

DANA HOLDING CORP  
Form 10-Q  
April 25, 2012

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**Form 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

**For the quarterly period ended: March 31, 2012**

**Commission File Number: 1-1063**

**Dana Holding Corporation**

*(Exact name of registrant as specified in its charter)*

Delaware  
(State of incorporation)

26-1531856  
(IRS Employer Identification Number)

3939 Technology Drive, Maumee, OH 43537  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(419) 887-3000**

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  No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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  Accelerated filer  Non-accelerated filer

(Do not check if a smaller reporting company) 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  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 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  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

There were 147,680,933 shares of the registrant’s common stock outstanding at April 13, 2012.

**DANA HOLDING CORPORATION – FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2012**

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**PART I – FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Dana Holding Corporation****Consolidated Statement of Operations (Unaudited)****(In millions except per share amounts)**

	Three Months Ended March 31,	
	2012	2011
Net sales	\$1,977	\$1,800
Costs and expenses		
Cost of sales	1,709	1,585
Selling, general and administrative expenses	113	99
Amortization of intangibles	19	17
Restructuring charges, net	6	30
Other expense, net	3	48
Income before interest expense and income taxes	127	21
Interest expense	21	19
Income before income taxes	106	2
Income tax expense	37	31
Equity in earnings of affiliates	4	4
Net income (loss)	73	(25 )
Less: Noncontrolling interests net income	3	5
Net income (loss) attributable to the parent company	70	(30 )
Preferred stock dividend requirements	8	8
Net income (loss) available to common stockholders	\$62	\$(38 )
Net income (loss) per share available to parent company common stockholders:		
Basic	\$0.42	\$(0.26 )
Diluted	\$0.33	\$(0.26 )
Weighted-average common shares outstanding		
Basic	147.5	145.2
Diluted	214.7	145.2
Dividends declared per common share	\$0.05	\$—

The accompanying notes are an integral part of the consolidated financial statements.

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**Dana Holding Corporation****Consolidated Statement of Comprehensive Income (Unaudited)****(In millions)**

	Three Months Ended March 31,	
	2012	2011
Net income (loss)	\$73	\$(25)
Less: Noncontrolling interests net income	3	5
Net income (loss) attributable to the parent company	70	(30)
Other comprehensive income, net of tax:		
Currency translation adjustments	44	51
Unrealized hedging gains and losses:		
Holding gains (net of \$2 tax)	6	
Reclassification to net income	2	
Unrealized investment gains and other:		
Holding gains	2	
Defined benefit plans:		
Net actuarial loss	(1 )	
Amortization of net actuarial losses included in net periodic benefit cost	3	5
Settlement loss		1
Other comprehensive income attributable to the parent company	56	57
Currency translation adjustments	1	
Other comprehensive income attributable to noncontrolling interests	1	-
Total comprehensive income attributable to the parent company	126	27
Total comprehensive income attributable to noncontrolling interests	4	5
Total comprehensive income	\$130	\$32

The accompanying notes are an integral part of the consolidated financial statements.



**Dana Holding Corporation****Consolidated Balance Sheet (Unaudited)****(In millions except share and per share amounts)**

	March 31, 2012	December 31, 2011
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$773	\$931
Marketable securities	58	56
Accounts receivable		
Trade, less allowance for doubtful accounts of \$8 in 2012 and 2011	1,155	979
Other	190	193
Inventories		
Raw materials	421	388
Work in process and finished goods	434	396
Other current assets	139	106
Total current assets	3,170	3,049
Goodwill	103	100
Intangibles	385	400
Other noncurrent assets	264	273
Investments in affiliates	205	198
Property, plant and equipment, net	1,295	1,285
Total assets	\$5,422	\$5,305
<b>Liabilities and equity</b>		
Current liabilities		
Notes payable, including current portion of long-term debt	\$88	\$71
Accounts payable	1,071	942
Accrued payroll and employee benefits	145	150
Accrued restructuring costs	31	33
Taxes on income	70	46
Other accrued liabilities	214	251
Total current liabilities	1,619	1,493
Long-term debt	847	831
Pension and postretirement obligations	600	762
Other noncurrent liabilities	398	381
Total liabilities	3,464	3,467
Commitments and contingencies (Note 12)		
Parent company stockholders' equity		
Preferred stock, 50,000,000 shares authorized		
Series A, \$0.01 par value, 2,500,000 shares outstanding	242	242
Series B, \$0.01 par value, 5,221,199 shares outstanding	511	511
Common stock, \$0.01 par value, 450,000,000 shares authorized,		



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147,654,491 and 147,319,438 outstanding	1	1	
Additional paid-in capital	2,648	2,643	
Accumulated deficit	(946	) (1,001	)
Treasury stock, at cost (647,991 and 645,734 shares)	(9	) (9	)
Accumulated other comprehensive loss	(594	) (650	)
Total parent company stockholders' equity	1,853	1,737	
Noncontrolling equity	105	101	
Total equity	1,958	1,838	
Total liabilities and equity	\$5,422	\$5,305	

The accompanying notes are an integral part of the consolidated financial statements.

**Dana Holding Corporation****Consolidated Statement of Cash Flows (Unaudited)****(In millions)**

	Three Months Ended March 31,	
	2012	2011
Cash flows - operating activities		
Net income (loss)	\$73	\$(25 )
Depreciation	49	55
Amortization of intangibles	22	21
Amortization of deferred financing charges and original issue discount	1	3
Loss on extinguishment of debt		53
Unremitted earnings of affiliates	(3 )	(4 )
Stock compensation expense	7	3
Deferred income taxes	2	5
Pension contributions (in excess of) less than expense	(165)	4
Change in working capital	(137)	(120 )
Other, net	(2 )	3
Net cash flows used in operating activities	(153)	(2 )
Cash flows - investing activities		
Purchases of property, plant and equipment	(34 )	(33 )
Acquisition of business		(150 )
Proceeds from sale of business		15
Other	(2 )	(12 )
Net cash flows used in investing activities	(36 )	(180 )
Cash flows - financing activities		
Net change in short-term debt	20	13
Proceeds from long-term debt	16	753
Repayment of long-term debt	(3 )	(870 )
Deferred financing payments		(25 )
Dividends paid to preferred stockholders	(8 )	
Dividends paid to common stockholders	(7 )	
Dividends paid to noncontrolling interests		(2 )
Other	1	5
Net cash flows provided by (used in) financing activities	19	(126 )
Net decrease in cash and cash equivalents	(170)	(308 )
Cash and cash equivalents - beginning of period	931	1,090

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Effect of exchange rate changes on cash balances	12	8
Cash and cash equivalents - end of period	\$773	\$790

The accompanying notes are an integral part of the consolidated financial statements.

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**Dana Holding Corporation**

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**Financial Statements**

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**Notes to Consolidated Financial Statements (Unaudited)**

**(In millions, except share and per share amounts)**

**Note 1. Organization and Summary of Significant Accounting Policies**

*General*

Dana Holding Corporation (Dana) is headquartered in Maumee, Ohio and was incorporated in Delaware in 2007. As a leading supplier of driveline products (axles, driveshafts and transmissions), power technologies (sealing and thermal management products) and genuine service parts for vehicle

manufacturers, our customer base includes virtually every major vehicle manufacturer in the global light vehicle, medium/heavy vehicle and off-highway markets.

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

*Summary of significant accounting policies*

*Basis of presentation* — Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. These statements are unaudited, but in the opinion of management include all adjustments

(consisting only of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods. The results reported in these consolidated financial statements should not necessarily be taken as indicative of results that may be expected for the entire year. The financial information included herein should be read in conjunction with the consolidated financial statements in Item 8 of our 2011 Form 10-K.

*Recently adopted accounting pronouncements*

In September 2011, the Financial Accounting Standards Board (FASB) issued guidance to provide an option in a company's annual goodwill impairment test to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing all events and circumstances, it is determined that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step goodwill impairment test is unnecessary. The guidance also expands the qualitative factors that a company should consider between annual impairment tests. The guidance was effective January 1, 2012. The adoption did not impact our financial condition or results of operations.

In June 2011, the FASB issued guidance to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. The standard eliminates the current option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendment requires that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. We have included a separate statement of comprehensive income herein to comply with the guidance, which was effective January 1, 2012. Adoption of this guidance only impacted the presentation of other comprehensive income and did not impact our financial condition or results of operations.

In May 2011, the FASB issued guidance to improve consistency in application of existing fair value measurement and disclosure requirements. The standard is intended to clarify the application of the requirements, not to establish valuation standards or affect valuation practices outside of financial reporting. The guidance was effective January 1, 2012. Adoption of this guidance did not have a material impact on our financial condition or results of operations.

*Recently issued accounting pronouncements*

In December 2011, the FASB issued guidance to enhance disclosures about offsetting assets and liabilities. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The guidance is effective for interim and annual periods beginning on or after January 1, 2013. We do not expect adoption of this guidance to impact our financial condition or results of operations.

**Note 2. Acquisitions and Divestitures**

*SIFCO* — In February 2011, we entered into an agreement with SIFCO, a leading producer of steer axles and forged components in South America. In return for a payment of \$150 to SIFCO, we acquired the distribution rights to SIFCO's commercial vehicle steer axle systems as well as an exclusive long-term supply agreement for key driveline components. Additionally, SIFCO will provide selected assets and assistance to Dana to establish assembly capabilities for these systems. We are now responsible for all customer relationships, including marketing, sales, engineering and assembly. The addition of truck and bus steer axles to our product offering in South America effectively positions us as the leading full-line supplier of commercial vehicle drivelines — including front and rear axles, driveshafts and suspension systems — in South America. This acquisition contributed \$390 to 2011 sales.

