%
Driveshaft	13.8	13.6	13.1
Sealing	8.3	8.0	7.7
Thermal	3.3	3.3	3.6
Structures	12.3	13.8	14.9
Other	0.3	0.9	1.7
Total ASG	68.1	65.5	69.0
HVTSG			
Axle	22.7	23.4	23.5
Driveshaft	4.4	2.2	3.4
Other	4.8	8.6	3.8
Total HVTSG	31.9	34.2	30.7
Other Operations		0.3	0.3
TOTAL	100.0%	100.0%	100.0%

See Note 22, Segment, Geographical Areas and Major Customer Information, in Item 8 for additional segment information including revenues from external customers, segment profitability, capital spending, depreciation and amortization and total assets.

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 and bearings. Other commodity purchases include aluminum, brass, copper and plastics. Prior to 2005, operating units purchased most of the raw materials they required from suppliers located within their local geographic regions. The process was changed by combining and centralizing our purchases to give us greater leverage with our suppliers in order to manage and reduce our production costs. These materials are usually 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 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.

High steel and other raw material costs, primarily resulting from limited capacity and high demand, had a major adverse effect on our results of operations in recent years, as discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7.

Our bankruptcy created supplier concerns over non-payment for pre-petition goods and services and other uncertainties. To date, this has not had a significant effect on our ability to negotiate new contracts and terms with our suppliers on an ongoing basis.

Table of Contents

Seasonality

Our businesses are generally not seasonal. However, our sales are closely related to the production schedules of our OEM customers and, historically, those schedules have 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 holiday schedules and fourth quarter production by year end holidays.

Backlog

Our products are not sold on a backlog basis since most orders may be rescheduled or modified by our customers at any time. Our product sales are dependent upon the number of vehicles that our customers actually produce as well as the timing of such production. 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. We estimate future revenues from new business on the projected volume under these programs. See New Business in Item 7 for additional explanations related to new business awarded.

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. We compete primarily on the basis of price, product quality, technology, delivery and service.

Automotive Systems Group

The Automotive Systems Group consists of five product groups: Axle; Driveshaft; Structural; Thermal and Sealing Products. It is one of the leading independent suppliers serving the light vehicle and other related markets around the world.

In the Axle and Driveshaft segments, our principal competitors include ZF Friedrichshafen AG, GKN plc (GKN Driveline), American Axle & Manufacturing (American Axle), Magna International Inc. (Magna) and the in-house operations of Chrysler and Ford. The sector is also attracting new competitors from Asia who are entering both of these product lines through acquisition of OEM non-core operations. For example, Wanxiang of China has recently acquired Visteon Corporation s (Visteon) driveshaft manufacturing facilities in the USA.

The Structures segment produces vehicle frames and cradles and its primary competitors are Magna, Press Kogyo Co., Ltd., Metalsa S. de R. L., Tower Automotive Inc. and Martinrea International Inc.

In Sealing, we are also one of the world s leading independent suppliers with a product portfolio including gaskets, seals, cover modules and thermal/acoustic shields. Our primary global competitors in this segment are ElringKlinger AG, Federal-Mogul Corporation and Freudenberg NOK Group.

The Thermal Products Group produces heat exchangers, valves and small radiators for a wide variety of vehicle cooling applications. Competitors in the Thermal segment include Behr GmbH & Co. KG, Stuttgart, Modine Manufacturing Company, Valeo Group and Denso Corporation.

Heavy Vehicle Technologies and Systems Group

We are one of the primary independent suppliers of axles, driveshafts and other products for both the medium- and heavy-truck markets, as well as various specialty and off-highway segments, and we also specialize in the manufacture of off-highway transmissions.

Our primary competitors in North America are ArvinMeritor, Inc. (ArvinMeritor) and American Axle in the medium- and heavy-truck markets. Major competitors in Europe in both the heavy-truck and off-highway markets include Carraro S.p.A. (Carraro), ZF Group, Klein Products Inc. (Klein) and certain OEMs vertically integrated operations.

Table of Contents

Patents and Trademarks

Our proprietary axle, driveshaft, structural, sealing and thermal 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®, Parish® and Long® trademarks are widely recognized in their market segments.

Research and Development

From 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 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, 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, 2007, ASG had five major technical centers and HVTSG had one. Our engineering, research and development and quality control costs were $189 in 2007, $221 in 2006 and $275 in 2005.

We are developing a number of products that will assist fuel cell manufacturers for vehicular and other applications to make this technology commercially viable in mass production. Specifically, we are applying the expertise from our Sealing segment to develop metallic and composite bipolar plates used in the fuel cell stack. Furthermore, our Thermal segment is applying its heat transfer technology to provide thermal management sub-systems used in the overall fuel cell process.

Employment

Our worldwide employment was approximately 35,000 at December 31, 2007.

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, except for settlement of certain environmental matters as part of the bankruptcy proceedings, a material part of capital expenditures and did not have a materially adverse effect on earnings or competitive position in 2007.

In connection with our bankruptcy reorganization we settled certain pre-petition claims related to environmental matters. See Contingencies in Item 7 and the discussion of our emergence in Note 1 to the financial statements in Item 8.

Executive Officers of the Registrant

We have eight executive officers as of March 3, 2008:

John M. Devine, age 63, has been Executive Chairman of our Board since January 2008 and Acting Chief Executive Officer (CEO) since February 2008. Mr. Devine retired from GM in 2006. He was Vice Chairman and Chief Financial Officer of GM during the period from 2001 to 2006. Prior to joining GM,

Table of Contents

Mr. Devine served as Chairman and Chief Executive Officer of Fluid Ventures, LLC. Fluid Ventures, LLC was an internet start-up investment company. Previously, he spent 32 years at Ford, where he last served as Executive Vice President and Chief Financial Officer. Mr. Devine is also a board member of Amerigon Incorporated.

Richard J. Dyer, age 52, has been a Vice President since December 2005 and Chief Accounting Officer since March 2005. He was Director Corporate Accounting from 2002 to 2005 and Manager, Corporate Accounting from 1997 to 2002.

Ralf Goettel, age 41, has served as President of Sealing Products, Dana Europe, and Thermal Products since November 2007. Mr. Goettel was President of Engine Products and Dana Europe from 2005 to 2007 when he assumed the added responsibility of President of Thermal Products. Mr. Goettel joined us in 1993 as an application engineer in the Sealing Products Group.

Kenneth A. Hiltz, age 55, has been our Chief Financial Officer (CFO) since March 2006. He previously served as CFO at Foster Wheeler Ltd., a global provider of engineering services and products, from 2003 to 2004 and as Chief Restructuring Officer and CFO of Hayes Lemmerz International, Inc., a global supplier of automotive and commercial wheels, brakes, powertrain, suspension, structural and other lightweight components, from 2001 to 2003. Mr. Hiltz has been a Managing Director of Alix Partners LLP, a financial advisory firm specializing in performance improvement and corporate turnarounds, since 1993.

Robert H. Marcin, age 62, has been our Chief Administrative Officer since February 2008. Mr. Marcin retired from Visteon, a supplier of automotive systems, modules and components, in 2007. He was Senior Vice President, Leadership Assessment of Visteon from 2005 to 2007. Prior to that, he served as Senior Vice President, Corporate Relations from 2003 to 2005, and was Senior Vice President of Human Resources of Visteon from its formation in January 2000 until 2003.

Paul E. Miller, age 56, has been our Vice President Purchasing since May 2004. He was formerly employed by Delphi Corporation, a global supplier of vehicle electronics, transportation components, integrated systems and modules and other electronic technology, where he was part of Delphi Packard Electric Systems as Business Line Executive, Electrical/Electronic Distribution Systems from 2002 to 2004, and of Delphi Delco Electronics Systems as General Director Sales, Marketing and Service from 2001 to 2002.

Nick L. Stanage, age 49, has been our President Heavy Vehicle Products since December 2005. He joined us in August 2005 as Vice President and General Manager of our Commercial Vehicle Group. He was formerly employed by Honeywell International (a diversified technology and manufacturing leader, serving customers worldwide with aerospace products and services; control technologies for buildings, homes and industry; automotive products; turbochargers; and specialty materials), where he served as Vice President and General Manager of the Engine Systems & Accessories Division during 2005, and in the Customer Products Group as Vice President, Integrated Supply Chain & Technology from 2003 to 2005 and Vice President, Operations from 2001 to 2003.

Thomas R. Stone, age 55, has been our President, Light Axle Products Group, Automotive Systems Group since June 2005. Mr. Stone came to Dana from GKN plc (GKN) in June 2005 to serve as President of Traction Products. He joined GKN in 1997 as Vice President Operations, GKN Automotive and subsequently served as Managing Director GKN Driveline Americas from January 2003 until June 2005.

Our executive officers were appointed to their positions by the Board of Directors of Dana (the Board) and serve at the Board s pleasure.

Available Information

Our Annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange

Act of 1934 (Exchange Act) are available, free of charge, on or through our Internet website (http://www.dana.com/investors) as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the Securities and Exchange Commission (SEC). We also post our *Corporate Governance Guidelines, Standards of Business Code for Members of the Board of Directors*, Board Committee membership lists and charters, *Standards of Business Conduct* and other corporate governance materials at this website address. Copies of these posted materials are available in print, free of charge, to any stockholder upon request from: Investor Relations Department, P.O. Box 1000, Toledo, Ohio 43697 or via telephone at 419-535-4635 or e-mail at InvestorRelations@dana.com. The inclusion of our website address in this report is an inactive textual reference only, and is not intended to include or incorporate by reference the information on our website into this report.

Item 1A. *Risk Factors*

Forward-looking information

Statements in this report that are not entirely historical constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forwarding-looking statements are indicated by words such as anticipates, expects, believes, intends, plans, estimates, projects and similar expressions. These stateme the present expectations of Dana and its consolidated subsidiaries based on current information and assumptions. Forward-looking statements are inherently subject to risks and uncertainties. Our plans, actions and actual results could differ materially from our present expectations due to a number of factors, including those discussed below and elsewhere in this report (our 2007 Form 10-K) and in other filings with the SEC.

We are impacted by events and conditions that affect the light vehicle, commercial vehicle and off-highway industries that we serve, as well as by factors specific to Dana. Among the risks that could materially adversely affect our business, financial condition or results of operations are the following, many of which are interrelated.

Company-Specific Risk Factors

Our Exit Facility contains covenants that may constrain our growth.

The financial covenants in our Exit Facility may hinder our ability to finance future operations, make potential acquisitions or investments, meet capital needs or engage in business activities that may be in our best interest such as future transactions involving our securities. These restrictions could hinder us from responding to changing business and economic conditions and from implementing our business plan.

We may be unable to comply with the financial covenants in our Exit Facility.

The financial covenants in our Exit Facility require us to achieve certain financial ratios based on levels of earnings before interest, taxes, depreciation, amortization and certain levels of restructuring and reorganization related costs (EBITDA), as defined in the Exit Facility. A failure to comply with these or other covenants in the Exit Facility could, if we were unable to obtain a waiver or an amendment of the covenant terms, cause an event of default that would cause our loans under the Exit Facility to become immediately due and payable. In addition, a waiver or an amendment could substantially increase the cost of borrowing.

We operate as a holding company and depend on our subsidiaries for cash to satisfy the obligations of the holding company.

Dana Holding Corporation is a holding 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 depends on the cash flow of our subsidiaries. In addition, the payments of funds in the form of dividends, intercompany payments, tax sharing payments and other forms may be subject to restrictions under the laws of the countries of incorporation of our subsidiaries.

Table of Contents

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 a few significant customers. Sales to Ford and GM were 30% of our overall revenue in 2007, while sales to Toyota, PACCAR, Navistar, Chrysler, Daimler and Nissan in the aggregate accounted for another 25%. Changes in our business relationships with any of our large customers or in the timing, size and continuation of their various programs could have an 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 a high component content, or a further significant decline in the production levels of such vehicles would negatively impact our business, results of operations and financial condition. 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 a possible bankruptcy, or their sales otherwise decline, our financial position and results of operations could be adversely affected.

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

Our customers rely on other suppliers to provide them with the parts they need to manufacture vehicles. Many of these suppliers workforces are represented by labor unions. Workforce disputes that result in work stoppages or slowdowns at these suppliers could disrupt the operations of our customers which could have a material adverse effect on demand for the products we supply our customers.

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

For some time, high commodity costs have significantly impacted our earnings. As part of our reorganization initiatives, we have been working with our customers to recover a greater portion of our commodity costs. While we have achieved some success in these efforts to date, there is no assurance that commodity costs will not continue to adversely impact our profitability in the future.

We could be adversely affected if we experience shortages of components from our suppliers.

We spend over $4,000 annually for purchased goods and services. To manage and reduce these costs, we have been consolidating our supply 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 strong demand, capacity limitations or other problems experienced by our suppliers will not result in occasional shortages or delays in their supply of components to us. 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 timely fashion, which would adversely affect our revenues, margins and customer relations.

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 with respect 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.

Table of Contents

There is also no assurance that the costs of complying with various laws and regulations, or those that may be adopted in the future, that relate to health, safety and product liability concerns will not adversely impact us.

Our ability to utilize net operating loss carryforwards (NOLs) will be limited.

The discharge of a debt obligation by a taxpayer for an amount less than the recorded value generally creates cancellation of indebtedness (COD) income, which must be included in the taxpayer s taxable income. In our case the discharge of the debt was granted by the Bankruptcy Court pursuant to a plan of reorganization approved by the court, and we will not be required to recognize COD income as taxable income. However, certain tax attributes otherwise available and of value to a debtor are reduced by the amount of COD income. We have not completed our analysis regarding the impact of COD income on our tax attributes.

Based on our preliminary analysis, we believe that our consolidated NOLs as of the Effective Date were eliminated and other attributes were significantly reduced, including the tax basis of assets, but 2008 post emergence payments will generate tax deductions exceeding $700.

Risk Factors in the Markets We Serve

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

Our sales depend, in large part, on economic conditions in the global light vehicle, commercial vehicle and off-highway OEM markets that we serve. Demand in these markets fluctuates in response to overall economic conditions, including changes in general economic indicators, interest rate levels and, in our vehicular markets, fuel costs. For example, higher gasoline prices in 2007 contributed to weaker demand in North America for certain vehicles for which we supply products, especially full-size SUVs and pick-up trucks. If gasoline prices remain high or continue to rise, the demand for such vehicles could weaken further and the recent shift in consumer interest to passenger cars and CUVs, in preference to SUVs and pick-up trucks, could be accelerated. This would have an adverse effect on our business, as our product content on CUVs is less significant than our content on pick-up trucks and SUVs. In particular, our structures business that supplies the body-on-frame components for full-size SUVs does not have significant content on CUVs.

We operate in 26 countries around the world and we depend on significant foreign suppliers and vendors. Legislative and political activities within the countries where we conduct business, particularly in emerging and less developed international countries, could adversely impact our ability to operate in those countries. The political situation in some countries creates a risk of the seizure of our assets. In addition, the political environment could create instability in our contractual relationships with no effective legal safeguards for resolution of these issues.

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

Approximately 54% of our sales were from our operations located in countries other than the United States. 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 United States and margins on sales of products that include components obtained from affiliate or other suppliers located outside of the United States. We use a combination of natural hedging techniques and financial derivatives to protect against 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. Gains or losses associated with hedging activities also may impact operating results.

Table of Contents

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.

It is anticipated that the number and extent of governmental regulations related to fuel economy standards and greenhouse gas emissions, and the costs to comply with them, will increase significantly in the future. Recently, the United States enacted the Energy Independence and Security Act of 2007, a new energy bill that will require significant increases in the Corporate Average Fuel Economy requirements applicable to cars and light trucks beginning with the 2011 model year. In addition, a growing number of states are adopting regulations that establish carbon dioxide emission standards that effectively impose similarly increased fuel economy standards for new vehicles sold in those states. Compliance costs for our customers could require them to alter their spending, research and development plans, curtail sales, cease production or exit certain market segments characterized by lower fuel efficiency. Any of these actions could adversely affect our financial position and results of operations.

Negative economic outlooks in the United States and elsewhere could have a material adverse effect on our business.

Our business is tied to general economic and industry conditions. Demand for vehicles depends largely on general economic conditions, including the strength of the economy, unemployment levels, consumer confidence levels, the availability and cost of credit and the cost of fuel. The decline in housing construction further reduced demand for vehicles, particularly pick-up trucks and SUVs on which we provide significant content. Leading economic indicators such as employment levels and income growth predict a downward trend in the United States economy. The overall market for new vehicle sales in the United States is expected to decline in 2008, possibly significantly. Our customers could reduce their vehicle production in North America and, as a result, demand for our products would be adversely affected.

Risk Factors Related to our Securities

There is limited history of trading of our common stock, and volatility is possible.

Our post-emergence common stock has traded for only a limited period. Some of the holders who received common stock upon emergence may not elect to hold their shares on a long-term basis. Sales by these stockholders of a substantial number of shares could significantly reduce the market price of our common stock. Moreover, the perception that these stockholders might sell significant amounts of our common stock could depress the trading price of the stock for a considerable period. Such sales of common stock, and the possibility thereof, could make it more difficult for us to sell equity, or equity-related securities, in the future at a time and price that we consider appropriate.

Our adoption of fresh start accounting could result in additional asset impairments and may make comparisons of our financial position and results of operations to prior periods more difficult.

Our adoption of fresh start accounting upon emergence will increase the value of our long lived assets. This increased valuation could result in additional impairments in future periods.

As required by GAAP, Dana adopted fresh start accounting effective February 1, 2008. Fresh start accounting requires us to adjust all of our assets and liabilities to their respective fair values. As a result, the consolidated financial statements for periods after the emergence will not be comparable to those of the periods prior to the emergence which are presented on an historical basis. Fresh start accounting may make it more difficult to compare our post-emergence financial position and results of operations to those in the pre-emergence periods which could limit investment in our stock.

Table of Contents

One of our stockholders has limited approval rights with respect to our business and may have conflicts of interest with us in the future.

In accordance with the Plan, Centerbridge owns preferred stock and is entitled to vote on most matters presented to stockholders on an as-converted basis. Centerbridge also has certain approval rights, board representation and other rights pursuant to our Restated Certificate of Incorporation, and a shareholders agreement. These rights include the right to approve a transaction involving a change of control of our company, subject to being overridden by a two-thirds stockholder vote. (See Note 11 to the financial statements in Item 8 for additional information regarding Centerbridge s participation in the selection of our Board of Directors and approval rights with respect to certain transactions.)

Conflicts of interest may arise in the future between us and Centerbridge. For example, Centerbridge and its affiliated investors are in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us.

Item 1B. *Unresolved Staff Comments*

-None-

Item 2. *Properties*

Type of Facility	**North America**	**Europe**	**South America**	**Asia/ Pacific**	**Total**
Administrative Offices	4				4
Engineering Multiple Groups	1			1	2
Axle					
Manufacturing/Distribution	11	2	8	6	27
Driveshaft					
Manufacturing/Distribution	10	6	1	6	23
Sealing					
Manufacturing/Distribution	9	3		1	13
Engineering	2				2
Thermal					
Manufacturing/Distribution	7	1			8
Structures					
Manufacturing/Distribution	6		4	2	12
Engineering	1				1
Commercial Vehicle					
Manufacturing/Distribution	9	1	1		11
Engineering	1				1
Off-Highway					
Manufacturing/Distribution	2	5		2	9
Total Dana	63	18	14	18	113

At December 31, 2007, we operated in 26 countries and had 113 major manufacturing/ distribution, engineering or office facilities worldwide. While we lease 39 of the manufacturing and distribution operations, we own the remainder of our facilities. We believe that all of our property and equipment is properly maintained. Historically, there was significant excess capacity in our facilities based on our manufacturing and distribution needs, especially in the United States. As part of our reorganization initiatives, we took significant steps to close facilities as discussed in Item 7, under Business Strategy.

Table of Contents

Our corporate headquarters facilities are located in Toledo, Ohio and include three office facilities housing functions that have global responsibility for finance and accounting, treasury, risk management, legal, human resources, procurement and supply chain management, communications and information technology. Our obligations under the Exit Facility are secured by, among other things, mortgages on all of our domestic facilities that we own.

Item 3. ***Legal Proceedings***

As discussed in Item 1. Business Emergence from Reorganization Proceedings, Item 7. Management s Discussion and Analysis of Results of Operations Emergence Proceedings and in Notes 1 and 23 to the financials statements in Item 8, we emerged from bankruptcy on January 31, 2008. Pursuant to the Plan, the pre-petition ownership interests in Prior Dana were cancelled and all of the pre-petition claims against the Debtors, including claims with respect to debt, pension and postretirement medical obligations and other liabilities, were addressed in connection with our emergence from bankruptcy.

On January 3, 2008, an Ad Hoc Committee of Asbestos Personal Injury Claimants filed a notice of appeal of the Confirmation Order (District Court Case No. 08-CV-01037). On January 4, 2008, an asbestos claimant, Jose Angel Valdez, filed a notice of appeal of the Confirmation Order (District Court Case No. 08-CV-01038). On February 5, 2008, Prior Dana and the other post-emergence Debtors (collectively, the Reorganized Debtors) filed a motion seeking to consolidate the two appeals. Briefing is ongoing in these appeals, and the Reorganized Debtors are moving to have the appeals dismissed.

As previously reported and as discussed in Item 7 and in Note 18 to the financial statements in Item 8, we are a party to a pending stockholder derivative action, as well as various pending judicial and administrative proceedings that arose in the ordinary course of business (including both pre-petition and subsequent proceedings), and we are cooperating with a formal investigation by the SEC with respect to matters related to the restatement of financial statements for the first two quarters of 2005 and fiscal years 2002 through 2004. After reviewing the currently pending lawsuits and proceedings (including the probable outcomes, reasonably anticipated costs and expenses, availability and limits of our insurance coverage and surety bonds and our established reserves for uninsured liabilities), we do not believe that any liabilities that may result are reasonably likely to have a material adverse effect on our liquidity, financial condition or results of operations.

Item 4. ***Submission of Matters to a Vote of Security Holders***

We did not submit any matters for a stockholder vote in the fourth quarter of 2007.

PART II

Item 5. ***Market For Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Information

Shares of common stock of Prior Dana issued and outstanding traded on the OTC Bulletin Board under the symbol DCNAQ beginning on March 3, 2006 and continued until the Effective Date. On the Effective Date, all of the outstanding common stock and all other outstanding equity securities of Prior Dana, including all options and warrants, were cancelled pursuant to the terms of the Plan.

On the Effective Date, we began the process of issuing 100 million shares of Dana common stock, par value $0.01 per share, including approximately 70 million shares for allowed unsecured nonpriority claims, approximately 28 million additional shares deposited to a reserve for disputed unsecured nonpriority claims in Class 5B under the Plan, approximately 1 million shares for payment of post-emergence bonuses to union employees and approximately 1 million shares to pay bonuses to non-union hourly and salaried non-management employees. The charge to earnings for these bonuses was recorded as of the Effective Date.

Pursuant to the Plan, we will be distributing approximately 500,000 shares of our common stock on or before April 1, 2008 for the bonuses to certain union and non-union employees as discussed above. We will also distribute approximately 1 million shares of the 70 million shares discussed above to satisfy claims of certain current and former employees. All of these shares will be freely tradable upon issuance. While it is not possible to predict the total volume of resales that may occur, some or all of the recipients will likely direct their independent agent to promptly sell a percentage of these shares (estimated to be a maximum of 40% of the shares) on behalf of the recipient in order to satisfy withholding obligations with respect to these distributions.

Our common stock trades on the New York Stock Exchange under the symbol DAN.

The following table shows the quarterly ranges of the price per share of Prior Dana common stock during 2006 and 2007. No dividends were declared or paid in 2006 and 2007. The value of one share of Prior Dana common stock bears no relation to the value of one share of our newly-issued common stock.

	Quarterly	
High and Low Prices per Share of Prior Dana Common Stock	**High Price**	**Low Price**
As reported by the New York Stock Exchange:		
First Quarter 2006 (through March 2, 2006)	$ 8.05	$ 1.02
Bid Prices per OTC Bulletin Board Quotations:		
First Quarter 2006 (beginning March 3, 2006)	$ 2.03	$ 0.65
Second Quarter 2006	3.52	1.27
Third Quarter 2006	2.83	0.84
Fourth Quarter 2006	2.02	1.05
First Quarter 2007	1.47	0.72
Second Quarter 2007	2.51	0.77

Third Quarter 2007	2.18	0.18
Fourth Quarter 2007	0.39	0.02

Holders of Common Stock

The number of stockholders of record of our common stock on March 3, 2008 was approximately 1,678.

Dividends

We did not pay any dividends during the two most recent fiscal years. The terms of our Exit Facility restrict the payment of dividends on shares of common stock, and we do not anticipate paying any such dividends at this time. We anticipate that our earnings will be retained to finance our operations and reduce debt.