*Dongfeng Dana Axle* — On June 30, 2011, we purchased an additional 46% interest in Dongfeng Dana Axle Co., Ltd. (DDAC), a commercial vehicle axle manufacturer in China, from Dongfeng Motor Co., Ltd. (Dongfeng Motor) and certain of its affiliates for \$124 plus \$6 of transaction costs. Combined with the 4% interest purchased in June 2007, we now own 50% of the registered capital of DDAC. This investment is being accounted for under the equity method.

In connection with our increase in ownership, DDAC entered into an agreement with a Dongfeng Motor affiliate that provides for reductions in the selling price of goods sold by DDAC to such affiliate for a period of up to four years if the earnings of DDAC surpass specified targets. Dana's share of DDAC's earnings could be reduced by an amount not to exceed \$20. We have concluded that the impact of this agreement comprises contingent consideration and have preliminarily recorded \$5 as the fair value of the contingent consideration.

Our additional investment in DDAC, inclusive of fees and contingent consideration, was recorded at its fair value of \$135, an excess of \$70 over the corresponding DDAC book value. This fair value increase has preliminarily been allocated as follows: (1) amortizable intangible assets of \$18; (2) property, plant and equipment of \$16; (3) inventories of \$1; (4) goodwill of \$42; and (5) deferred tax liabilities of \$7. The increase in basis related to property, plant and equipment is being depreciated on a straight-line basis over the remaining useful lives of the assets ranging from 10 to 45 years. The amortizable intangible assets are being amortized on a straight-line basis over the remaining useful lives

of the assets ranging from four to 15 years. The purchase price allocation is based on preliminary valuation estimates and subject to adjustment as the valuations are finalized.

The following unaudited pro forma information presents the results of operations of Dana as if the additional 46% investment in DDAC had been acquired on January 1, 2010. The unaudited pro forma financial information is not intended to represent or be indicative of the results of operations of Dana that would have been reported had the acquisition been completed as of the dates presented and should not be taken as representative of the future results of operations of Dana.

	Three Months Ended March 31, 2011
Net loss	
As reported	\$ (25 )
Pro forma	\$ (21 )
Net loss attributable to the parent company	
As reported	\$ (30 )
Pro forma	\$ (26 )
Net loss available to common stockholders	
As reported	\$ (38 )
Pro forma	\$ (34 )
Net loss per share - Basic	
As reported	\$ (0.26 )
Pro forma	\$ (0.23 )
Net loss per share - Diluted	
As reported	\$ (0.26 )
Pro forma	\$ (0.23 )

*Axles India* — On June 30, 2011, we acquired the axle drive head and final assembly business of our Axles India Limited (AIL) equity affiliate for \$13. This business is reported in our Commercial Vehicle segment.

This transaction is being accounted for as a business combination. We expect the aggregate fair value of the net assets acquired to approximate the \$13 paid to AIL. The estimated fair values of major assets acquired and liabilities assumed are as follows: accounts receivable of \$1; inventories of \$3; equipment of \$3; intangible assets of \$11; and accounts payable and other accrued liabilities of \$5. The purchase price allocations are preliminary and subject to adjustment as the valuations are finalized.



*Dana Rexroth Transmission Systems* — In October 2011, we formed a 50/50 joint venture with Bosch Rexroth to develop and manufacture advanced powersplit drive transmissions for the off-highway market. We contributed \$8 to the venture in 2011 and are accounting for our investment under the equity method.

*Divestiture of GETRAG Entities* — On September 30, 2011, we completed the divestitures of our 49% equity interest in GETRAG Corporation and our 42% equity interest in GETRAG Dana Holding GmbH (together the GETRAG Entities) for \$136. A \$60 gain was recorded in the third quarter of 2011 in connection with the divestitures and included in other income, net.

*Divestiture of Structural Products business* — In December 2009, we signed an agreement to sell substantially all of the assets of our Structural Products business to Metalsa S.A. de C.V. (Metalsa), the largest vehicle frame and structures supplier in Mexico. The agreement excluded the facility in Longview, Texas and the employees and manufacturing assets related to a significant customer contract that will continue until the middle of 2012. We judged these retained activities to be a significant portion of the Structural Products operating segment and concluded that the divested operations did not comprise a component of an entity. Accordingly, the portion of the Structural Products business sold to Metalsa has not been presented as discontinued operations in the accompanying financial statements.

We had received cash proceeds of \$134 through the end of 2011, excluding amounts related to working capital adjustments and tooling. Approximately \$13 remained as a receivable at the end of 2011 with a corresponding amount held in escrow. Approximately \$11 of the funds held in escrow was to be released to Dana in September 2011; however, the buyer presented claims to the escrow agent seeking indemnification from Dana. The escrow agent is precluded from releasing the funds held in escrow until Dana and the buyer resolve the issues underlying the claims. We are evaluating the claims and do not presently believe that any obligation to indemnify the buyer will be material.

In connection with the sale, leases covering three U.S. facilities were assigned to a U.S. affiliate of Metalsa. Under the terms of the sale agreement, we will guarantee the affiliate's performance under the leases, which run through June 2025, including approximately \$6 of annual payments. In the event of a required payment by Dana as guarantor, we are entitled to pursue full recovery from Metalsa of the amounts paid under the guarantee and to take possession of the leased property.

*Other* — We are negotiating the divestiture of our axle, differential and brake systems business serving the leisure, all-terrain-vehicle and utility vehicle markets. Sales of the business approximated \$53 and \$59 in 2011 and 2010. Based on the expected sales price, we recorded an asset impairment of \$2 in the first quarter of 2012. The assets of the business approximate \$14, including \$3 of property, plant and equipment, and liabilities approximate \$6. These amounts are not material for reporting as items held for sale separately on the face of the consolidated balance sheet at March 31, 2012.

### **Note 3. Goodwill and Other Intangible Assets**

*Goodwill* — Our goodwill is assigned to our Off-Highway segment. The changes in the carrying amount of goodwill are due to currency fluctuations.

*Components of other intangible assets* —

	Weighted Average Useful Life (years)	March 31, 2012			December 31, 2011		
		Gross Carrying Amount	Accumulated Impairment and Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Impairment and Amortization	Net Carrying Amount
Amortizable intangible assets							
Core technology	7	\$93	\$ (60	) \$ 33	\$92	\$ (55	) \$ 37
Trademarks and trade names	16	4	(1	) 3	4	(1	) 3
Customer relationships	8	555	(271	) 284	545	(250	) 295
Non-amortizable intangible assets							
Trademarks and trade names		65		65	65		65
		\$717	\$ (332	) \$ 385	\$706	\$ (306	) \$ 400

The net carrying amounts of intangible assets, other than goodwill, attributable to each of our operating segments at March 31, 2012 were as follows: Light Vehicle Driveline (LVD) — \$14, Power Technologies — \$34, Commercial Vehicle — \$234 and Off-Highway — \$103.

*Amortization expense related to amortizable intangible assets —*

	Three Months Ended March 31, 2011 2010	
Charged to cost of sales	\$3	\$4
Charged to amortization of intangibles	19	17
Total amortization	\$22	\$21

The following table provides the estimated aggregate pre-tax amortization expense related to intangible assets for each of the next five years based on March 31, 2012 exchange rates. Actual amounts may differ from these estimates due to such factors as currency translation, customer turnover, impairments, additional intangible asset acquisitions and other events.

	Remainder of 2012	2013	2014	2015	2016
Amortization expense \$	66	\$ 88	\$ 56	\$ 25	\$ 23

**Note 4. Restructuring of Operations**

Our restructuring activities primarily include rationalizing our operating footprint by consolidating facilities, positioning operations in lower cost locations and reducing overhead costs. Restructuring expense includes costs associated with current and previously announced actions and is comprised of contractual and noncontractual separation costs and exit costs, including costs associated with lease continuation obligations and certain operating costs of facilities that we are in the process of closing. We classify the incremental depreciation associated with a planned closure as accelerated depreciation/impairment and also include this cost in restructuring expense.

Restructuring expense of \$6 during the first quarter of 2012 is primarily attributable to costs associated with previously announced initiatives and includes \$4 of severance and related benefit costs and \$2 of exit costs.

During the first quarter of 2011, we reached an agreement with the lessor to settle our LVD lease associated with the previously announced planned closure of the Yennora, Australia facility. Under the terms of the agreement, we recognized \$20 of lease termination costs. Additionally, we approved the realignment of several manufacturing operations, including the planned closure of our LVD manufacturing facility in Marion, Indiana. Including costs associated with previously announced initiatives, we expensed \$30 for restructuring actions during the first quarter of 2011, including \$1 of severance and related benefit costs, \$28 of exit costs and \$1 of accelerated depreciation/impairment cost.

*Restructuring charges and related payments and adjustments —*

	Employee Termination Benefits	Exit Costs	Total
Balance at December 31, 2011	\$ 30	\$ 3	\$ 33
Activity during the period:			
Charges to restructuring	4	2	6
Cash payments	(6 )	(2 )	(8 )
Balance at March 31, 2012	\$ 28	\$ 3	\$ 31

At March 31, 2012, the accrued employee termination benefits relate to the reduction of approximately 1,200 employees to be completed over the next two years. The exit costs relate primarily to lease terminations. We estimate cash expenditures to approximate \$18 in 2012 and \$13 thereafter.

*Cost to complete* — The following table provides project-to-date and estimated future expenses for completion of our pending restructuring initiatives for our business segments.

	Expense Recognized		Total	Future Cost to Complete
	Prior to 2012	2012		
LVD	\$23	\$ 2	\$ 25	\$ 11
Power Technologies	12		12	6
Commercial Vehicle	22	4	26	14
Off-Highway	8		8	2
Structures	2		2	5
Corporate	6		6	2
Total	\$73	\$ 6	\$ 79	\$ 40

The future cost to complete includes estimated separation costs, primarily those associated with one-time benefit programs, and exit costs, including lease continuation costs, equipment transfers and other costs which are required to be recognized as closures are finalized or as incurred during the closure. Included in the future cost to complete is the lease continuation obligation associated with the previously announced closure of our Commercial Vehicle facility in Kalamazoo, Michigan, which we expect to cease using in 2012.