Table of Contents

Issuers Purchases of Equity Securities

No purchases of equity securities were made during the quarter ended December 31, 2007.

Annual Meeting

We do not intend to hold an annual meeting in 2008.

Item 6. *Selected Financial Data*

For the Years Ended December 31,	**2007**	**2006**	**2005**	**2004**	**2003**
Net sales	$ 8,721	$ 8,504	$ 8,611	$ 7,775	$ 6,714
Income (loss) from continuing operations before income taxes	$ (387)	$ (571)	$ (285)	$ (165)	$ 62
Income (loss) from continuing operations	$ (433)	$ (618)	$ (1,175)	$ 72	$ 155
Income (loss) from discontinued operations*	(118)	(121)	(434)	(10)	73
Effect of change in accounting			4		
Net income (loss)	$ (551)	$ (739)	$ (1,605)	$ 62	$ 228
Earnings (loss) per common share basic					
Continuing operations	$ (2.89)	$ (4.11)	$ (7.86)	$ 0.48	$ 1.05
Discontinued operations*	(0.79)	(0.81)	(2.90)	(0.07)	0.49
Effect of change in accounting			0.03		
Net income (loss)	$ (3.68)	$ (4.92)	$ (10.73)	$ 0.41	$ 1.54
Earnings (loss) per common share diluted					
Continuing operations	$ (2.89)	$ (4.11)	$ (7.86)	$ 0.48	$ 1.04
Discontinued operations*	(0.79)	(0.81)	(2.90)	(0.07)	0.49
Effect of change in accounting			0.03		
Net income (loss)	$ (3.68)	$ (4.92)	$ (10.73)	$ 0.41	$ 1.53
Cash dividends per common share	$	$	$ 0.37	$ 0.48	$ 0.09
Common Stock Data					
Average number of shares outstanding (in millions)					
Basic	150	150	150	149	148
Diluted	150	150	151	151	149
Stock price					
High	$ 2.51	$ 8.05	$ 17.56	$ 23.20	$ 18.40
Low	0.02	0.65	5.50	13.86	6.15

As of December 31,

	2007	2006	2005	2004	2003
Summary of Financial Position					
Total assets	$ 6,425	$ 6,664	$ 7,358	$ 9,019	$ 9,485
Short-term debt	1,183	293	2,578	155	493
Long-term debt	19	722	67	2,054	2,605
Total stockholders equity (deficit)	(782)	(834)	545	2,411	2,050
Book value per share	(5.22)	(5.55)	3.63	16.19	13.85

20

* The provisions of Statement of Financial Accounting Standards (SFAS) No. 144 are generally prospective from the date of adoption and therefore do not apply to divestitures announced prior to January 1, 2002. Accordingly, the disposals of selected subsidiaries of DCC that were announced in October 2001 and completed at various times thereafter were not considered in our determination of discontinued operations.

We adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48) on January 1, 2007 and increased our 2007 beginning retained earnings by approximately $3. We adopted SFAS No. s 123(R) and 158 in 2006. SFAS 123(R), Share-Based Payments requires that we measure compensation cost arising from the grant of share-based awards to employees at fair value and recognize such costs in income over the period during which the service is provided. The adoption of SFAS No. 158, Employers Accounting for Defined-Benefit Pension and Other Postretirement Plans, resulted in a decrease in total stockholders equity of $818 as of December 31, 2006. For further information regarding the impact of the adoption of SFAS No. 158, see Note 14 to the financial statements in Item 8. We previously reported a change in accounting for warranty expense in 2005 and also adopted new accounting guidance related to recognition of asset retirement obligations. See Note 2 to the financial statements in Item 8 for additional information related to these changes in accounting.

Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions)*

Management s discussion and analysis of financial condition and results of operations should be read in conjunction with the financial statements and accompanying notes in Item 8 of this report.

Management Overview

We are a leading supplier of axle, driveshaft, structures, sealing and thermal products, and we design and manufacture products for every major vehicle producer in the world. We are focused on being an essential partner to automotive, commercial truck and off-highway vehicle customers. We employ approximately 35,000 people in 26 countries. Our world headquarters are in Toledo, Ohio. Our Internet address is www.dana.com. The inclusion of our website address in this report is an inactive textual reference only, and is not intended to include or incorporate by reference the information on our web site into this report.

As discussed in Item 1. Business Reorganization Proceedings under the Bankruptcy Code, and in Notes 1 and 23 to the financials statements of Item 8, we emerged from bankruptcy on January 31, 2008. Pursuant to our Plan, all of the issued and outstanding shares of Prior Dana common stock, par value $1.00 per share, and any other outstanding equity securities of Prior Dana, including all options and warrants, were cancelled. On the Effective Date, we began the process of issuing 100 million shares of Dana common stock, par value $0.01 per share, including approximately 70 million shares for allowed unsecured nonpriority claims, approximately 28 million additional shares deposited in an account for future distribution to unsecured nonpriority claimants in Class 5B under the Plan, approximately 1 million shares for payment of post-emergence bonuses to union employees and approximately 1 million shares to pay bonuses to non-union hourly and salaried non-management employees. See Item 1 for a discussion of the treatment of other claims and settlements.

As part of our emergence from Chapter 11 bankruptcy, all pre-petition claims against the Debtors were addressed as provided in the Plan, including claims with respect to debt, pension and postretirement medical obligations, environmental and other liabilities.

Business Strategy

We utilized the reorganization process primarily to effect fundamental changes in our U.S. operations as our long-term viability depends on our ability to return our U.S. operations to sustainable profitability.

During 2007, we implemented most of our reorganization initiatives, and our emergence from bankruptcy finalized many of these initiatives. Our efforts to improve our margins and reduce costs have favorably impacted our performance and will help to mitigate the underlying industry challenges and difficult business

Table of Contents

conditions we face. Operating cash flow, repatriated cash from our overseas operations and amounts borrowed under our Exit Facility are expected to meet our liquidity needs for 2008. With the reorganization actions we have achieved, we expect our U.S. operations will be less dependent on returns from our foreign operations in the future. The reorganization initiatives we have implemented include:

- We have obtained substantial price increases from our customers, which has helped us to improve margins;
- We have restructured our wage and benefit programs to achieve a more appropriate labor and benefit cost structure;
- We have addressed excessive costs and funding requirements of the legacy postretirement benefit liabilities that we have accumulated over the years, in part from prior divestitures and closed operations;
- We have achieved a permanent reduction and realignment of our overhead costs; and
- We are continuing to optimize our manufacturing footprint by closing facilities and repositioning our production to lower cost countries.

Achievement of many of our objectives has enabled us to mitigate the effects of the significantly curtailed production since the second half of 2006 by some of our largest domestic customers, particularly in the production of SUVs and pickup trucks, which represent the primary market for our products in the U.S. These production cuts also adversely impacted our sales in 2007 in the light vehicle market. Weaker demand in the U.S. heavy-duty and medium-duty truck markets in 2007 as a result of pre-buying in 2006 ahead of new emissions rules also negatively impacted our 2007 performance. However, we expect that our reorganization initiatives will allow us to achieve viable long-term U.S. operations despite a challenged U.S. automotive industry and a cyclical commercial vehicle market. A more detailed description of initiatives taken during the reorganization process follows:

Product Profitability

Following a detailed review of our product programs to identify unprofitable contracts and meetings with our customers and their advisors to address under-performing programs, we reached agreement with most of our major customers resulting in aggregate pricing improvements of approximately $180 on an annualized basis.

Labor and Benefit Costs

In June 2007, we amended our U.S. pension plans for non-union employees to freeze service credits and benefit accruals effective July 1, 2007. Actions to reduce other non-union employee benefits, such as disability and healthcare, were implemented in the first half of 2007.

In July 2007, we entered into settlement agreements subsequently amended and then approved by the Bankruptcy Court with two primary unions representing our active U.S. employees the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (the UAW) and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy Allied Industrial and Service Workers International Union (the USW) which resolve our collective bargaining issues with these unions and, when fully implemented, will help us achieve our labor cost reduction goal (the Union Settlement Agreements). These agreements provide for (i) collective bargaining agreements for UAW- and USW-represented employees at our U.S. facilities until June 1, 2011, and (ii) wage structure modifications and modifications to pension, health care, short- and long-term disability and life insurance benefits for the covered union employees and retirees.

The Union Settlement Agreements also provide for a freeze of credited service and benefit accruals under Dana-sponsored defined benefit pension plans for UAW- and USW-represented employees, effective January 31, 2008 and for future benefits to be provided under the Steelworkers   Pension Trust

(SPT), a multi-employer, USW-sponsored defined benefit pension plan, based on a cents-per-hour contribution for all eligible employees represented by either the USW or the UAW.

Our labor and benefits cost reduction goal was $60 to $90 of annual cost savings. With the actions referred to above and other previously implemented actions, the annualized cost savings are expected to approximate $80.

Other Employee and Retiree Benefits

In March 2007, we reached an agreement (subsequently executed in May after approval by the Bankruptcy Court) with the official committee of non-unionized retired employees (the Retiree Committee) to make $78 of cash contributions to a VEBA trust for non-pension retiree benefits for our non-union retirees, in exchange for release of our obligations for postretirement health and welfare benefits for such retirees after June 30, 2007. We also reached an agreement with the International Association of Machinists (IAM) (subsequently approved by the Bankruptcy Court) to pay $2 to resolve all IAM claims after June 30, 2007 for non-pension retiree benefits for retirees and active employees represented by the IAM.

In April 2007, we eliminated retiree healthcare benefits coverage for our active non-union U.S. employees. In July 2007, we reduced long-term disability benefits for non-union employees.

Under the Union Settlement Agreements, we eliminated Dana-sponsored healthcare and life insurance benefits for union-represented retirees and we transferred the obligations to pay long-term disability benefits to union employees receiving or entitled to receive disability benefits to the union VEBAs, effective January 31, 2008. The UAW and the USW established separate, union-specific VEBAs to provide such benefits to eligible union-represented employees or retirees after that date. Shortly after the Effective Date, we contributed $733 to the UAW and USW VEBAs. An additional contribution of $2 was made to an escrow account for the benefit of retirees of a divested business.

As a result of these actions, we have eliminated our U.S. postretirement healthcare obligations, resulting in annualized cost savings of approximately $90.

Overhead Costs

We implemented various initiatives to reduce overhead costs and we continue to focus on our overhead cost structure. Reductions in overhead occurred in part as a result of divestiture and reorganization activities. We expect our reductions in overhead spending to contribute annual expense savings of approximately $50.

Manufacturing Footprint

We identified a number of manufacturing and assembly plants that carried an excessive cost structure or had excess capacity. We closed certain locations and consolidated their operations into lower cost facilities in other countries or into U.S. facilities that had excess capacity. During 2007, we completed the closure of fifteen facilities. We will close additional facilities in 2008 and 2009, and other locations are implementing work force reductions. We anticipate that our manufacturing footprint actions will reduce operating costs by $60 on an annualized basis when fully implemented by 2010.

Our customer pricing initiatives and labor and benefit actions are substantially completed. The manufacturing footprint and overhead reduction actions are progressing as planned. We believe we are positioned to achieve the goals of our reorganization initiatives and we expect these actions to positively impact 2008 results of operations by $460 as we complete the implementation of these initiatives during the year.

During 2007, we completed substantially all of our previously announced divestitures.

In January 2007, we sold our trailer axle business manufacturing assets for $28 in cash and recorded an after-tax gain of $14.

Table of Contents

In March 2007:

We sold our engine hard parts business to MAHLE and received cash proceeds of $98 of which $10 remains escrowed pending satisfaction of certain of our indemnification obligations. We recorded an after-tax loss of $42 in the first quarter of 2007 in connection with this sale and an after-tax loss of $3 in the second quarter related to a South American operation.

We sold our 30% equity interest in GETRAG to our joint venture partner, an affiliate of GETRAG, for $207 in cash. An impairment charge of $58 had been recorded in the fourth quarter of 2006 to adjust this equity investment to fair value and an additional charge of $2 after tax was recorded in the first quarter of 2007 based on the value of the investment at the time of closing.

In July and August 2007, we completed the sale of our fluid products hose and tubing business to Orhan Holding A.S. and certain of its affiliates. Aggregate cash proceeds of $84 were received from these transactions and an aggregate after-tax gain of $32 was recorded in the third quarter in connection with the sale of this business. A final purchase price adjustment is pending on this sale.

In August 2007, we and certain of our affiliates executed an axle agreement and related transaction documents providing for a series of transactions relating to our rights and obligations under two joint ventures with GETRAG and certain of its affiliates. These agreements provide for relief from non-compete provisions in various agreements restricting our ability to participate in certain markets for axle products other than through participation in the joint ventures; the grant of a call option to GETRAG to acquire our ownership interests in the two joint ventures for a purchase price of $75; our payment to GETRAG of $11 under certain conditions; the withdrawal, with prejudice, of bankruptcy claims aggregating approximately $66 filed by GETRAG and one of the joint venture entities relating to our alleged breach of certain non-compete provisions; the amendment, assumption, rejection and/or termination of certain other agreements between the parties; and the grant of certain mutual releases by us and various other parties. In connection with these agreements, $11 was recorded as liabilities subject to compromise and as a charge to other income, net in the second quarter based on the determination that the liability was probable. In October 2007, these agreements were approved by the Bankruptcy Court and became effective. The $11 liability was reclassified to other current liabilities at December 31, 2007.

In September 2007, we completed the sale of our coupled fluid products business to Coupled Products Acquisition LLC by having the buyer assume certain liabilities ($18) of the business at closing. A third-quarter after-tax loss of $23 was recorded in connection with the sale of this business. A final purchase price adjustment is pending on this sale.

We completed the sale of a portion of the pump products business in October 2007, generating proceeds of $7 and a nominal after-tax gain, which was recorded in the fourth quarter.

During the fourth quarter of 2007, we substantially completed our divestment of DCC assets. Since announcing the divestment plan in 2001, when DCC s portfolio assets exceeded $2,200, we have completed sales leaving us with portfolio assets of $7 at December 31, 2007.

In January 2008, we completed the sale of the remaining assets of the pump products business to Melling Tool Company generating proceeds of $5 and an after-tax loss of $1 that will be recorded in the first quarter of 2008.

Business Units

We manage our operations globally through two business units ASG and HVTSG.

ASG focuses on the automotive market and primarily supports light vehicle OEMs with products for light trucks, SUVs, CUVs, vans and passenger cars. ASG has five operating segments focused on specific products for the automotive market: Axle, Driveshaft, Structures, Sealing and Thermal.

HVTSG supports the OEMs of medium-duty (Classes 5-7) and heavy-duty (Class 8) commercial vehicles (primarily trucks and buses) and off-highway vehicles (primarily wheeled vehicles used in construction,

Table of Contents

agricultural and industrial applications). HVTSG has two operating segments focused on specific markets: Commercial Vehicle and Off-Highway.

Trends in Our Markets

Light Vehicle Markets

North America

North American light vehicle unit production levels have declined about 4.5% during the past three years 15.8 million in 2005, 15.3 million in 2006, and 15.0 million in 2007. Within this market, most of the vehicle platforms that we supply are in the light truck segment. Light truck unit production levels declined more significantly during this period about 7.0% with unit production levels at 9.2 million in 2005, 8.4 million in 2006 and 8.6 million in 2007. Notably, within the light truck segment there has also been a significant shift. Production of pick-ups, SUVs and vans have dropped significantly (16% from 2005 to 2007) while production of smaller cross-over vehicles have increased about 32%. Since a number of our key vehicle platforms are pick-ups and SUVs, this change in light truck production mix has had a significant impact on our sales. The decline in pick-up and SUV production levels during the past two years has been driven in large part by higher fuel prices, as consumer preferences have increasingly moved toward passenger cars and CUVs, which have better fuel efficiency.

Vehicle sales in North America during the second half of 2007 were especially sluggish. Concern about high fuel prices continues to permeate the market, and other negative economic factors have also risen to the forefront declining housing starts, tightened credit and increased unemployment. In response to lower second half 2007 sales, the OEMs reduced production levels and managed to keep inventory levels in check. At December 31, 2007, there was a 65 day supply of light truck inventories in the U.S., which was down slightly from 67 days at the end of 2006.

With the current concerns surrounding fuel prices and other economic factors, the outlook for the North American vehicle market for 2008 is extremely cautious, particularly for the first half of the year. Most forecasts for overall light duty North American production in 2008 are currently around 14.5 million units a decline of about 3.5% from 2007. In the light truck segment, production levels are expected to decline somewhat more, about 5.5%. On the vehicle platforms which have higher Dana product content, we are currently forecasting a 2008 production decline of around 6% from 2007.

Rest of World

Outside of North America, light duty production levels have generally increased or remained relatively flat over the past three years. Following are the production levels for select regions over the past three years and as forecasted for 2008.

	2005	**2006**	**2007**	**2008**
		(millions of units)		
Asia Pacific	23.9	26.1	28.3	30.1
Western Europe	16.1	15.7	16.1	16.0
Eastern Europe	4.3	5.1	6.0	6.7
South America	2.8	3.1	3.5	4.1

While the North American market continues to be our largest, our business strategies have increasingly positioned us to be less dependent on North America and to grow our business elsewhere in the world. As indicated in the Results of Operations section, Dana s sales (all markets) outside of North America were 45% of total sales in 2007, up from 37% in 2005, and most of the existing net new business coming on stream over the next three years involves programs outside North America.

Table of Contents

OEM Mix

The declining sales of light vehicles (especially light trucks, which generally have a higher profit margin than passenger cars) in North America, as well as losses of market share to competitors such as Toyota and Nissan, continue to put pressure on three of our largest customers: Ford, GM and Chrysler. These three customers accounted for 63% of light truck production in North America in 2007. Their share of such production in 2006 and 2005 was 65% and 69% (source: Global Insight). We expect any continuing loss of market share by these customers could result in their applying renewed pricing pressure on us relative to existing business and in our efforts to generate new business. Our discussion of product profitability initiatives in the Business Strategy section above specifically addresses our efforts to improve our pricing.

Commercial Vehicle Markets

North America

Our commercial vehicle business is significantly impacted by the North American market, with approximately 85% of our commercial vehicle sales being to North American customers. As expected, the implementation of new engine emission regulations at the beginning of 2007 led to decreased vehicle production this past year as vehicle owners stepped up their purchases in 2006 to take advantage of the lower cost of the engines built prior to the new emission requirements. Production of heavy duty (Class 8) vehicles in 2007 was about 205,000 units, which is down from 369,000 in 2006 and 334,000 in 2005. The drop off in production levels was less severe in the medium duty (Class 5-7) market, but still significant. Medium duty production in 2007 was around 206,000 units as compared to 265,000 units in 2006 and 244,000 units in 2005.

As is typical following such an emission regulation change, production levels are expected to rebound in 2008. We currently expect Class 8 production levels in 2008 to be around 230,000 units up 12% over 2007, and Class 5-7 production to come in around 220,000 units an increase of 7% over 2007. The current commercial vehicle market is experiencing some of the same effects as the light duty market with vehicle sales being adversely affected by a weak housing market and continued high fuel prices. As a consequence, the first half of 2008 is expected to be somewhat sluggish, with production picking up more during the second half of the year.

Rest of World

Outside of North America, commercial vehicle production levels have generally increased over the past three years. Following are the production levels for select regions over the past three years and as forecast for 2008.

	2005	2006	2007	2008
		(units in thousands)		
Asia Pacific	925	1,090	1,270	1,352
Western Europe	475	463	515	510
Eastern Europe	131	149	185	195
South America	111	104	134	136

As with our light duty business, our recent strategic initiatives in the commercial vehicle business have increased our ability to capitalize on the stronger growth occurring outside of North America, particularly in Asia Pacific. In June 2007, we purchased a 4% interest in the registered capital of Dongfeng Dana Axle Co., Ltd. (a commercial vehicle axle manufacturer in China formerly known as Dongfeng Axle Co., Ltd.) from Dongfeng Motor Co., Ltd and certain of its affiliates for $5. Under the purchase agreement, subject to certain conditions, we agreed to acquire an additional 46% of Dongfeng Dana Axle Co., Ltd. for approximately $55 within the three years following our initial investment.

Table of Contents

Off-Highway Markets

Over the past three years, our Off-Highway business has become an increasingly more significant component of our total operations. With sales of $1,549, it accounted for 18% of our total sales in 2007. Unlike our on-highway businesses, our Off-Highway business is larger outside of North America, with more than 75% of its 2007 sales coming from outside North America.

We serve several segments of the diverse off-highway market, including construction, agriculture, mining, material handling and others. The European and North American construction and agriculture segments are currently the two largest. Production levels in these markets over the past three years and as forecast for 2008 are as follows:

	2005	2006	2007	2008
		(units in thousands)		
Europe				
Construction	185	188	197	203
Agriculture	213	212	204	218
North America				
Construction	92	90	85	77
Agriculture	126	118	126	132

Similar to the businesses in our other markets, our Off-Highway business has grown during the past three years in Eastern Europe and in China, capitalizing on the Asia Pacific growth opportunities that are also prevalent in this market.

Commodity Costs

Another challenge we face is the increasing costs of steel and other raw materials, which has had a significant adverse impact on our results, and those of other North American automotive suppliers, for the past several years. Steel suppliers began assessing price surcharges and increasing base prices during the first half of 2004, and prices since then have remained at considerably higher levels.

Two commonly used market-based indicators a Tri Cities Index for #1 bundled scrap steel (which represents the monthly average costs in the Chicago, Cleveland and Pittsburgh ferrous scrap markets, as posted by American Metal Market, and is used by our domestic steel suppliers to determine our monthly surcharge) and the spot market price for hot-rolled sheet steel illustrate the impact. Average scrap steel prices on the Tri Cities Index during 2007 were more than 50% higher than scrap prices at the end of 2003 and spot market hot-rolled sheet steel prices during 2007 were more than 60% higher. After increasing significantly through mid-2006, prices of scrap and hot-rolled steel subsided some during the second half of 2006 and first half of 2007. The scrap prices on the Tri Cities Index were on average in 2007 11% higher than 2006, while hot-rolled steel spot prices during 2007 were on about 10% lower than 2006. We have taken actions to mitigate the impact of these increases, including consolidating purchases, taking advantage of our customers resale programs where possible, finding new global steel sources, identifying alternative materials and redesigning our products to be less dependent on higher cost steel grades. Nevertheless, steel prices continue to have a significant impact on our operating profit. During the second half of 2007, scrap and hot-rolled steel spot steel prices began increasing, and they have increased even more during early 2008. Scrap prices at the end of January 2008 are about 40% higher than mid-year 2007 price levels, while hot-rolled steel is up nearly 20%.

During the latter part of 2005 and throughout 2007, prices for raw materials other than steel were volatile. Average prices for nickel (which is used to manufacture stainless steel) increased more than 60% in 2006, and increased again in 2007 more than 50%. Importantly, however, while full year 2007 nickel prices were up on average, prices during the second half of the year declined significantly with January 2008 nickel prices being about 20% lower than prices at the end of 2006. Aluminum prices increased on average 37% in 2006 over 2005 prices, and remained relatively constant throughout 2007 up only about 3% over 2006. As was the case with nickel, aluminum prices during the second half of 2007 declined somewhat with January 2008 prices being about 12% lower than year end 2006 price levels.

As discussed above, our reorganization initiatives include working with our customers to recover a greater portion of our commodity materials costs.

Automotive Supplier Bankruptcies

Several major U.S. automotive suppliers, in addition to us, have filed for protection under the Bankruptcy Code since early 2005 including Tower Automotive, Inc., Collins & Aikman Corporation, Delphi Corporation and Dura Automotive Systems, Inc. These bankruptcy filings indicate stress in the North American light vehicle market that could lead to further filings or to competitor or customer reorganizations or consolidations that could impact the marketplace and our business.

New Business

A continuing major focus for us is growing our revenue through new business. Based on awards to date, we expect net new business to contribute approximately $170 to our sales in 2008 and an additional $100 in 2009. Our current level of net new business is lower than in recent years due, in part, to the expiration or reduction in some of our larger customer programs in 2006, including programs to supply certain structural products to Ford and certain axle and driveshaft products to Ford and a GM affiliate in Australia. Our 2008 net new business projection also takes into consideration sales reductions that we anticipate next year due to the co-sourcing of a structural products program with Ford. While continuing to support Ford, GM and Chrysler, we are striving to diversify our sales across a broader customer base.

United States Profitability

During the five years preceding our bankruptcy filing in 2006, our U.S. operations generated losses before income taxes aggregating approximately $2,000. The Debtor operations continued to generate significant losses during 2006 with losses before income taxes exceeding $400, inclusive of $117 of reorganization expense attributable to our bankruptcy filing and another $56 of restructuring and impairment charges. While numerous factors have contributed to our lack of profitability in the U.S., paramount among them are those discussed earlier in this report: high raw material costs that we have been absorbing, customer price reductions that have reduced our margins, competition from suppliers in countries with lower labor costs, and accumulated retiree healthcare costs disproportionate to the scale of our current business. The initiatives undertaken in the reorganization process discussed under the Business Strategy section above outline the actions taken to improve U.S. profitability.