## Note 5. Earnings per Share

*Reconciliation of the numerators and denominators of the earnings per share calculations —*

(In millions)	Three Months Ended March 31,	
	2012	2011
Income (loss) available to common stockholders -		
Numerator basic	\$62	\$(38 )
Preferred stock dividend requirements	8	
Numerator diluted	\$70	\$(38 )

Weighted-average number of shares outstanding -

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Denominator basic	147.5	145.2
Employee compensation-related shares, including stock options	2.5	
Conversion of preferred stock	64.7	
Denominator diluted	214.7	145.2

The share count for diluted earnings per share is computed on the basis of the weighted-average number of common shares outstanding plus the effects of dilutive common stock equivalents (CSEs) outstanding during the period. We excluded 0.6 million CSEs from the calculation of diluted earnings per share for the quarter ended March 31, 2011 as the effect of including them would have been anti-dilutive. In addition, we excluded CSEs that satisfied the definition of potentially dilutive shares of 4.1 million for the quarter ended March 31, 2011 since there was no net income available to common stockholders for this period.

We excluded 65.5 million CSEs related to the assumed conversion of the preferred stock for the quarter ended March 31, 2011, along with the adjustment for the related dividend requirements, as the effect of the conversion would have been anti-dilutive for the period.

**Note 6. Stock Compensation**

Our Board of Directors approved the grant of stock options, stock appreciation rights (SARs), restricted stock units (RSUs) and performance share units (PSUs) shown in the table below during the first quarter of 2012 under the 2008 Omnibus Incentive Plan.

	Granted	Weighted-average Per Share	
	(In millions)	Exercise Price	Grant Date Fair Value
Stock options	0.7	\$ 15.99	\$ 7.92
SARs	0.2	\$ 15.97	\$ 7.90
RSUs	0.6		\$ 15.91
PSUs	0.1		\$ 16.00

Stock options and SARs related to 0.3 million shares were exercised and 0.1 million shares were forfeited in the first quarter of 2012. We received less than \$1 of cash from the exercise of stock options and we paid less than \$1 of cash to settle SARs during the first quarter of 2012.

We estimated fair values for options and SARs granted during 2012 using the following key assumptions as part of the Black-Scholes option pricing model. The expected term was estimated using the simplified method because the limited period of time our common stock has been publicly traded provides insufficient historical exercise data. The dividend yield was calculated by dividing the expected annual dividend by the average stock price of our common stock over the prior year. The expected volatility was estimated using a combination of the historical volatility of similar entities and the implied volatility of our exchange-traded options.

	Options	SARs
Expected term (in years)	6.00	6.00
Risk-free interest rate	1.24 %	1.24 %
Dividend yield	1.33 %	1.33 %
Expected volatility	59.90 %	59.90 %



We recognized stock compensation expense of \$7 and \$3 during the first quarters of 2012 and 2011. At March 31, 2012, the total unrecognized compensation cost related to the nonvested equity awards granted and expected to vest over the next 31 months was \$29. This cost is expected to be recognized over a weighted-average period of 2.1 years.

Our stockholders approved a 2012 Omnibus Incentive Plan at the April 2012 stockholder meeting which replaced the 2008 Omnibus Incentive Plan (Prior Plan). The plan authorizes grants of stock awards through April 2022 and provides for the issuance of up to 5.0 million shares of common stock, in addition to the 1.9 million shares available for future awards under the Prior Plan and any additional shares which become available as a result of forfeitures. Cash-settled awards do not count against the maximum.

#### **Note 7. Pension and Postretirement Benefit Plans**

We have a number of defined contribution and defined benefit, qualified and nonqualified, pension plans covering eligible employees. Other postretirement benefits (OPEB), including medical and life insurance, are provided for certain employees upon retirement.

*Components of net periodic benefit costs —*

	Pension				OPEB - Non-U.S.	
	2012		2011		2012	2011
Three Months Ended March 31,	U.S.	Non-U.S.	U.S.	Non-U.S.		
Interest cost	\$21	\$ 3	\$24	\$ 4	\$ 1	\$ 2
Expected return on plan assets	(27)		(26)	(1 )		
Service cost		1		1		
Amortization of net actuarial loss	3		5			
Settlement loss				1		
Net periodic benefit cost	\$(3 )	\$ 4	\$3	\$ 5	\$ 1	\$ 2

In January 2012, we made a voluntary contribution of \$150 to the U.S. pension plans which we presently expect to be incremental to the minimum required contribution.

In 2012, in accordance with our policy, we changed the amortization period related to deferred losses accumulated in other comprehensive income, following the corridor approach, from the average remaining service period of active participants to the average remaining life expectancy of inactive participants for one of our U.S. plans as a result of almost all of the plan's participants being inactive.

**Note 8. Stockholders' Equity**

*Series A and Series B preferred stock* — Dividends on our 4.0% Series A Convertible Preferred Stock and 4.0% Series B Convertible Preferred Stock (preferred stock) are accrued monthly and are payable in cash as approved by the Board of Directors. Preferred dividends of \$8 were accrued at March 31, 2012 and December 31, 2011.

*Common stock* — Our Board of Directors declared a quarterly cash dividend of five cents per share of common stock in the first quarter of 2012. Aggregate declared and paid dividends totaled \$7. Dividends accrue on RSUs granted under our stock compensation program and will be paid in additional units when such common shares are distributed.

*Changes in equity —*

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Three Months Ended March 31,	2012			2011		
	Attributable to Parent	Attributable to Non-controlling Interests	Total Equity	Attributable to Parent	Attributable to Non-controlling Interests	Total Equity
Balance, December 31	\$1,737	\$ 101	\$1,838	\$1,687	\$ 99	\$1,786
Total comprehensive income	126	4	130	27	5	32
Preferred stock dividends	(8 )		(8 )	(8 )		(8 )
Common stock dividends	(7 )		(7 )			
Dividends attributable to noncontrolling interests					(2 )	(2 )
Stock compensation	5		5	8		8
Stock withheld for employee taxes				(2 )		(2 )
Ending Balance, March 31	\$1,853	\$ 105	\$1,958	\$1,712	\$ 102	\$1,814

**Note 9. Marketable Securities**

	March 31, 2012			December 31, 2011		
	Cost	Unrealized	Fair	Cost	Unrealized	Fair
		Gains	Value		Gains	Value
U.S. government securities	\$ 8	\$ -	\$ 8	\$ 10	\$ -	\$ 10
Corporate securities	10		10	8		8
Certificates of deposit	13		13	13		13
Other	25	2	27	25		25
Total marketable securities	\$ 56	\$ 2	\$ 58	\$ 56	\$ -	\$ 56

U.S. government securities include bonds issued by government-sponsored agencies and Treasury notes. Corporate securities include both debt and equity securities. Other consists of investments in mutual and index funds. U.S. government securities, corporate debt and certificates of deposit maturing in one year or less, after one year through five years and after five years total \$14, \$9 and \$8 at March 31, 2012.

Proceeds from liquidating available-for-sale marketable securities prior to their scheduled maturities were \$1 and \$5 in the first quarters of 2012 and 2011. The related gains and losses realized on this activity were not significant.

**Note 10. Financing Agreements**

*Senior notes* — In January 2011, we completed an offering of senior unsecured notes (the Senior Notes) which generated net proceeds of \$733. These proceeds, together with available cash of \$127, were used to repay in full all amounts then outstanding under our Term Facility. The aggregate principal amount of the Senior Notes is \$750, with \$400 at a fixed interest rate of 6.50% maturing in 2019 and \$350 at a fixed rate of 6.75% maturing in 2021. At March 31, 2012, we had \$750 principal amount of Senior Notes outstanding. The weighted-average interest rate on the Senior Notes was 6.62%. Interest on the notes is payable on February 15 and August 15 of each year.

*Revolving facility* — We maintain a revolving credit agreement from lenders permitting aggregate borrowings of up to \$500. The revolving credit agreement bears interest at a floating rate based on, at our option, the base rate or London Interbank Offered Rate (LIBOR) (each as described in the revolving credit agreement) plus a margin based on the undrawn amounts available under the agreement. Commitment fees are applied based on the average daily unused portion of the available amounts under the facility. If the average daily use is less than 50%, the applicable fee will be 0.50% per annum. If the average daily unused portion of the facility is equal to or greater than 50%, the applicable fee will be 0.625% per annum. Up to \$300 of the facility may be applied to letters of credit, which reduces availability.

We pay a fee for issued and undrawn letters of credit in an amount per annum equal to the applicable LIBOR margin based on a quarterly average availability under the facility and a per annum fronting fee of 0.25%, payable quarterly. There were no borrowings under the facility at March 31, 2012 but we had utilized \$73 for letters of credit. Based on our borrowing base collateral of \$470, we had potential availability at March 31, 2012 under the revolving facility of \$397 after deducting the outstanding letters of credit. The facility expires in February 2016.

*European receivables loan facility* — Certain of our European subsidiaries participate in an accounts receivable backed credit facility which permits borrowings of up to €75 (\$100 at the March 31, 2012 exchange rate). Availability under the program is subject to the existence of adequate levels of supporting accounts receivable. As of March 31, 2012, we had potential availability of \$100 based on the effective borrowing base. Advances under the program will bear interest based on the LIBOR applicable to the currency in which each advance is denominated or an Alternate Base Rate (as defined). All advances are to be repaid in full by March 2016. We pay a fee on any unused amount of the program, in addition to other customary fees. At March 31, 2012, we had no borrowings under this program.

*Debt covenants* — At March 31, 2012, we were in compliance with the covenants of our debt agreements. Under the revolving facility and the Senior Notes, we are required to comply with certain incurrence-based covenants customary for facilities of these types.