Our loss before income taxes for the Debtors in 2007 increased slightly to approximately $452 from $443 in 2006. However, included are increases of $148 of bankruptcy-related reorganization items and $46 in realignment and impairment charges. Losses from continuing operations before interest, reorganization items and income taxes decreased from $253 in 2006 to $115 in 2007. This improvement is reflective, in part, of the initiatives implemented as part of the bankruptcy reorganization process which contributed approximately $200 of profit improvement in 2007, most of which benefited the U.S. operations.

As discussed above, as we complete the reorganization initiatives, we expect additional annual profit improvement in 2008. Recognition of the cost savings associated with most of the benefits program modifications under the settlement agreement with the unions commenced with our emergence from bankruptcy. Additional benefits from the manufacturing footprint actions and overhead reductions are also expected. As such, we expect to realize a substantial portion of the full $460 of profit improvement from reorganization initiatives in 2008 with most of the additional improvement occurring in the U.S.

Table of Contents

Results of Operations Summary

	For the Years Ended December 31,				
	2007	2006	2005	2007 to 2006 Change	2006 to 2005 Change
Net sales	$ 8,721	$ 8,504	$ 8,611	$ 217	$ (107)
Cost of sales	8,231	8,166	8,205	65	(39)
Gross margin	490	338	406	152	(68)
Selling, general and administrative expenses	365	419	500	(54)	(81)
Gross margin less SG&A*	125	(81)	(94)	206	13
Other costs and expenses					
Realignment charges, net	205	92	58	113	34
Impairment of other assets	89	234	53	(145)	181
Other income, net	162	140	88	22	52
Total expense, net of other income	132	186	23	(54)	163
Loss from continuing operations before interest, reorganization items and income taxes	$ (7)	$ (267)	$ (117)	$ 260	$ (150)
Loss from continuing operations	$ (433)	$ (618)	$ (1,175)	$ 185	$ 557
Loss from discontinued operations	$ (118)	$ (121)	$ (434)	$ 3	$ 313
Net loss	$ (551)	$ (739)	$ (1,605)	$ 188	$ 866

* Gross margin less SG&A is a non-GAAP financial measure derived by excluding realignment charges, impairments and other income, net from the most closely related GAAP measure which is income from continuing operations before interest, reorganization items and income taxes. We believe this non-GAAP measure is useful for an understanding of our ongoing operations because it excludes other income and expense items which are generally not expected to be part of our ongoing business. Certain reclassifications were made to conform 2005 and 2006 to the 2007 reporting schedules. Intercompany sales and cost of sales are included in our gross margin calculation.

Results of Operations (2007 versus 2006)

Geographic Sales, Segment Sales and Gross Margin Analysis (2007 versus 2006)

The tables below show changes in our sales by geographic region, business unit and segment for the years ended December 31, 2007 and 2006.

Geographic Sales Analysis

				Amount of Change Due To		
	2007	2006	Increase/ (Decrease)	Currency Effects	Acquisitions/ Divestitures	Organic Change
North America	$ 4,791	$ 5,171	$ (380)	$ 26	$ (90)	$ (316)
Europe	2,256	1,856	400	192	(23)	231
South America	1,007	854	153	68		85
Asia Pacific	667	623	44	62	(20)	2
Total	$ 8,721	$ 8,504	$ 217	$ 348	$ (133)	$ 2

Sales increased $217, or 2.6%, from 2006 to 2007. Currency movements increased 2007 sales by $348 due to an overall weaker U.S. dollar compared to a number of the major currencies in other global markets

Table of Contents

where we conduct business. Sales in 2007 were reduced by net divestiture impacts, principally due to a $152 reduction resulting from the sale of our trailer axle business in January 2007. Partially offsetting this loss of sales was an increase resulting from the July 2006 purchase of the axle and driveshaft businesses previously owned by Spicer S.A., our equity affiliate in Mexico. Excluding currency and net divestiture effects, organic sales in 2007 were relatively flat compared to 2006. Organic change is the period-on-period measure of the change in sales that excludes the effects of currency movements, acquisitions and divestitures.

Regionally, North American sales were down $380 in 2007, or 7.3%. A stronger Canadian dollar increased sales slightly, while the divestiture of the trailer axle business net of additional axle and driveshaft business acquired from our previous equity affiliate in Mexico decreased sales by $90. Excluding these effects, organic sales were down $316, or 6.1%. Lower production levels in the North American commercial vehicle market were the primary contributor to lower organic sales. Class 8 vehicle production was down more than 40% while medium duty production of Class 5-7 vehicles was down more than 20%. New engine emission requirements effective at the beginning of 2007 increased costs and led many vehicle owners to accelerate their purchases in 2006. Consequently, production levels in 2006 benefited from this pull forward of customer demand, while 2007 levels were lower. In North America, our 2007 organic sales to the commercial vehicle market were down more than $400 compared to 2006. Partially offsetting the impact of lower commercial vehicle build was higher production levels in the North American light truck market. Year over year light truck production increased 2.2%, with the vehicle platforms on which we have our highest content up even more. Sales to the off-highway market also increased in 2007, principally from new customer programs. Additionally, North American sales in 2007 benefited from pricing improvements of approximately $165.

Sales in Europe increased $400 in 2007 an increase of 21.6%. Stronger European currencies relative to the U.S. dollar accounted for $192 of the increase. The organic sales increase of $231 was due in part to net new business in 2007 of approximately $150. Additionally, production levels in two of our key markets the European light vehicle market and the off-highway market were somewhat stronger in 2007 than in 2006. In South America, the sales increase of $153 resulted from somewhat stronger year-over-year production levels in our major vehicular markets, and also from stronger currencies in this region. Sales in Asia Pacific similarly increased due to currencies in that region also strengthening against the U.S. dollar.

Segment Sales Analysis

				Amount of Change Due To		
	2007	**2006**	**Increase/ (Decrease)**	**Currency Effects**	**Acquisitions/ Divestitures**	**Organic Change**
ASG						
Axle	$ 2,627	$ 2,230	$ 397	$ 92	$ 20	$ 285
Driveshaft	1,200	1,124	76	62	23	(9)
Sealing	720	679	41	30		11
Thermal	291	283	8	19		(11)
Structures	1,069	1,174	(105)	26		(131)
Other	27	77	(50)		(24)	(26)
Total ASG	5,934	5,567	367	229	19	119
HVTSG						
Commercial Vehicle	1,235	1,683	(448)	18	(152)	(314)
Off-Highway	1,549	1,231	318	101		217

Total HVTSG	2,784	2,914	(130)	119	(152)	(97)
Other Operations	3	23	(20)			(20)
Total	$ 8,721	$ 8,504	$ 217	$ 348	$ (133)	$ 2

30

Table of Contents

Business Segment Review

Customer-related pricing improvements contributed approximately $150 to organic sales growth in our ASG segments in 2007, while the net effects of significantly lower commercial vehicle production, somewhat higher light vehicle production and sales mix reduced organic sales. In our Axle segment, pricing improvements, new customer programs and higher production levels contributed to the higher sales. Our Driveshaft segment sells to the commercial vehicle market as well as the light vehicle market. The significant decline in commercial vehicle production levels more than offset stronger light duty production levels and pricing improvements, leading to a slight decline in this unit s organic sales. Neither the Thermal nor Sealing segment benefited significantly from pricing improvement or new business; consequently, the organic sales change in these operations was primarily due to production level changes and business mix. In Structures, higher sales due to stronger production levels and improved pricing were more than offset by discontinued programs, including the expiration of a frame program with Ford in 2006.

In the HVTSG, our Commercial Vehicle segment is heavily concentrated in the North American market and the organic sales decline of 18.7% in this segment was primarily due to the drop in North American production levels discussed in the regional review. Organic sales in the Off-Highway segment have benefited from stronger production levels and sales from new programs. With its significant European presence, this segment s sales also benefited from the stronger euro.

Table of Contents

Margin Analysis

The chart below shows our business unit and segment margin analysis for the years ended December 31, 2007 and 2006:

	As a Percentage of Sales 2007	2006	Increase/ (Decrease)
Gross margin:			
ASG	5.2%	4.3%	0.9%
Axle	2.0	0.3	1.7
Driveshaft	7.4	9.8	(2.4)
Sealing	12.9	13.3	(0.4)
Thermal	8.4	12.9	(4.5)
Structures	5.0	0.3	4.7
HVTSG	8.8	7.3	1.5
Commercial Vehicle	5.8	4.4	1.4
Off-Highway	10.9	10.9	
Selling, general and administrative expenses:			
ASG	3.3%	3.6%	(0.3)%
Axle	2.3	2.6	(0.3)
Driveshaft	3.1	3.7	(0.6)
Sealing	6.6	6.4	0.2
Thermal	4.7	4.0	0.7
Structures	1.7	1.9	(0.2)
HVTSG	3.4	3.2	0.2
Commercial Vehicle	3.9	3.1	0.8
Off-Highway	2.4	2.6	(0.2)
Gross margin less SG&A:*			
ASG	1.9%	0.7%	1.2%
Axle	(0.3)	(2.3)	2.0
Driveshaft	4.3	6.1	(1.8)
Sealing	6.3	6.9	(0.6)
Thermal	3.7	8.9	(5.2)
Structures	3.3	(1.6)	4.9
HVTSG	5.4	4.1	1.3
Commercial Vehicle	1.9	1.3	0.6
Off-Highway	8.5	8.3	0.2
Consolidated	**1.4**	**(1.0)**	**2.4**

* Gross margin less SG&A is a non-GAAP financial measure derived by excluding realignment charges, impairments and other income, net from the most closely related GAAP measure, which is income from continuing operations before interest, reorganization items and income taxes. We believe this non-GAAP measure

is useful for an understanding of our ongoing operations because it excludes other income and expense items which are generally not expected to be part of our ongoing business. Intercompany sales and cost of sales are included in our gross margin calculation.

Automotive Systems Group

In ASG, gross margin less SG&A improved 1.2%, from 0.7% in 2006 to 1.9% in 2007. Customer pricing improvements of approximately $150 was the principal factor increasing ASG margins. Reductions to non-union benefit plans also contributed to some additional margin. Partially offsetting these improvements were negative impacts from sales mix and expiration of higher margin programs.

In the Axle segment, the net margin improvement was 2.0%. Customer pricing actions increased margins in Axle by approximately $60, or 2.2% of sales. Non-union employee benefit plan reductions and lower material costs also contributed to some margin improvement. Although Axle sales were up significantly in 2007, the sales mix was unfavorable with a significant portion of the higher sales coming from vehicle platforms with lower margins.

The Driveshaft segment experienced a net margin decline of 1.8% despite a year-over-year sales increase. Adverse sales mix was a major factor as the Driveshaft segment sells to customers in both the light duty automotive market as well as the commercial vehicle market. Lower production levels in the North American commercial vehicle market reduced Driveshaft sales by about $90. Margins on the commercial vehicle business are higher than the light duty automotive programs, thereby negatively impacting overall margins. Premium freight cost associated with operational inefficiencies reduced margins by about $10. Partially offsetting the negative margin effects of the adverse sales mix and some operational inefficiencies was margin improvement of approximately $27 2.2% of sales due to customer pricing and lower material costs.

Net margins in the Sealing segment were down 0.6%, primarily due to higher material costs of approximately $20, or 2.7% of sales. Stainless steel is a major material component for this business, and the average cost of stainless steel in 2007 was about 67% higher than in 2006. The higher raw material cost was partially offset by margin improvements from non-union benefit plan reductions and operational cost reduction actions.

Our Thermal segment experienced a net margin decline of 5.2% in 2007. Operational inefficiencies and warranty cost associated with our European operation reduced margins by about $5, and higher start up costs associated with our Hungary and China operations negatively impacted margins by $3. Additionally, the strengthening of the Canadian dollar against the U.S. dollar also negatively impacts our margin in this business as certain product manufactured in Canada is sold in U.S. dollars.

In our Structures segment, net margins increased 4.9%, with customer pricing actions contributing approximately $65, or 6.1% of sales. This margin improvement was partially offset by unfavorable margin effects associated with the lower sales in this unit, principally due to expiration of two significant customer programs.