The incurrence-based covenants in the revolving facility permit us to, among other things, (i) issue foreign subsidiary indebtedness, (ii) incur general secured indebtedness and (iii) incur additional unsecured debt so long as the pro forma minimum fixed charge coverage ratio is at least 1.1:1.0. We may also make dividend payments in respect of our common stock as well as certain investments and acquisitions so long as there is (i) at least \$125 of pro forma excess borrowing availability or (ii) at least \$75 of pro forma excess borrowing availability and the pro forma minimum fixed charge coverage ratio is at least 1.1:1.0. The indenture governing the Senior Notes includes similar incurrence-based covenants that may subject us to additional specified limitations.

### Note 11. Fair Value Measurements and Derivatives

In measuring the fair value of our assets and liabilities, we use market data or assumptions that we believe market participants would use in pricing an asset or liability including assumptions about risk when appropriate. Our valuation techniques include a combination of observable and unobservable inputs.

*Fair value measurements on a recurring basis* — Assets and liabilities that are carried in our balance sheet at fair value are as follows:

		Fair Value Measurements Using		
		Quoted	Significant	Significant
		Prices	Inputs	Inputs
		in	Observable	Unobservable
		Active	Marked	
		Markets	(Level 1)	(Level 2)
		(Level 1)	(Level 2)	(Level 3)
March 31, 2012	Total			
Notes receivable - noncurrent asset	\$119	\$-	\$ -	\$ 119
Marketable securities - current asset	58	37	21	
Currency forward contracts - current asset	2		2	
Currency forward contracts - current liability	4		4	
December 31, 2011				
Notes receivable - noncurrent asset	\$116	\$-	\$ -	\$ 116
Marketable securities - current asset	56	33	23	
Currency forward contracts - current asset	1		1	
Currency forward contracts - current liability	16		16	

*Foreign currency derivatives* — The total notional amounts of outstanding foreign currency forward contracts as of March 31, 2012 and December 31, 2011 were \$177 and \$213 comprised of currency forward contracts involving the exchange of various currencies.

The following currency forward contracts were outstanding at March 31, 2012 and are primarily associated with forecasted transactions involving the purchases and sales of inventory through the next twelve months:

Functional Currency	Traded Currency	Notional Amount (U.S. Dollar Equivalent)			Maturity
		Designated as			
		Cash Flow Hedges	Undesignated	Total	
U.S. dollar	Mexican peso	\$90	\$ -	\$90	Mar-13
Euro	U.S. dollar, Canadian dollar, Hungarian forint, Japanese yen	26	5	31	Dec-12
British pound	U.S. dollar, Euro	13		13	Dec-12
Swedish krona	Euro	12		12	Dec-12
Australian dollar	U.S. dollar	8		8	Dec-12
Indian rupee	U.S. dollar, British pound, Euro		16	16	Dec-12
Other	Various	6	1	7	Dec-12
Total forward contracts		\$155	\$ 22	\$177	

*Cash flow hedges* — With respect to contracts designated as cash flow hedges, changes in fair value during the period in which the contracts remain outstanding are reported in other comprehensive income (OCI) to the extent such contracts remain effective. Changes in fair value of those contracts that are not designated as cash flow hedges are reported in income in the period in which the changes occur. Forward contracts associated with product-related transactions are marked to market in cost of sales while other contracts are marked to market through other income, net. Amounts recorded in OCI are ultimately reclassified to earnings in the same periods in which the underlying transactions affect earnings.

*Amounts to be reclassified to earnings* — Deferred losses of \$3 at March 31, 2012, which are reported in AOCI, are expected to be reclassified to earnings during the next twelve months. Amounts expected to be reclassified to earnings assume no change in the current hedge relationships or to March 31, 2012 market rates. Deferred losses at December 31, 2011 were \$13, of which \$2 was reclassified from AOCI to earnings in the first quarter of 2012. The remainder of the reduction of deferred losses in AOCI was primarily attributable to the weakening of the U.S. dollar against the Mexican peso during the first quarter of 2012.

*Changes in Level 3 recurring fair value measurements* —

Three  
Months



	Ended	
	March 31,	
Notes receivable	2012	2011
Beginning of period	\$116	\$103
Accretion of value (interest income)	4	3
Other	(1 )	
End of period	\$119	\$106

*Fair value measurements on a nonrecurring basis* — In addition to items that are measured at fair value on a recurring basis, we also have long-lived assets that may be measured at fair value on a nonrecurring basis. These assets include intangible assets and property, plant and equipment which may be written down to fair value as a result of impairment.

## **Note 12. Commitments and Contingencies**

*Asbestos personal injury liabilities* — We had approximately 26,000 active pending asbestos personal injury liability claims at March 31, 2012 and at December 31, 2011. In addition, approximately 1,000 mostly inactive claims have been settled and are awaiting final documentation and dismissal, with or without payment. We have accrued \$85 for indemnity and defense costs for settled, pending and future claims at March 31, 2012, compared to \$89 at December 31, 2011. We use a fifteen-year time horizon for our estimate of this liability.

At March 31, 2012, we had recorded \$52 as an asset for probable recovery from our insurers for the pending and projected asbestos personal injury liability claims, compared to \$53 recorded at December 31, 2011. The recorded asset represents our assessment of the capacity of our current insurance agreements to provide for the payment of anticipated defense and indemnity costs for pending claims and projected future demands. The recognition of these recoveries is based on our assessment of our right to recover under the respective contracts and on the financial strength of the insurers. We have coverage agreements in place with our insurers confirming substantially all of the related coverage and payments are being received on a timely basis. The financial strength of these insurers is reviewed at least annually with the assistance of a third party. The recorded asset does not represent the limits of our insurance coverage, but rather the amount we would expect to recover if we paid the accrued indemnity and defense costs.

*Other product liabilities* — We had accrued \$1 for non-asbestos product liability costs at March 31, 2012 and December 31, 2011, with no recovery expected from third parties at either date. We estimate these liabilities based on assumptions about the value of the claims and about the likelihood of recoveries against us derived from our historical experience and current information.

*Environmental liabilities* — Accrued environmental liabilities were \$12 at March 31, 2012 and \$13 at December 31, 2011. We consider the most probable method of remediation, current laws and regulations and existing technology in determining the fair value of our environmental liabilities. Other accounts receivable included a related recoverable from an insurer of \$2 at both dates.

*Bankruptcy claims resolution* — Dana and forty of its wholly-owned subsidiaries (collectively, the Debtors) reorganized under Chapter 11 of the U.S. Bankruptcy Code (Chapter 11) from March 3, 2006 until emergence on January 31, 2008 (the Effective Date). On the Effective Date, we consummated the Third Amended Joint Plan of Reorganization of

Debtors and Debtors in Possession as modified (the Plan) and emerged from Chapter 11. The last of the common shares reserved for holders of allowed unsecured nonpriority claims were distributed during the third quarter of 2011. On February 16, 2012, a final decree was issued and the bankruptcy case was closed.

*Other legal matters* — We are subject to various pending or threatened legal proceedings arising out of the normal course of business or operations. In view of the inherent difficulty of predicting the outcome of such matters, we cannot state what the eventual outcome of these matters will be. However, based on current knowledge and after consultation with legal counsel, we believe that the liabilities that may result from these proceedings will not have a material adverse effect on our liquidity, financial condition or results of operations.

### **Note 13. Warranty Obligations**

We record a liability for estimated warranty obligations at the dates our products are sold. We record the liability based on our estimate of costs to settle future claims. Adjustments are made as new information becomes available.

*Changes in warranty liabilities —*

	Three Months Ended	
	March 31,	
	2012	2011
Balance, beginning of period	\$ 72	\$ 85
Amounts accrued for current period sales	9	10
Adjustments of prior accrual estimates	1	1
Settlements of warranty claims	(6 )	(13 )
Currency impact	1	2
Balance, end of period	\$ 77	\$ 85

We have been notified of an alleged quality issue at a foreign subsidiary of Dana that produces engine coolers for a unit of Sogefi SpA that were used in modules supplied to Volkswagen. Based on the information currently available to us, we do not believe that this matter will result in a material liability to Dana.

**Note 14. Income Taxes**

We estimate the effective tax rate expected to be applicable for the full fiscal year and use that rate to provide for income taxes in interim reporting periods. We also recognize the tax impact of certain discrete (unusual or infrequently occurring) items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur.

We reported income tax expense of \$37 and \$31 for the quarters ended March 31, 2012 and 2011. The income tax rate varies from the U.S. federal statutory rate of 35% due to valuation allowances in several countries, nondeductible expenses, different statutory tax rates outside the U.S. and withholding taxes related to repatriations of international earnings to the U.S.

We record interest income or expense, as well as penalties, related to uncertain tax positions as a component of income tax expense or benefit. Net interest expense for the periods presented herein is not significant.

We provide for U.S. federal income and non-U.S. withholding taxes on earnings of our non-U.S. operations that are not considered to be permanently reinvested. We analyze and adjust the estimated tax impact of the income and non-U.S. withholding liabilities based on the amount and source of these earnings. We recognized expense of \$2 and \$1 for the quarters ended March 31, 2012 and 2011 related to future income taxes and non-U.S. withholding taxes on repatriations from operations that are not permanently reinvested.

We have generally not recognized tax benefits on losses generated in several entities, including the U.S., where the recent history of operating losses does not allow us to satisfy the “more likely than not” criterion for the recognition of deferred tax assets. Consequently, there is no income tax expense or benefit recognized on the pre-tax income or losses in these jurisdictions as valuation allowances are adjusted to offset the associated tax effect. We believe that it is reasonably possible that valuation allowances of \$33 will be released in the next twelve months.

#### Note 15. Other Expense, Net

	Three Months Ended March 31, 2012 2011	
Interest income	\$6	\$7
Foreign exchange gain (loss)	(9)	(3 )
Loss on extinguishment of debt		(53)
Strategic transaction expenses	(3)	(2 )
Impairment of long-lived assets	(2)	
Other	5	3
Other expense, net	\$(3)	\$(48)

Foreign exchange gains and losses on cross-currency intercompany loan balances that are not considered permanently invested are reported above. Foreign exchange gains and losses on loans that are permanently invested are reported in OCI.

The loss on extinguishment of debt resulted from writing off the original issue discount and previously deferred financing fees in connection with refinancing our long-term debt and modifying our credit facilities in the first quarter of 2011.

## Note 16. Segments

The components that management establishes for purposes of making decisions about an enterprise's operating matters are referred to as "operating segments." We manage our operations globally through five operating segments: two on-highway segments – LVD and Commercial

Vehicle – Off-Highway, Power Technologies and Structures.

We report the results of our operating segments and related disclosures about each of our segments on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to those segments. The primary measure of operating results is segment EBITDA. The most significant impact on our ongoing results of operations as a result of applying fresh start accounting following our emergence from bankruptcy was higher depreciation and amortization. Management believes by using segment EBITDA, a performance measure which excludes depreciation and amortization, the comparability of results is enhanced. In addition, segment EBITDA is an important measure since the financial covenants in our debt agreements are based, in part, on EBITDA. Our segments are charged for corporate and other shared administrative costs.

### Segment information —

Three Months Ended March 31,	2012			2011		
	External Sales	Inter- Segment Sales	Segment EBITDA	External Sales	Inter- Segment Sales	Segment EBITDA
LVD	\$727	\$ 58	\$ 63	\$673	\$ 56	\$ 66
Power Technologies	268	5	40	267	7	40
Commercial Vehicle	551	33	61	475	29	43
Off-Highway	418	15	49	373	15	41
Structures	13		2	11		
Eliminations and other		(111 )		1	(107 )	
Total	\$1,977	\$ -	\$ 215	\$1,800	\$ -	\$ 190



*Reconciliation of segment EBITDA to consolidated net income (loss) —*

	Three Months Ended March 31, 2012 2011	
Segment EBITDA	\$215	\$190
Corporate expense and other items, net	(3 )	(9 )
Depreciation	(49 )	(55 )
Amortization of intangibles	(22 )	(21 )
Restructuring	(6 )	(30 )
Loss on extinguishment of debt		(53 )
Strategic transaction and other expenses	(5 )	(4 )
Loss on sale of assets	(3 )	(1 )
Stock compensation expense	(7 )	(2 )
Foreign exchange on intercompany loans and market value adjustments on forwards	1	(1 )
Interest expense	(21 )	(19 )
Interest income	6	7
Income before income taxes	106	2
Income tax expense	37	31
Equity in earnings of affiliates	4	4
Net income (loss)	\$73	\$(25 )

**Note 17. Equity Affiliates**

At March 31, 2012, we had a number of investments in entities that engage in the manufacture of vehicular parts — primarily axles, driveshafts and wheel-end braking systems — supplied to OEMs.

*Ownership percentages and balances of equity method investments exceeding \$5 at March 31, 2012 —*

	Ownership Percentage Investment	
Dongfeng Dana Axle Co., Ltd.	50%	\$ 149
Bendix Spicer Foundation Brake, LLC	20%	30
Axles India Limited	48%	9



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Dana Rexroth Transmission Systems S.r.l.	50%	5
All others as a group	Various	10
Investments in equity affiliates		203
Investment in affiliates carried at cost	Various	2
Investment in affiliates		\$ 205

*Summarized financial information for DDAC —*

	Three Months Ended March 31,	
	2012	2011
Sales	\$213	\$275
Gross profit	\$23	\$22
Pre-tax income	\$6	\$13
Net income	\$5	\$11
Dana's equity earnings in affiliate	\$2	

**Item 2. 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 this report.

**Forward-Looking Information**

Statements in this report (or otherwise made by us or on our behalf) that are not entirely historical constitute “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are indicated by words such as “anticipates,” “expects,”

“believes,” “intends,” “plans,” “estimates,” “projects,” “outlook” and similar expressions. These statements represent the present expectations of Dana Holding Corporation and its consolidated subsidiaries (Dana) based on our 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 and in our other filings with the Securities and Exchange Commission (SEC). All forward-looking statements speak only as of the date made and we undertake no obligation to publicly update or revise any forward-looking statement to reflect events or circumstances that may arise after the date of this report.

**Management Overview**

Dana is headquartered in Maumee, Ohio and was incorporated in Delaware in 2007. We are a global provider of high technology driveline, sealing and thermal-management products for virtually every major vehicle manufacturer in the on-highway and off-highway markets. Our driveline products – axles, driveshafts and transmissions – are delivered through the Light Vehicle Driveline (LVD) and Commercial Vehicle segments of our global On-Highway Driveline Technologies (On-Highway) business unit and through our Off-Highway Driveline Technologies (Off-Highway) business unit. Our third global business unit – Power Products Technologies (Power Technologies) – is the center of excellence for the sealing and thermal technologies that span all customers in our on-highway and off-highway markets. We have a diverse customer base and geographic footprint which minimizes our exposure to individual market and segment declines. At March 31, 2012, we employed approximately 25,500 people, operated in 26 countries and had 95 major manufacturing/distribution, engineering and office facilities around the world.

In the first quarter of 2012, 49% of our sales came from North American operations and 51% from operations throughout the rest of the world. Our On-Highway business accounted for 64% of our global sales, the Off-Highway business represented 21%, Power Technologies accounted for 14% and Structures was 1%.

Our internet address is [www.dana.com](http://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 website into this report.

### **Operational and Strategic Initiatives**

During the past three years, we have significantly improved our financial condition — reducing debt, raising additional equity, improving the profitability of customer programs and eliminating structural costs. We have also strengthened our leadership team and streamlined our operating segments to focus on our core competencies of driveline technologies, sealing systems and thermal management. As a result, we believe that we are well-positioned to put increasing focus on profitable growth.

While we intend to continue aggressively reducing cost and streamlining our business operations, our future strategy includes several growth initiatives directed at strengthening the competitiveness of our products through innovation and technology, geographic expansion, aftermarket opportunities and selective acquisitions.

*Strengthening the competitiveness of our products* — We are committed to making investments and diversifying our product offerings to strengthen our competitive position in these core technologies. We've prioritized our focus on innovation around these core technologies because of the opportunities to create value for our customers through improved fuel efficiency, emission control, electric and hybrid electric solutions, durability and cost of ownership.

Additional engineering and operational investment is being channeled into reinvigorating our product portfolio and capitalizing on technology advancement opportunities. In 2010, we combined the North American engineering centers of our LVD and Commercial Vehicle segments, allowing us the opportunity to better share technologies among these businesses. In 2011, commitments to new engineering facilities in India and China are more than doubling our engineering presence in the Asia Pacific region with state-of-the-art design and test capabilities that globally support each of our businesses.

*Geographic expansion* — Although there are growth opportunities in each region, we have a primary focus in the Asia Pacific region, especially India and China. In addition to new engineering facilities in India and China, during the second quarter of 2011 a new hypoid gear manufacturing facility in India began production and we completed two transactions – our planned investment in our China-based joint venture with Dongfeng Motor Co., Ltd. (Dongfeng) and the acquisition of the axle drive head and final assembly business from our Axles India Limited (AIL) joint venture – which significantly increased our commercial vehicle driveline presence in the region. We have experienced considerable success in the China off-highway and industrial markets and we believe there is considerable opportunity for future growth in these markets. In South America, our strategic agreement with SIFCO S.A. (SIFCO) completed in February 2011 makes us the leading full driveline supplier in the South American commercial vehicle market.

*Aftermarket opportunities* — We have established a global group dedicated to identifying and developing aftermarket growth opportunities that leverage the capabilities within our existing businesses — targeting increased future aftermarket revenues as a percent of consolidated sales.

*Selective acquisitions* — Our current acquisition focus is to identify “bolt-on” acquisition opportunities like the strategic agreement with SIFCO and the AIL acquisition completed in 2011 that have a strategic fit with our existing businesses, particularly opportunities that would support the other growth initiatives discussed above and enhance the value proposition of our customer product offerings. Any potential acquisition will be evaluated in the same manner we currently consider customer program opportunities — with a disciplined financial approach designed to ensure profitable growth.

*Cost management* – Although we've taken significant strides to improve our margins, particularly through streamlining and rationalizing our manufacturing activities and rationalizing our administrative support processes, additional opportunities remain. We have ramped up our material cost efforts to ensure that we are rationalizing our supply base and obtaining appropriate competitive pricing. Further, we're putting a major focus on reducing product complexity –

something that not only improves our cost, but brings added value to our customers through more efficient assembly processes. With a continued emphasis on process improvements and productivity throughout the organization, we expect cost reductions to continue contributing to future margin improvement.

## **Acquisitions**

*SIFCO* — In February 2011, we entered into an agreement with SIFCO, a leading producer of steer axles and forged components in South America. In return for a payment of \$150 to SIFCO, we acquired the distribution rights to SIFCO's commercial vehicle steer axle systems as well as an exclusive long-term supply agreement for key driveline components. Additionally, SIFCO will provide selected assets and assistance to Dana to establish assembly capabilities for these systems. We are now responsible for all customer relationships, including marketing, sales, engineering and assembly. The addition of truck and bus steer axles to our product offering in South America effectively positions us as the leading full-line supplier of commercial vehicle drivelines — including front and rear axles, driveshafts and suspension systems — in South America. This acquisition contributed \$390 to 2011 sales.

*Dongfeng Dana Axle* — In June 2011, we paid \$124 to increase our equity investment in Dongfeng Dana Axle Co., Ltd. (DDAC) from 4% to 50%. Our investment in DDAC is being accounted for on the equity method. DDAC is the primary supplier of truck axles to Dongfeng. DDAC offers a complete range of truck axles in the Chinese market, including drive, steer, tandem, and hub-reduction axles for light-, medium- and heavy-duty trucks, as well as buses.