Heavy Vehicle Technology and Systems

Our Heavy Vehicle gross margins less SG&A increased 1.3% in 2007, benefiting primarily from increased pricing and stronger off-highway sales levels. Commercial Vehicle segment margins improved 0.6%, despite significantly lower sales due to reduced production levels in the North American market. More than offsetting the unfavorable margin impact of the lower production levels was increased pricing which improved margins by about $23, or 1.9% of sales. In the Off-Highway segment, net margins improved 0.2%. Higher sales relative to fixed costs and reduced material costs benefited margins. Margins were negatively impacted by a stronger euro as we manufacture some product in Europe for sale in dollars to the U.S. Higher warranty costs of $7 also reduced our margins in this business.

Consolidated

Consolidated gross margin less SG&A includes corporate expenses and other costs not allocated to the business units of $146, or 1.7% of sales, in 2007 as compared to $240, or 2.8% of sales, in 2006. This improvement in consolidated margins of 2.4% results primarily from our overall efforts to control overhead through headcount reduction, limited wage increases and cutbacks in discretionary spending. Also contributing to this margin improvement were the benefit plan reductions effectuated in 2007 which eliminated retiree postretirement benefits other than pension (OPEB) benefits for non-union active employees and retirees and discontinued future service accruals under non-union employee pension plans.

Realignment charges

Realignment charges during 2007 included $136 of cost relating to settlement of pension obligations in the United Kingdom (as described more fully in Note 6 to the financial statements in Item 8). Other realignment charges in 2007 and the charges in 2006 are primarily costs associated with the continuing manufacturing footprint optimization actions described in the Business Strategy section.

Impairment of goodwill and other assets

Our thermal business has experienced significant margin erosion in recent years resulting from the higher cost of commodities, especially aluminum. In connection with our annual assessment of goodwill at December 31, 2007, we determined that goodwill in our Thermal business segment was impaired and recorded a charge of $89. The impairment charges in 2006 include charges of $176 to reduce lease and other assets in DCC to their fair value less cost to sell, a charge of $58 to adjust our equity investment in GETRAG to fair value based on an other-than-temporary decline in value related to the March 2007 sale of this investment, and a $46 charge to write off the goodwill in our Axle business. Each of these charges is described further in Notes 4 and 9 of the financial statements in Item 8.

Other income, net

Foreign currency transaction gains increased Other income (expense) by $31 in 2007. During 2007, certain intercompany loans receivable held by the Debtors that were previously designated as invested indefinitely were identified for repayment through near-term repatriation actions. As a consequence, exchange rate movements on these loans and others not permanently invested generated currency gains of $44 during 2007. Currency losses, net, elsewhere reduced other income in 2007 by $9. DCC income was lower by $7 in 2007 as we continued to sell the remaining portfolio assets in this operation. The 2007 Other income, net, amount also includes an expense of $11 associated with settling a contractual matter with an investor in one of our equity investments. See Note 21 to the financial statements in Item 8 for additional components of other income (expense).

Interest expense

As a result of our Chapter 11 reorganization process, a substantial portion of our debt obligations are recorded as subject to compromise in our consolidated financial statements included herein. During the bankruptcy reorganization process, interest expense was no longer accrued on these obligations. The post-filing interest expense not recognized on these obligations amounted to $108 in 2007 and $89 in 2006.

Reorganization items, net

Reorganization items are expenses directly attributed to our Chapter 11 reorganization process. See Note 3 to our financial statements in Item 8 of this report for a summary of these costs. Higher professional advisory fees in 2007 were due to a full year of reorganization activity, including the completion of the settlement agreements with the unions and the confirmation of our Plan. Higher contract rejection and claim settlement costs in 2007 resulted from specific actions related to contract settlements made to facilitate the reorganization process. These higher settlement costs were partially offset by a $56 credit to reorganization items to reduce liabilities for long-term disability to amounts allowed by the Bankruptcy Court for filed claims. Additional information relating to Reorganization items is provided in Note 3 to the financial statements in Item 8.

Table of Contents

Income tax benefit (expense)

Our reported income tax expense for 2007 was $62 as compared to an expected benefit of $135 derived by applying the U.S. federal income tax rate of 35% to reported income before tax. Among the factors contributing to the higher tax expense are losses generated in countries such as the U.S. and U.K. where we determined that future taxable income was not likely to be sufficient to realize existing net deferred tax assets. As a consequence, until such time that it is determined that future taxable income will be sufficient to realize deferred tax assets, the tax benefits from losses in these countries are generally offset with a valuation allowance. During 2007, we incurred $136 of charges relating to the settlement of pension obligations in the U.K., and the tax benefit associated with these charges was offset with valuation allowances. Although we have a full valuation allowance against net deferred tax assets in the U.S., as discussed in Note 20 to the financial statements in Item 8, the level of other comprehensive income generated during 2007 in the U.S. enabled the recognition of $120 of tax benefits on U.S. losses before income taxes. The net effect on 2007 income tax expense of recording valuation allowances against deferred tax assets in the U.S., U.K. and other countries was $37.

Other factors resulting in reported income tax expense being higher than that expected by applying the U.S. rate of 35% were non-deductible expenses and recognition of costs associated with repatriation of undistributed earnings of operations outside the U.S. Income before taxes included goodwill impairment charges, certain reorganization costs and other items which are not deductible for income tax purposes. These items resulted in approximately $123 of higher reported income tax than that expected using the U.S. rate of 35%. The recognition of taxes associated with the planned repatriation of non-U.S. earnings (also described in Note 20 to the financial statements in Item 8) resulted in a charge of $37.

The primary factor resulting in income tax expense of $66 during 2006, as compared to a tax benefit of $200 that would be expected based on the 35% U.S. federal income tax rate, was the inability to recognize tax benefits on U.S. losses as a result of the determination in 2005 that future taxable income was not likely to ensure realization of net deferred tax assets. Also impacting the rate differential was $46 of goodwill impairment charges which are not deductible for income tax purposes.

Discontinued operations

Losses from discontinued operations were $118 and $121, net of tax, in 2007 and 2006. Discontinued operations in both years included the engine hard parts, fluid routing and pump products businesses held for sale at the end of 2006 and 2005. The 2007 amount included net losses of $36 recognized upon completion of the sale, while the 2006 results included pre-tax impairment charges of $137 that were required to reduce the net book value of these businesses to expected fair value less cost to sell. The discontinued operations results in 2007 also include charges of $20 in connection with a bankruptcy claim settlement with the purchaser of a previously sold discontinued business and charges of $17 for settlement of pension obligations relating to discontinued businesses. See Note 5 to the financial statements in Item 8 for additional information relating to the discontinued operations.

Results of Operations (2006 versus 2005)

Geographic Sales, Segment Sales and Gross Margin Analysis (2006 versus 2005)

The tables below show changes in our sales by geographic region, business unit and segment for the years ended December 31, 2006 and 2005.

Geographic Sales Analysis

				Amount of Change Due To		
	2006	2005	Increase/ (Decrease)	Currency Effects	Acquisitions/ Divestitures	Organic Change
North America	$ 5,171	$ 5,383	$ (212)	$ 52	$ 32	$ (296)
Europe	1,856	1,623	233	18		215
South America	854	818	36	29	(17)	24
Asia Pacific	623	787	(164)	(5)		(159)
Total	$ 8,504	$ 8,611	$ (107)	$ 94	$ 15	$ (216)

Sales decreased $107, or 1.2%, from 2005 to 2006. Currency movements increased 2006 sales by $94 due to an overall weaker U.S. dollar compared to a number of the major currencies in other global markets where we conduct business. Sales in 2006 also benefited from net acquisitions, primarily the purchase of the axle and driveshaft businesses previously owned by Spicer S.A., our equity affiliate in Mexico. Excluding currency and acquisition effects, we experienced an organic sales decline of $216, or 2.5%, in 2006 compared to 2005. Organic change is the period-on-period measure of the change in sales that excludes the effects of currency movements, acquisitions and divestitures.

Regionally, our North American sales were down $212 in 2006, or 3.9%. A stronger Canadian dollar increased sales as did the acquisition of the axle and driveshaft business of our previous equity affiliate in Mexico. Excluding the effect of these increases, the organic sales decline was $296, or 5.5%, principally due to lower production levels in the North American light vehicle market. In our primary market light trucks production levels in 2006 were down about 9%. Within this market, production levels on vehicles with significant Dana content primarily pickups and SUVs were down about 12%. Partially offsetting the effects of lower light truck production levels was net new business of approximately $240 which came on stream during 2006 and a stronger commercial vehicle market, where Class B heavy duty production was up 10% and Class 5-7 medium duty production was up 9%.

Sales in Europe increased $233, mostly due to increases from net new business. Production levels in two of our key markets the European light vehicle market and the off-highway market were somewhat stronger in 2006 than in 2005. In South America, comparable year-over-year production levels in our major vehicular markets led to relatively comparable year-over-year sales. In Asia Pacific, sales declined significantly from 2005, by $164, due primarily to expiration of an axle program in Australia with Holden Ltd., a subsidiary of GM.

Table of Contents

Segment Sales Analysis

	2006	2005	Increase/ (Decrease)	Amount of Change Due To Currency Effects	Acquisitions/ Divestitures	Organic Change
ASG						
Axle	$ 2,230	$ 2,448	$ (218)	$ 10	$ 35	$ (263)
Driveshaft	1,124	1,088	36	22	25	(11)
Sealing	679	661	18	5		13
Thermal	283	312	(29)	12		(41)
Structures	1,174	1,288	(114)	28		(142)
Other	77	144	(67)	(1)	(45)	(21)
Total ASG	5,567	5,941	(374)	76	15	(465)
HVTSG						
Commercial Vehicle	1,683	1,540	143	6		137
Off-Highway	1,231	1,100	131	12		119
Total HVTSG	2,914	2,640	274	18		256
Other Operations	23	30	(7)			(7)
Total	$ 8,504	$ 8,611	$ (107)	$ 94	$ 15	$ (216)

By operating segment, the organic sales declines occurred in the segments of ASG. The North American light truck market, where production levels were down about 9% in 2006, is a major market for each of the ASG operating segments. The sales decrease in the Axle segment also reflects the expiration of the Holden Ltd. Axle program in Australia. Increased sales from new axle programs in 2006 helped mitigate the reduced sales from lower North America production levels and the loss of the Australian business.

Our Driveshaft segment serves both light vehicle and commercial vehicle original equipment customers. As such, the stronger commercial vehicle market in 2006 in North America helped to offset the reduced sales from lower production on the light truck side of the business.

Our Sealing segment, like Driveshaft, supplies product to the commercial vehicle and off-highway markets as well as the consumer-based light vehicle markets, thereby offsetting the impact of lower 2006 North American light vehicle production. In the Thermal segment, we are more heavily concentrated on the North American market. Consequently, our sales decline here is largely driven by the lower production levels of North American light vehicles. Similarly, in Structures, a number of our key programs involve light truck platforms for the North American market, driving the lower sales in this segment.

In the HVTSG, our Commercial Vehicle segment is primarily focused on North America where Class 8 heavy duty production was up 10% in 2006 and Class 5-7 medium duty production was up 9%. Our Off-Highway segment, on the other hand, has significant business in Europe, as well as in North America. Each of these markets remained relatively strong in 2006, with the production requirements of our major customers up slightly or relatively comparable year-over-year. Sales in this segment also benefited from net new business in 2006.

Table of Contents

Margin Analysis

The chart below shows our business unit and segment margin analysis for the years ended December 31, 2006 and 2005:

	As a Percentage of Sales 2006	2005	Increase/ (Decrease)
Gross margin:			
ASG	4.3%	5.9%	(1.6)%
Axle	0.3	1.9	(1.6)
Driveshaft	9.8	11.5	(1.7)
Sealing	13.3	14.6	(1.3)
Thermal	12.9	21.3	(8.4)
Structures	0.3	2.0	(1.7)
HVTSG	7.3	6.8	0.5
Commercial Vehicle	4.4	3.8	0.6
Off-Highway	10.9	10.6	0.3
Selling, general and administrative expenses:			
ASG	3.6%	3.6%	%
Axle	2.6	2.1	0.5
Driveshaft	3.7	3.6	0.1
Sealing	6.4	6.8	(0.4)
Thermal	4.0	3.2	0.8
Structures	1.9	2.2	(0.3)
HVTSG	3.2	4.8	(1.6)
Commercial Vehicle	3.1	5.2	(2.1)
Off-Highway	2.6	3.4	(0.8)
Gross margin less SG&A:*			
ASG	0.7%	2.3%	(1.6)%
Axle	(2.3)	(0.2)	(2.1)
Driveshaft	6.1	7.9	(1.8)
Sealing	6.9	7.8	(0.9)
Thermal	8.9	18.1	(9.2)
Structures	(1.6)	(0.2)	(1.4)
HVTSG	4.1	2.0	2.1
Commercial Vehicle	1.3	(1.4)	2.7
Off-Highway	8.3	7.2	1.1
Consolidated	**(1.0)**	**(1.1)**	**0.1**

* Gross margin less SG&A is a non-GAAP financial measure derived by excluding realignment charges, impairments and other income, net from the most closely related GAAP measure, which is income from continuing operations before interest, reorganization items and income taxes. We believe this non-GAAP measure is useful for an understanding of our ongoing operations because it excludes other income and expense items

which are generally not expected to be part of our ongoing business. Intercompany sales and cost of sales are included in our gross margin calculation.