*Axles India* — In June 2011, we acquired the axle drive head and final assembly business of our AIL equity affiliate for \$13. This business contributed \$14 to our 2011 sales.

*Dana Rexroth Transmission Systems* — In October 2011, we formed a 50/50 joint venture with Bosch Rexroth to develop and manufacture advanced powersplit drive transmissions for the off-highway market. We contributed \$8 to the venture and are accounting for our investment under the equity method.

## **Divestitures**

*Divestiture of Structural Products business* — In December 2009, we signed an agreement to sell substantially all of the assets of our Structural Products business to Metalsa S.A. de C.V. (Metalsa), the largest vehicle frame and structures supplier in Mexico. We completed the sale in 2010 for a selling price of \$148. We received cash proceeds of \$118 during 2010 and \$16 in 2011. The remaining proceeds are held in escrow pending resolution of claims presented by the buyer. The Structural Products business that we retained, which generated sales of \$48 in 2011, is expected to conclude operations in mid-2012.

## **Segments**

We manage our operations globally through five operating segments. Our LVD, Power Technologies and Structures segments primarily support light vehicle original equipment manufacturers (OEMs) with products for light trucks, SUVs, CUVs, vans and passenger cars. As indicated above, the Structural

Products business is expected to cease operations in mid-2012. The Commercial Vehicle and Off-Highway operating segments support the OEMs of on-highway commercial vehicles (primarily trucks and buses) and off-highway vehicles (primarily wheeled vehicles used in construction and agricultural applications).

## **Trends in Our Markets**

## Global Vehicle Production (Full Year)

(Units in thousands)	Dana 2012 Outlook		Actual 2011	2010
North America				
Light Vehicle (Total)	14,000	to 14,500	13,125	11,941
Light Truck (excl. CUV/Minivan)	3,500	to 3,700	3,625	3,520
Medium Truck (Classes 5-7)	170	to 180	167	116
Heavy Truck (Class 8)	280	to 290	255	152
Europe (including E. Europe)				
Light Vehicle	19,000	to 19,500	20,089	19,094
Medium/Heavy Truck	400	to 420	430	325
South America				
Light Vehicle	4,300	to 4,500	4,318	4,173
Medium/Heavy Truck	205	to 215	219	191
Asia-Pacific				
Light Vehicle	41,000	to 42,000	36,803	37,046
Medium/Heavy Truck	1,700	to 1,800	1,575	1,714
Off-Highway – Global (year-over-year)				
Agricultural Equipment	+0	to +5%	+15 to +20%	+2 to +5%
Construction Equipment	+5	to +10%	+20 to +25%	+20 to +25%

*North America*

*Light vehicle markets* — With gradually improving economic conditions during the past two years, light vehicle production levels in North America have increased, and there continues to be strengthening in demand early in 2012. First quarter 2012 production of around 3.9 million light vehicles is about 15% higher than first quarter 2011 production of 3.4 million vehicles. The higher production occurred predominantly in the passenger car segment. In the light truck pickup, van and SUV segment where more of our programs are focused, as anticipated, production in the first three months of 2012 was largely unchanged from production levels in the comparable 2011 period. The higher 2012 production levels are generally reflective of higher light vehicle unit sales which are about 13% higher in the first quarter of 2012 than last year's first quarter. The light truck pickup, van and SUV segment posted higher sales of only 6% over the same period. Days supply of total light vehicles at the end of March 2012 were around 55, which is comparable to inventory levels a year ago, but up from 51 days at the end of December 2011. The increase in inventory levels from the end of 2011 is driven by activity in the light truck pickup, van and SUV segment. Inventory levels in this segment increased to more than 80 days at the end of March 2012, which is comparable to a year ago, but up considerably from 56 days at the end of 2011. Although first quarter 2012 sales in this segment declined about 15% from sales in the fourth quarter of 2011, vehicle production was up about 6% - contributing to the increased inventory levels.

On the economic front, rising fuel prices are again at levels where they are beginning to influence demand. In addition to declining light truck unit sales from the fourth quarter of 2011, the truck mix in the first quarter of 2012 was about 48% whereas light trucks accounted for about 52% of sales in calendar 2011. Other economic developments have shown some signs of improvement with recent unemployment data tracking favorably and consumer sentiment, while still mixed at times, strengthening somewhat. With the housing sector continuing to be soft, fuel prices remaining high and mixed employment data, there continues to be concern about the sustainability of continued economic recovery. These factors continue to pose some risk and uncertainty to near-term vehicle production levels, particularly in the light truck segment. On balance, we are still expecting a modest level of economic strengthening in North America in 2012, and our outlook for full year light vehicle production has increased from our February 2012 guidance - with total light vehicle production up about 7 to 10% over 2011 and light truck pickup, van and SUV segment production expected to be comparable with 2011.

*Medium/heavy vehicle markets* — As with the light vehicle market, medium/heavy truck production has steadily increased over the past two years and into the first quarter of 2012. Heavy-duty Class 8 truck production of about 76,000 units in this year's first quarter was up about 2% from the fourth quarter of 2011 and up about 48% from the first quarter of 2011. In the medium-duty Classes 5-7 segment, first quarter 2012 production of around 45,000 units was about 15% higher than last year's fourth quarter and up 13% over the first quarter of 2011.

With the continued improvement in the North American economy and some pent up end user demand, order levels for medium/heavy commercial trucks have continued to be relatively strong, albeit slowing some in March 2012. Our full year outlook for 2012 remains unchanged from February 2012, with Class 8 production being around 280,000 to



290,000 units, an increase of 10 to 14%, and medium-duty Classes 5-7 production expected to come in around 170,000 to 180,000 units, an increase of 2 to 8%.

*Markets Outside of North America*

*Light vehicle markets* — Europe production levels were tempered in 2011 by softness brought on in part by sovereign debt concerns and a challenging economic environment continues to pose considerable uncertainty. First quarter 2012 production of light vehicles in Europe was down about 7% from the corresponding period of 2011. We expect the tough economic environment to continue for much of 2012, with full year production levels being down from 2011. South American production levels increased the past two years. However, weakening in 2012 has led to vehicle production for the first quarter of 2012 being down about 6% from last year's first quarter. We expect that production levels will improve a bit during the second half of 2012, putting production for the year at a level comparable to 2011. Asia Pacific production levels in 2011 were adversely impacted by the effects of natural disasters in Japan and Thailand. Production levels began rebounding in late 2011 and have continued to improve in 2012, with first quarter 2012 production up about 8% from the first quarter of last year. We expect year-over-year production to continue rebounding throughout 2012 with full year production coming in around 11 to 14% higher than 2011.

*Medium/heavy vehicle markets* — Some of the same factors referenced above that affected light vehicle markets outside of North America similarly affected the medium/heavy markets. After being up more than 30% in 2011, following a production increase of about 59% the previous year, Europe medium/heavy truck production in this year's first quarter is down about 8% from the first quarter of 2011 – in line with results that are expected to continue over the remainder of 2012. South American production also increased significantly the past two years, up about 15% in 2011 and 45% in 2010. Similarly, production levels have declined significantly in 2012, with first quarter production being down about 26% from the first quarter of a year ago. We expect production levels to improve over the remainder of 2012, with full year production now expected to be down 2% to 6% as compared with 2011, a reduction from our February 2012 outlook. Asia Pacific production in 2011 declined about 8% as a consequence of the natural disasters, after being up more than 50% the previous year. Like the light vehicle markets in this region, production in 2012 has begun rebounding with this year's first quarter being up about 8% from last year's fourth quarter. Compared to last year's first quarter which was relatively strong until the tsunami in Japan, 2012 production is down about 3%. We expect production levels in Asia Pacific to continue improving, with full year production in 2012 being up about 8 to 14%.

#### *Off-Highway Markets*

Our off-highway business has a large presence outside of North America, with about 70% of its sales coming from Europe and 10% from South America and Asia Pacific combined. We serve several segments of the diverse off-highway market, including construction, agriculture, mining and material handling. Our largest markets are the European and North American construction and agricultural equipment segments — both of which experienced increased demand in 2010 and 2011. Our outlook for these markets for 2012 has demand levels ranging from comparable to up 5% in the agriculture segment and up 5 to 10% in the construction segment.

#### **Sales, Earnings and Cash Flow Outlook**

	2012	2011	2010
Sales	Outlook \$7,800+	\$7,592	\$6,109
Adjusted EBITDA *	\$845 – \$865	\$765	\$553
Free Cash Flow **	\$200+****	\$174	\$242

\* Adjusted EBITDA is a non-GAAP financial measure discussed under Segment EBITDA within the Segment Results of Operations discussion below. See Item 7 of our 2011 Form 10-K for a reconciliation of 2011 and 2010 adjusted EBITDA to net income.

Free cash flow is a non-GAAP financial measure, which we have defined as cash provided by operating activities excluding any bankruptcy claim related payments, less purchases of property, plant and equipment. We believe this measure is useful to investors in evaluating the operational cash flow of the company inclusive of the spending required to maintain the operations. Free cash flow is neither intended to represent nor be an alternative \*\* to the measure of net cash provided by operating activities reported under GAAP. Free cash flow may not be comparable to similarly titled measures reported by other companies. See Item 7 of our 2011 Form 10-K for a reconciliation of 2011 and 2010 free cash flow to net cash flows provided by operating activities.

\*\*\*Exclusive of a special one-time \$150 U.S. pension contribution.

During the past three years, significant focus was placed on right sizing and rationalizing our manufacturing operations, implementing other cost reduction initiatives and ensuring that customer programs were competitively priced. These efforts, along with stronger sales volumes, were the primary drivers of our improved profitability. With our financial position substantially improved, in 2011 we began directing increased attention to the growth initiatives described in the Operational and Strategic Initiatives section above. In this regard, certain acquisitions also contributed to the sales growth we achieved in 2011.

Our full year outlook for 2012 has sales up more than 3% from 2011, which is reduced from our February 2012 outlook of sales being up more than 5%. The reduced outlook is driven by expected currency translation effects of weaker international exchange rates in certain of our major markets. Our outlook for increased global sales from stronger demand levels in our markets is generally unchanged. Profit margins in 2012 are expected to benefit from the stronger overall sales volumes and from our prior and continuing restructuring, cost reduction and pricing actions, more than offsetting the adverse effects of weaker international currencies and increased costs associated with commodity purchases and our growth initiatives. Based on our current outlook, we expect full year 2012 adjusted EBITDA to be in the range of \$845 to \$865.

Our cash flow in recent years benefited primarily from increased earnings and lower capital spending, more than offsetting the higher working capital requirements associated with increased sales. Based on our projected sales and adjusted EBITDA, we expect to generate free cash flow in 2012 of more than \$200 before a January 2012 \$150 incremental one-time U.S. pension contribution. Our 2012 free cash flow projection includes a capital spend outlook of \$225 to \$250, up from capital spending of \$196 in 2011. Increased cash requirements for interest, taxes and pension fund contributions in 2012 are also expected to consume some of the increased free cash flow attributable to higher profits.

## Consolidated Results of Operations

### Summary Consolidated Results of Operations (First Quarter, 2012 versus 2011)

	Three Months Ended		Increase/ (Decrease)
	March 31, 2012	2011	
Net sales	\$1,977	\$1,800	\$ 177
Cost of sales	1,709	1,585	124
Gross margin	268	215	53
Selling, general and administrative expenses	113	99	14
Amortization of intangibles	19	17	2
Restructuring charges, net	6	30	(24 )
Other expense, net	3	48	(45 )
Income before interest and income taxes	\$127	\$21	\$ 106
Net income (loss) attributable to the parent company	\$70	\$(30 )	\$ 100

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

	Three Months		Amount of Change Due To			
	Ended	March 31,	Increase/	Currency	Acquisitions and	Organic
	2012	2011	(Decrease)	Effects	Divestitures	Change
North America	\$977	\$807	\$ 170	\$(3 )	\$ -	\$ 173
Europe	552	524	28	(24)		52
South America	224	276	(52 )	(9 )	11	(54 )
Asia Pacific	224	193	31	(3 )	10	24
Total	\$1,977	\$1,800	\$ 177	\$(39)	\$ 21	\$ 195

Sales increased \$177 in the first quarter of 2012 as compared to 2011. The overall weakening of several international currencies against the U.S. dollar reduced sales by \$39, while the impact of acquisitions added \$21. The \$195 of organic growth — the change in sales attributable primarily to market volume, pricing and mix — represents an increase of 11% over our 2011 sales.

The increase in sales in North America during 2012, adjusted for the effects of currency totaled \$173 — a 21% increase on 2011 sales. The growth was largely due to increased OEM production levels in the light vehicle and medium/heavy truck markets. Light vehicle production levels were 15% higher in the first quarter of 2012 while medium/heavy truck market production was up more than 30%. In the off-highway sector, sales increased more than 20%, primarily due to stronger 2012 demand levels.

Excluding currency effects, our first quarter 2012 sales in Europe were 10% higher than in 2011. A significant portion of our business in Europe is in the off-highway markets where strong demand levels increased sales by around 13%. This more than offset the lower levels of production in our light vehicle and medium/heavy vehicle businesses where sales were down slightly from the previous year.

In South America, sales benefited by \$11 from the strategic agreement with SIFCO completed in February 2011. Exclusive of this and currency effects, 2012 first quarter sales in South America were down 20% versus 2011, primarily as a result of medium/heavy vehicle production levels being down 26% and light vehicle production being 6% lower. Our AIL acquisition contributed \$10 of the Asia Pacific sales increase. The organic sales growth of 12% in Asia Pacific is reflective primarily of the improving production levels in the region as compared to the first quarter of 2011.

*Cost of sales and gross margin* — Cost of sales were 86.4% of sales in 2012 versus 88.1% of sales in 2011. Higher production levels contributed to improved absorption of fixed costs, while manufacturing costs continue to benefit from completion of certain restructuring initiatives and continued cost reduction efforts. Higher material commodity prices increased costs in 2012; however, this increase was more than offset by material cost recovery from customers and other material cost savings actions. Higher sales levels, material cost recovery and other pricing actions and material cost savings actions combined to improve gross margin to \$268 (13.6% of sales) in 2012 from \$215 (11.9% of sales) in 2011.

*Selling, general and administrative expenses (SG&A)* — SG&A expenses in 2012 were \$113 (5.7% of sales) as compared to \$99 (5.5% of sales) in 2011. Contributing to the increase were higher equity grant compensation and other benefits costs along with increased expenses to support certain of our growth initiatives.

*Restructuring charges* — Restructuring charges in both 2012 and 2011 were primarily employee separation costs and exit costs associated with workforce reduction actions and facility closures. Expenses in 2012 related principally to previously initiated actions to further consolidate our manufacturing facilities and reduce administrative workforce levels. In the first quarter of 2011, we entered into an agreement to settle the lease obligation associated with our Yennora, Australia facility. The cost associated with this settlement approximated \$20.

*Other expense, net* — Other expense, net was \$3 in 2012 and \$48 in 2011. Our 2011 results included a charge of \$53 for the write-off of unamortized original issue discount and deferred financing costs primarily in connection with the repayment of our then existing Term Facility debt. Other expense in 2012 included net foreign exchange losses of \$9 and interest income of \$6, while in 2011 net foreign exchange losses were \$3 and interest income was \$7.

*Interest expense* — Interest expense was \$21 for 2012 and \$19 for 2011. The higher interest expense in 2012 is primarily due to higher average debt levels and a higher average effective interest rate on outstanding debt. Average effective interest rates, inclusive of amortization of debt issuance costs and original issue discount, approximated 8.5% in the first quarter of 2012 as compared to 8.1% in the same period in 2011.

*Income tax expense* — Income tax expense was \$37 and \$31 for first quarters of 2012 and 2011. The effective income tax rate varies from the U.S. federal statutory rate of 35% primarily due to the effects of, and adjustments to, valuation allowances in several countries (including the U.S.), nondeductible expenses, different statutory rates outside the U.S. and withholding taxes as discussed in Note 14 to the consolidated financial statements in Item 1 of Part I.

In the U.S. and certain other countries, our recent history of operating losses does not allow us to satisfy the “more likely than not” criterion for recognition of deferred tax assets. Therefore, there is generally no income tax recognized on the pre-tax income or losses of these jurisdictions as valuation allowance adjustments offset the associated tax effect.

*Equity in earnings of affiliates* — Equity investments provided net earnings of \$4 in the first quarter of 2012 and 2011. During June 2011, we increased our investment in DDAC qualifying it as an equity investment. Our equity interest in DDAC provided equity earnings of \$2 in 2012. During September 2011, we sold our equity interests in certain Getrag investments.

## Segment Results of Operations

### *Segment Sales*

Three Months Ended			Increase/ (Decrease)	Amount of Change Due To		
	2012	2011		Currency Effects	Acquisitions and Divestitures	Organic Change
LVD	\$727	\$673	\$ 54	\$(8 )	\$ -	\$ 62
Power Technologies	268	267	1	(5 )		6
Commercial Vehicle	551	475	76	(13)	21	68
Off-Highway	418	373	45	(13)		58
Structures	13	11	2			2
Eliminations and other		1	(1 )			(1 )
Total	\$1,977	\$1,800	\$ 177	\$(39)	\$ 21	\$ 195

Our LVD and Power Technologies segments principally serve the light vehicle markets. Exclusive of currency effects, LVD and Power Technologies sales for 2012 were 9% and 2% higher than in 2011. The higher sales were due primarily to increased light vehicle production levels.

After adjusting for the effects of currency movements, 2012 sales in our Commercial Vehicle segment were up 14% from 2011. This segment benefited from significantly higher North American medium/heavy truck production levels in 2012 which were up more than 30%. The stronger North American production levels were partially offset by lower production in each of the other regions, with South America's decline being the largest at around 26%.

Sales, net of currency effects, in our Off-Highway segment were up about 16% from 2011, principally due to stronger 2012 demand in the construction, agriculture and other segments of this market.



We completed the sale of a substantial portion of the Structural Products business in 2010. The continuing sales in 2012 and 2011 relate to the retained Longview, Texas operation where the existing customer program is scheduled to expire in mid-2012.

*Segment EBITDA*

	Three Months Ended		
	March 31,		
	2012	2011	Increase/ (Decrease)
Segment EBITDA			
LVD	\$63	\$66	\$ (3 )
Power Technologies	40	40	
Commercial Vehicle	61	43	18
Off-Highway	49	41	8
Structures	2		2
Total Segment EBITDA	215	190	25
Corporate expense and other items, net	(3 )	(9 )	6
Adjusted EBITDA *	212	181	31
Depreciation and amortization	(71 )	(76 )	5
Restructuring	(6 )	(30 )	24
Interest expense, net	(15 )	(12 )	(3 )
Other **	(14 )	(61 )	47
Income before income taxes	106	2	104
Income tax expense	37	31	(6 )
Equity in earnings of affiliates	4	4	
Net income (loss)	\$73	\$(25 )	\$ 98

See discussion of non-GAAP financial measures below.

\*

Other includes loss on extinguishment of debt, strategic transaction expenses, stock compensation expense, loss on \*\*sales of assets and foreign exchange costs and benefits. See Note 16 to the consolidated financial statements in Item 1 of Part I for additional details.