Table of Contents

Automotive Systems

In ASG, gross margin less SG&A declined 1.6%, from 2.3% in 2005 to 0.7% in 2006. Lower sales of $374 contributed to the margin decline, as we were unable to proportionately reduce fixed costs.

In the Axle segment, the net margin decline was 2.1%. The margin decline resulted in part from lower sales relative to fixed costs. Additionally, the acquired Mexican axle operations of our previous equity affiliate contributed losses of $3. Higher premium freight costs to prevent disruption to customer schedules mostly during the first half of the year when we were managing the business disruption in the aftermath of our bankruptcy filing and manufacturing inefficiencies in our Venezuelan foundry operations resulted in higher cost of $12. Partially offsetting these reductions to Axle margins in 2006 were lower warranty expenses of $15, primarily due to two programs which required higher provisions in 2005, and lower overall material costs in 2006 mostly due to reduced steel cost.

The Driveshaft segment experienced a net margin decline of 1.8% despite a year-over-year sales increase. The acquired Mexican driveshaft operations from our previous equity affiliate contributed losses of $6. Launch costs and competitive pricing on a new light truck program in 2006 resulted in losses of approximately $7.

Net margins in the Sealing segment were down 0.9%, primarily due to higher material costs of $4 mostly due to the higher costs of stainless steel, a major material component for this business. Also contributing to the margin decline were facility closure and asset impairment costs of $3.

Our Thermal segment experienced a significant sales decline in 2006, resulting in lower sales relative to fixed costs. Additionally, higher material costs mostly due to the high content of aluminum in this business reduced margins by $6.

In our Structures segment, the margin decline was largely attributed to an 8.8% reduction in sales, with the margin reduction on the lost sales not offset by proportionate fixed cost reductions. Program start-up costs were also higher in 2006. Partially offsetting these margin reductions were lower overall material costs, principally due to savings from purchasing more steel under customer re-sale programs.

Heavy Vehicle Technology and Systems

Unlike the ASG business, Heavy Vehicle gross margins less SG&A benefited in 2006 from stronger sales levels, increasing 2.1% from 2.0% in 2005 to 4.1% in 2006. Commercial Vehicle segment net margins improved 2.7%. In addition to the contribution from higher sales, Commercial Vehicle margins benefited from price increases of $18, largely to help defray the higher costs absorbed in previous years due to increased material costs.

Margins also increased in 2006 as realignments of the operations and other improvements addressed the manufacturing inefficiencies which negatively impacted this business in 2005. Lower overall material cost, due in part to more effective use of steel grades and resourcing to lower cost steel suppliers, also benefited margins slightly in this business. In the Off-Highway segment, net margins improved 1.1%. Higher sales relative to fixed costs contributed to some of the margin improvement, with most of the remaining improvement coming from reductions in material cost.

Consolidated

Consolidated gross margin less SG&A includes corporate expenses and other costs not allocated to the business units of $240, or 2.8% of sales, in 2006 as compared to $285, or 3.3% of sales, in 2005. This improvement in consolidated margins of 0.1% largely reflects our overall efforts to reduce overhead through headcount reduction, limited wage increases, suspension of benefits and cutbacks in discretionary spending.

Impairment of goodwill and other assets

As discussed in Note 4 to the financial statements in Item 8, an impairment charge of $165 was recorded in the third quarter of 2006 to reduce lease and other assets in DCC to their fair value less cost to sell. Additional impairment charges in 2006 of $11 were recorded based on the planned sales of specific DCC investments. DCC reviews its investments for impairment on a quarterly basis. An impairment charge of $58 was recorded in the fourth quarter of 2006 to adjust our equity investment in GETRAG to fair value based on an other-than-temporary decline in value related to the March 2007 sale of this investment.

As discussed in Note 4 to the financial statements in Item 8, a $46 charge was taken in 2006 to write off the goodwill in our Axle business. In 2005, we wrote off the remaining goodwill in our Structures and Commercial Vehicles businesses.

Realignment charges

Realignment charges are discussed in Note 6 to the financial statements in Item 8. These charges relate primarily to employee separation and exit costs associated with facility closures.

Other income, net

Other income, net for 2006 was up $52 compared to 2005. The increase was due primarily to $28 in losses from divestitures and joint venture dissolutions in 2005, and the inclusion of gains of $10 from such activities in 2006. Additionally, DCC income, net of gains and losses on asset sales, was $14 higher in 2006 than 2005. See Note 21 to the financial statements in Item 8 for additional components of other income (expense).

Interest expense

As a result of our Chapter 11 reorganization process, a substantial portion of our debt obligations are recorded as subject to compromise in the financial statements included herein. Effective with our filing for reorganization under Chapter 11, interest expense is no longer accrued on these obligations. The post-petition interest expense not recognized in 2006 on these obligations amounted to $89.

Reorganization items

Reorganization items are primarily expenses directly attributed to our Chapter 11 reorganization process. See Note 3 to the financial statements in Item 8 for a summary of these costs. Reorganization items reported in 2006 included professional advisory fees, lease rejection costs, debt valuation adjustments on pre-petition liabilities and underwriting fees related to the DIP Credit Agreement. The debt valuation adjustments and DIP Credit Agreement underwriting fees were one-time charges associated with the initial phase of the reorganization.

Income tax benefit (expense)

The primary factor resulting in income tax expense of $66 during 2006, as compared to a tax benefit of $200 that would be expected based on the 35% U.S. statutory income tax rate, was the discontinued recognition of tax benefits on U.S. losses. Also impacting this rate differential was $46 of goodwill impairment charges which are not deductible for income tax purposes.

The 2005 results included a charge of $817 for placing a valuation allowance against our net U.S. deferred tax assets. Additional valuation allowances of $13 were also provided in 2005 against net deferred tax assets in the U.K. These provisions were the principal reason for tax expense of $924 recognized in 2005 differing from a tax benefit of $100 that would be expected at a 35% federal U.S. tax rate.

Discontinued operations

Losses from discontinued operations were $121 and $434 in 2006 and 2005. Discontinued operations in both years included the engine hard parts, fluid routing and pump products businesses held for sale at the

Table of Contents

end of 2006 and 2005. The net losses included pre-tax impairment charges of $137 in 2006 and $411 in 2005 that were required to reduce the net book value of these businesses to expected fair value less cost to sell. See Note 5 to the financial statements in Item 8 for additional information relating to the discontinued operations.

Liquidity

During 2007, we took the following steps to ensure adequate liquidity for all of our operations and for the funding of our realignment initiatives.

- Increased the size of our DIP Credit Agreement;
- Negotiated settlements with the Retiree Committee and the IAM related to postretirement, non-pension benefits;
- Sold our equity interest in GETRAG to our joint venture partner;
- Sold our engine hard parts and fluid products businesses;
- Sold our trailer axle business; and
- Established a $225 five-year accounts receivable securitization program with respect to our European operations.

As a result of these actions, we were able to finance our business through our emergence from bankruptcy. The following table summarizes our global liquidity at December 31, 2007.

Cash	$ 1,271
Less:	
Deposits supporting obligations	(111)
Cash in less than wholly-owned subsidiaries	(88)
Available cash	1,072
Additional cash availability from:	
Lines of credit in the U.S., Canada and Europe	367
Additional lines of credit supported by letters of credit from the above facilities	42
Total global liquidity	$ 1,481

Table of Contents

Liquidity upon emergence from Bankruptcy

In connection with our emergence from bankruptcy we received cash proceeds from a new exit financing facility that included a $650 Revolving Facility and a Term Facility in the amount of $1,430 and from the issuance of $790 of newly-authorized shares of preferred stock. The net cash proceeds received from the exit financing facility and preferred stock issuance were used to repay the outstanding balance of the DIP Credit Facility and satisfy other reorganization-related obligations. The following table is a pro-forma summary of the impact of these new facilities on our global liquidity after giving effect to cash payments made or to be made following emergence. The cash proceeds received for the exit financing facility and preferred stock are net of original issue discount, commitment fees and other issuance costs, fees and expenses.

Cash at December 31, 2007	$ 1,271
Less:	
Deposits supporting obligations	(111)
Cash in less than wholly-owned subsidiaries	(88)
Available cash	1,072
Additional cash availability from:	
Exit Facility funding (term loan)	1,276
Issuance of preferred stock plus interest received	773
Exit Facility revolving credit	330
European Receivable Facility	33
	2,412
Less:	
Repayment of DIP Credit Agreement with interest	(901)
VEBA Contributions	(788)
Fees and Claims Settlements under the Plan paid or to be paid	(323)
	(2,012)
Additional lines of credit supported by letters of credit from the above facilities	42
Pro-forma liquidity upon emergence	$ 1,514

With the additional funding and availability, we believe we have adequate availability to fund our operations for at least the next twelve months.

Cash Flow Summary

A summary of the changes in cash and cash equivalents for the years ended December 31, 2007, 2006 and 2005 is shown in the following tables:

	2007	2006	2005
Cash flow summary:			
Cash and cash equivalents at beginning of period	$ 704	$ 762	$ 634

Cash provided by (used in) operating activities	(52)	52	(216)
Cash provided by (used in) investing activities	348	(86)	(54)
Cash provided by (used in) financing activities	166	(49)	398
Increase (decrease) in cash and cash equivalents	462	(83)	128
Impact of foreign exchange and discontinued operations	105	25	
Cash and cash equivalents at end of period	$ 1,271	$ 704	$ 762

	2007	2006	2005
Cash from Operations			
Net loss	$ (551)	$ (739)	$ (1,605)
Depreciation and amortization	279	278	310
Impairment and divestiture-related charges	122	405	515
Non-cash portion of U.K. pension charge	60		
Reorganization items, net of payments	154	52	
OPEB payments in excess of expense	(71)		
Payment to VEBAs for postretirement benefits	(27)		
Minority interest	10	7	(16)
Deferred income taxes	(29)	(41)	751
Unremitted earnings of affiliates	(26)	(26)	(40)
Effect of change in accounting			(4)
Other	(56)	(83)	44
	(135)	(147)	(45)
Change in working capital	83	199	(171)
Cash flows provided by (used in) operating activities	$ (52)	$ 52	$ (216)

Working capital provided $83 of cash for operating activities in 2007, as compared to a source of $199 in 2006 and use of $171 in 2005.

Increased accounts payable was the primary source of cash from working capital, generating $110 million in 2007. Subsequent to our bankruptcy filing in March 2006, shorter payment terms with suppliers led to lower accounts payable. During the latter part of 2007, as our reorganization activities evolved, we were successful in obtaining longer payment terms that were more reflective of those in effect before our bankruptcy filing.

Working capital was also a source of $199 of cash in 2006. This was primarily a consequence of relief provided through the bankruptcy process. Accounts payable and other current liabilities provided the primary source of the cash flow increase. This was due primarily to the non-payment of accounts payable and other current liabilities owed at the time of our bankruptcy filing, which were classified as Liabilities subject to compromise. Accounts payable and other current liabilities at December 31, 2006 subject to compromise approximated $503. As such, had it not been for bankruptcy relief, working capital cash flow would have included payment of these liabilities, and cash flow from operating activities would have reflected a use of approximately $451.

In 2005, working capital consumed cash of $171. Reductions of receivables and inventories provided cash of $146 and $81. The consumption of cash was primarily due to a decrease in accounts payable of approximately $241. After announcing the reduction in our earnings forecast for the second half of 2005 and the decision to provide a valuation allowance against our U.S. deferred tax assets, we accelerated payments to certain key suppliers to insure that deliveries would not be delayed. Additionally, 2005 cash flow included a payment to settle prior-year tax returns, partially offset by the reimbursement of claims by certain insurers.

Excluding the working capital change, operating activities used cash of $135 in 2007, $147 in 2006 and $45 in 2005. Sales less cost of sales and selling, general and administrative expenses were a profit of $125 in 2007, and losses of $81 in 2006 and $94 in 2005. Although improved overall profitability, as measured on this basis, benefited cash flow in 2007, operating cash was required for bankruptcy reorganization costs which were $141, exclusive of non-cash supplier and claim settlements and payment of $71 of postretirement medical claims in excess of amounts expensed. Operating cash flows in 2006 were also reduced by bankruptcy reorganization costs which used cash of $91 in 2006.

	2007	2006	2005
Cash from Investing			
Purchases of property, plant and equipment	$ (254)	$ (314)	$ (297)
Proceeds from sale of businesses	414		
Proceeds from sale of DCC assets and partnership interests	188	141	161
Proceeds from sale of other assets	7	54	22
Acquisition of business, net of cash acquired		(17)	
Payments received on leases and loans	11	16	68
Other	(18)	34	(8)
Cash flows provided by (used in) investing activities	$ 348	$ (86)	$ (54)

Divestitures of the engine hard parts, fluid products, pumps and trailer axle businesses and the sale of our investment in GETRAG provided cash of $414 in 2007. Proceeds from our continued divestment of DCC assets generated additional proceeds in 2007 of $189. Expenditures for property, plant and equipment were lower in 2007 than in 2006 and 2005 in part due to timing, the redeployment of assets from closed facilities and some program cancellations.

	2007	2006	2005
Cash from Financing			
Net change in short-term debt	$ (21)	$ (551)	$ 492
Payments of long-term debt		(205)	(61)
Proceeds from debtor-in-possession facility	200	700	
Proceeds from European securitization program	119		
Reduction in DCC Medium Term Notes	(132)		
Issuance of long-term debt		7	16
Dividends paid			(55)
Other			6
Cash flows provided by (used in) financing activities	$ 166	$ (49)	$ 398

During 2007, we borrowed an additional $200 under the DIP Credit Agreement that was established in 2006 in connection with our bankruptcy filing to meet our working capital and other cash requirements. Proceeds of $700 were initially obtained in 2006 and used in part to repay obligations under a then existing bank facility and an accounts receivable securitization program which had been used as our primary short-term financing vehicles. The borrowings in 2005 were primarily draws under these financing arrangements.

Certain of our European subsidiaries established an accounts receivable securitization facility during 2007 and at the end of the year had outstanding borrowings of $119 under the facility.

In accordance with the terms of the forbearance agreement discussed in Note 3 to our financial statements in Item 8, proceeds from the sale of DCC assets in 2007 were used to repay $132 of DCC Medium Term Notes. Pursuant to the forbearance agreement with DCC noteholders, proceeds from the sale of DCC assets were remitted to the noteholders at the beginning of each month following the end of each calendar quarter, resulting in the reduction in DCC term notes.

During 2005, we made draws under an accounts receivable securitization program and a five-year revolving credit facility to meet our working capital needs. We also refinanced a secured note due in 2007 related to a DCC investment to a non-recourse note due in August 2010 and increased the principal outstanding from $40 to $55. The remainder of our debt transactions in 2005 was generally limited to $61 of debt repayments, including a $50 scheduled payment at DCC.

Table of Contents

Financing Activities

Cash and Cash Equivalents

At December 31, 2007, cash and cash equivalents held in the U.S. amounted to $513. Included in this amount was $71 of cash deposits that provide credit enhancement for certain lease agreements and support surety bonds that enable us to self-insure our workers compensation obligations in certain states and fund an escrow account required to appeal a judgment rendered in Texas. Cash of $93 held by DCC at December 31, 2007 had been restricted under the terms of a forbearance agreement discussed in Note 3 to our financial statements in Item 8 and was reported separately as restricted cash.

At December 31, 2007, cash and cash equivalents held outside the U.S. amounted to $758. Included in this amount was $40 of cash deposits that provide credit enhancement for certain lease agreements, letters of credit, bank guarantees and support surety bonds that enable us to self-insure certain employee benefit obligations. These deposits are not considered restricted cash as they could have been replaced by letters of credit under our DIP Credit Agreement. See Note 16 to our financial statements in Item 8. Availability at December 31, 2007 was adequate to cover the deposits for which replacement by letters of credit is permitted. Availability under the Exit Facility is also adequate to cover these deposits.

A substantial portion of our non-U.S. cash and equivalents is needed for working capital and other operating purposes. Several countries have local regulatory requirements that significantly restrict Dana s ability to access this cash. In addition, at December 31, 2007, $88 was held by consolidated entities that have minority interests with varying levels of participation rights involving cash withdrawals. Beyond these restrictions, there are practical limitations on repatriation of cash from certain countries because of the resulting tax cost.

Intercompany Loans

Certain of our international operations had intercompany loan obligations to the U.S. totaling $444 at December 31, 2007. These intercompany loans resulted (i) from certain international operations having received cash or other forms of financial support from the U.S. to finance their activities, (ii) from U.S. entities transferring their ownership in certain entities in exchange for intercompany notes and (iii) from certain entities having declared a dividend in kind in the form of a note payable. Intercompany loans of $240 are denominated in a foreign currency and are not considered to be permanently invested as they are expected to be repaid in the near term. Accordingly, foreign exchange gains and losses on these loans are reported in other income (expense) rather than being recorded in OCI as translation gain or loss.

Pre-petition Financing

Before the Filing Date, we had a five-year bank facility maturing on March 4, 2010, which provided $400 of borrowing capacity, and an accounts receivable securitization program that provided up to a maximum of $275 to meet our periodic needs for short-term financing. Outstanding obligations under the bank facility and the accounts receivable securitization facility aggregating $400 at the Filing Date were paid with the proceeds of the term loan under the DIP Credit Agreement and the proceeds from an interim DIP credit facility. The obligations under the accounts receivable securitization program facility were paid with the proceeds of an interim DIP revolving credit facility. The proceeds of the term loan under the DIP Credit Agreement were used to pay off the borrowing under the interim DIP revolving credit facility and the five-year bank facility.

DIP Credit Agreement

We, as borrower, and our Debtor subsidiaries, as guarantors, were parties to the DIP Credit Agreement that was initially approved by the Bankruptcy Court in March 2006. Under the DIP Credit Agreement, we had a $650 revolving credit facility and a $900 term loan facility at December 31, 2007. All of the loans and other obligations under the DIP Credit Agreement were settled as part of the consummation of the Plan, primarily from the funding obtained from the Exit Facility. Amounts borrowed at December 31, 2007 were at a rate of 7.36%, the London Interbank Offered Rate (LIBOR) plus 2.5%. We also paid a commitment fee of 0.375% per annum for unused committed amounts under the facility as well as a fee for issued and undrawn letters of credit in an amount per annum equal to the LIBOR margin applicable to the revolving credit facility and a per annum fronting fee of 0.25%.

The DIP Credit Agreement was guaranteed by substantially all of our domestic subsidiaries, except for DCC and its subsidiaries. As collateral, we and each of our guarantor subsidiaries had granted a security interest in, and lien on, effectively all of our assets, including a pledge of 66% of the equity interests of each material foreign subsidiary directly or indirectly owned by us.

Additionally, the DIP Credit Agreement had required us to (i) maintain a minimum amount of consolidated earnings before interest, taxes, depreciation, amortization, restructuring and reorganization costs (EBITDAR), for each period beginning on March 1, 2006 and ending on the last day of each month from May 2006 through February 2007, and (ii) a rolling 12-month cumulative EBITDAR for us and our direct and indirect subsidiaries, on a consolidated basis, beginning on March 31, 2007 and ending on February 28, 2008, at levels set forth in the DIP Credit Agreement, as amended. We were also required to maintain minimum availability of $100 at all times. The DIP Credit Agreement provided for certain events of default customary for debtor-in-possession financings of this type, including cross default with other indebtedness. Upon the occurrence and during the continuance of any event of default under the DIP Credit Agreement, interest on all outstanding amounts would be payable on demand at 2% above the then applicable rate. We were in compliance with the requirements of the DIP Credit Agreement at December 31, 2007.

As of December 31, 2007, we had borrowed $900 under the DIP Credit Agreement and based on our borrowing base collateral, had additional availability of $282 after deducting the $100 minimum availability requirement and $206 for outstanding letters of credit. Letters of credit issued under the DIP Credit Agreement were transferred to the Exit Facility.

Financing at Emergence

On the Effective Date, Dana, as Borrower, and certain of our domestic subsidiaries, as guarantors, entered into the Exit Facility with Citicorp USA, Inc., Lehman Brothers Inc. and Barclays Capital. The Exit Facility consists of the Term Facility in the total aggregate amount of $1,430 and the $650 Revolving Facility. The Term Facility was fully drawn in borrowings of $1,350 on the Effective Date and $80 on February 1, 2008. Net proceeds were reduced by payment of $114 of original issue discount and customary issuance costs and fees of $40 for net proceeds of $1,276. There were no borrowings under the Revolving Facility, but $200 was utilized for existing letters of credit.

Amounts outstanding under the Revolving Facility may be borrowed, repaid and reborrowed with the final payment due and payable on January 31, 2013. Amounts outstanding under the Term Facility are payable in equal quarterly amounts on the last day of each fiscal quarter at a rate of 1% per annum of the original principal amount of the Term Facility advances, adjusted for any prepayments, prior to January 31, 2014, with the remaining balance due in equal quarterly installments in the final year of the Term Facility and final maturity on January 31, 2015.

The Exit Facility contains mandatory prepayment requirements in certain circumstances upon the sale of assets, insurance recoveries, the incurrence of debt, the issuance of equity securities and on the basis of excess cash flow as defined in the agreement, subject to certain permitted reinvestment rights, in addition to the ability to make optional prepayments. Certain term loan prepayments are subject to a prepayment call premium prior to the second anniversary of the Term Facility.

The Revolving Facility bears interest at a floating rate based on, at our option, the base rate or LIBOR rate (each as described in the Revolving Facility) plus a margin based on the undrawn amounts available under the Revolving Facility set forth below:

Remaining Borrowing Availability	Base Rate	LIBOR Rate
Greater than $450	1.00%	2.00%
Greater than $200 but less than or equal to $450	1.25%	2.25%
$200 or less	1.50%	2.50%

Table of Contents

We will pay a commitment fee of 0.375% per annum for unused committed amounts under the Revolving Facility. Up to $400 of the Revolving Facility may be applied to letters of credit. Issued letters of credit reduce availability. We will pay a fee for issued and undrawn letters of credit in an amount per annum equal to the applicable LIBOR margin based on a quarterly average availability under the Revolving Facility and a per annum fronting fee of 0.25%, payable quarterly.

The Term Facility bears interest at a floating rate based on, at our option, the base rate or LIBOR rate (each as described in the Term Facility) plus a margin of 2.75% in the case of base rate loans or 3.75% in the case of LIBOR rate loans.

For the first 24 months following the Effective Date, the LIBOR rates in each of the Revolving Facility and the Term Facility will not be less than 3.00%. Interest is due quarterly in arrears with respect to base rate loans and at the end of each interest period with respect to LIBOR loans. For LIBOR loans with interest periods greater than 90 days, interest is payable every 90 days from the first day of such interest period and on the date such loan is converted or paid in full.

Under the Exit Facility, Dana (with certain subsidiaries excluded) is required to comply with customary covenants for facilities of this type. These include (i) affirmative covenants as to corporate existence, compliance with laws, making after-acquired property or subsidiaries subject to the liens of the lenders, environmental matters, insurance, payment of taxes, access to books and records, using commercially reasonable efforts to maintain credit ratings, use of proceeds, maintenance of cash management systems, priority of liens in favor of the lenders, maintenance of assets, interest rate protection and quarterly, annual and other reporting obligations, and (ii) negative covenants, including limitations on liens, additional indebtedness, guarantees, dividends, transactions with affiliates, investments, asset dispositions, nature of business, capital expenditures, mergers and consolidations, amendments to constituent documents, accounting changes, and limitations on restrictions affecting subsidiaries and sale and lease-backs.

Under the Term Facility, we are required to maintain compliance with the following financial covenants measured on the last day of each fiscal quarter:

(i) commencing as of December 31, 2008, a maximum leverage ratio of not greater than 3.10 to 1.00 at December 31, 2008, decreasing in steps to 2.25 to 1.00 as of June 30, 2013, based on the ratio of consolidated funded debt to the previous 12 month consolidated earnings before interest, taxes, depreciation and amortization (EBITDA), as defined in the agreement;

(ii) commencing as of December 31, 2008, minimum interest coverage ratio of not less than 4.50 to 1.00 based on the previous 12-month consolidated EBITDA to consolidated interest expense for that period, as defined in the agreement; and

(iii) a minimum EBITDA of $211 for the six months ending June 30, 2008 and of $341 for the nine months ending September 30, 2008.

The Revolving Facility requires us to comply with a minimum fixed charge coverage ratio of not less than 1.10 to 1.00, measured quarter