*Non-GAAP financial measures* — The table above refers to adjusted EBITDA, a non-GAAP financial measure which we have defined as earnings before interest, taxes, depreciation, amortization, non-cash equity grant expense, restructuring expense and other nonrecurring items (gain/loss on debt extinguishment or divestitures, impairment, etc.). The most significant impact on Dana's ongoing results of operations as a result of applying fresh start accounting following our emergence from bankruptcy was higher depreciation and amortization. By using adjusted EBITDA, a performance measure which excludes depreciation and amortization, the comparability of results is enhanced. Management also believes that adjusted EBITDA is an important measure since the financial covenants in our debt agreements are based, in part, on adjusted EBITDA. Adjusted EBITDA should not be considered a substitute for income (loss) before income taxes, net income (loss) or other results reported in accordance with GAAP. Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

LVD segment EBITDA of \$63 in the first quarter of 2012 is down from \$66 in last year's first quarter. EBITDA as a percent of LVD sales decreased to 8.7% in 2012 from 9.8% in 2011. Higher sales volumes, the result of stronger market production levels, increased earnings by about \$12. This, however, was more than offset by increased commodity and other costs and reduced pricing.

In the Power Technologies segment, EBITDA was \$40 in both the first quarter of 2012 and 2011 – a return of 15% of sales in both periods. Slightly higher sales volumes from increased production levels were offset by currency effects and higher commodity costs.

Commercial Vehicle segment EBITDA for the first quarter of 2012 was \$61, an increase of \$18 over the comparable 2011 period. Segment EBITDA as a percent of sales in 2012 was 11.1%, up from 9.1% in 2011. Stronger production levels in this segment's established markets added about \$10 to the increased segment EBITDA. Benefiting earnings by about \$16 were material recovery and pricing actions that more than offset net material cost increases. These benefits were partially offset by currency effects and other cost increases.

In our Off-Highway segment, EBITDA of \$49 for the first quarter of 2012 was up \$8 from the first quarter of 2011. Improving market conditions in this business drove stronger sales volume which increased year-over-year segment EBITDA by about \$12. Partially offsetting this improvement in earnings were reductions associated with currency effects and increased costs. With the higher sales and other benefits, segment EBITDA margin improved to 11.7% for 2012 from 11.0% in 2011.

In the Structures segment, the year-over-year profit improvement is primarily attributable to reduced costs associated with retained pension obligations.

## **Liquidity**

*Term Facility and Revolving Facility* — In January 2011, we completed an offering of senior unsecured notes (the Senior Notes) which generated net proceeds of \$733. These proceeds, together with available cash of \$127, were used to repay in full all amounts then outstanding under our Term Facility. The aggregate principal amount of the Senior Notes is \$750, with \$400 at a fixed interest rate of 6.50% maturing in 2019 and \$350 at a fixed rate of 6.75% maturing in 2021. In connection with this refinancing, we amended our Revolving Credit and Guaranty Agreement (the Revolving Facility) allowing for the issuance of the Senior Notes.

The Revolving Facility was amended in February 2011 (the New Revolving Facility), extending the maturity to five years and reducing the aggregate principal amount of the facility from \$650 to \$500. With the issuance of the Senior Notes and the New Revolving Facility, we have additional flexibility to make acquisitions and other investments, incur additional indebtedness and pay dividends and distributions as long as certain terms and conditions are met. The maintenance-based financial covenants in our prior agreements were replaced with incurrence-based financial covenants. With these actions, we have reduced our overall debt, secured fixed interest rates over the next seven to nine years and increased our financial flexibility by freeing up debt capacity for growth. See Note 10 of our consolidated financial statements in Item 8 for additional details.

During March 2011, we replaced our existing European receivables loan agreements and established a new five-year €75 (\$100 at the March 31, 2012 exchange rate) receivables backed credit facility. Availability under the program is subject to the existence of adequate levels of supporting accounts receivable.

*Covenants* — At March 31, 2012, we were in compliance with the debt covenants under our financing agreements.

*Global liquidity* — Our global liquidity at March 31, 2012 was as follows:

Cash and cash equivalents	\$773
Less: Deposits supporting obligations	(28 )
Available cash	745
Additional cash availability from lines of credit in the U.S. and Europe	497
Marketable securities	58
Total global liquidity	\$1,300

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

Marketable securities are included as a component of global liquidity as these investments can be readily liquidated at our discretion.

The components of our March 31, 2012 consolidated cash balance were as follows:

	U.S.	Non-U.S.	Total
Cash and cash equivalents	\$ 196	\$ 481	\$ 677
Cash and cash equivalents held as deposits	2	26	28
Cash and cash equivalents held at less than wholly-owned subsidiaries	2	66	68
Balance at March 31, 2012	\$ 200	\$ 573	\$ 773

Cash deposits are maintained to provide credit enhancement for certain agreements and are reported as part of cash and cash equivalents. For most of these deposits, the cash may be withdrawn if comparable security is provided in the form of letters of credit. Accordingly, these deposits are not considered to be restricted.

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

At March 31, 2012, there was \$100 of availability, but no borrowings, under our European trade receivable securitization program based on the effective borrowing base. At March 31, 2012, we had no borrowings under the New Revolving Facility but we had utilized \$73 for letters of credit. Based on our borrowing base collateral, we had availability as of that date under the New Revolving Facility of \$397 after deducting the outstanding letters of credit. As a result, we had aggregate additional borrowing availability of \$497 under these credit facilities.

In January 2012, we made a one-time contribution of \$150 to the U.S. pension plans which is expected to be incremental to the estimated minimum required contributions for 2012.

## Cash Flow

	Three Months Ended March 31,	
	2012	2011
Cash used for changes in working capital	\$(137)	\$(120)
Other cash provided by (used in) operations	(16 )	118
Net cash flows used in operating activities	(153)	(2 )
Net cash used in investing activities	(36 )	(180)
Net cash flows provided by (used in) financing activities	19	(126)
Net decrease in cash and cash equivalents	\$(170)	\$(308)

*Operating activities* — The table above summarizes our consolidated statement of cash flows. Exclusive of working capital, other cash used by operations was \$16 during the first quarter of 2012 compared with \$118 of other operating cash generated during the first quarter 2011. The net use of other cash by operations in 2012 is attributable primarily to a \$150 incremental, voluntary contribution that was made to our U.S. pension plans in January 2012. Excluding this one-time pension contribution, we would have had other cash provided by operations of \$134, with the increase over 2011 being due primarily to an increased level of operating earnings partially offset by an increased use of cash for payment of income taxes.

Working capital used cash of \$137 in the first quarter of 2012 and \$120 in last year's first quarter. Higher sales levels in 2012 as compared to 2011 resulted in increased levels of receivables and inventory. Cash of \$145 was used in 2012 to finance increased receivables and \$238 was used in 2011. We also used cash of \$59 and \$42 to fund higher inventory levels in 2012 and 2011. Partially offsetting the cash use for higher receivables and inventory in both 2012 and 2011 was cash provided by increases in accounts payable and other net liabilities of \$67 in 2012 and \$160 in 2011. Partially offsetting the increased accounts payable and other liabilities in 2011 was a payment of \$25 for satisfaction of an accrued warranty settlement.

*Investing activities* — Expenditures for property, plant and equipment in the first quarter of 2012 were \$34, as compared to \$33 in 2011. In the first quarter of 2011, we paid \$150 to enter our strategic agreement with SIFCO. The sale of the Structural Products business provided \$15 of additional proceeds in 2011 under the earn-out and other provisions of the sale agreement.

*Financing activities* — We used cash of \$867 in the first quarter of 2011 to refinance our term debt. In connection with the refinancing, we received proceeds from the issuance of new Senior Notes of \$750 and used \$25 for issuance costs associated with the term debt refinancing and restructuring of other financing arrangements. Dividends of \$8 to preferred stockholders and \$7 to common stockholders were made in the first quarter of 2012, whereas no dividend payments were made in 2011.

### **Contractual Obligations**

Preferred dividends accrued but not paid were \$8 at both March 31, 2012 and December 31, 2011.

There have been no material changes at March 31, 2012 in our contractual obligations from those reported or estimated in the disclosures in Item 7 of our 2011 Form 10-K.

### **Contingencies**

For a summary of litigation and other contingencies, see Note 12 to our consolidated financial statements in Item 1 of Part I. We believe that any liabilities beyond the amounts already accrued that may result from these contingencies will not have a material adverse effect on our liquidity, financial condition or results of operations.

### **Critical Accounting Estimates**

The preparation of our consolidated financial statements in accordance with GAAP requires us to use estimates and make judgments and assumptions about future events that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. There have been no material changes in the application of our significant accounting policies or critical accounting estimates as discussed in Note 1 to our consolidated financial statements in Item 8 of our 2011 Form 10-K and Item 1 of Part I of this Form 10-Q.



**Item 3. *Quantitative and Qualitative Disclosures About Market Risk***

There have been no material changes to the market risk exposures related to changes in interest rates and commodity and foreign currency exchange risk as discussed in Item 7A of our 2011 Form 10-K.

**Item 4. *Controls and Procedures***

*Disclosure controls and procedures* — We maintain disclosure controls and procedures that are designed to ensure that the information disclosed in the reports we file with the SEC under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.

Our management, with participation of our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report on Form 10-Q. Our CEO and CFO have concluded that, as of the end of the period covered by this Report on Form 10-Q, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective.

*Changes in internal control over financial reporting* — There was no change in our internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

*CEO and CFO certifications* — The Certifications of our CEO and CFO that are attached to this report as Exhibits 31.1 and 31.2 include information about our disclosure controls and procedures and internal control over financial reporting. These Certifications should be read in conjunction with the information contained in this Item 4 and in Item 9A of our 2011 Form 10-K for a more complete understanding of the matters covered by the Certifications.

## **PART II – OTHER INFORMATION**

### **Item 1. *Legal Proceedings***

As discussed in Note 12 to our consolidated financial statements in Item 1 of Part I, we are a party to various pending judicial and administrative proceedings that arose in the ordinary course of business.

After reviewing the currently pending lawsuits and proceedings (including the probable outcomes, reasonably anticipated costs and expenses, availability and limits of our insurance coverage and our established reserves for uninsured liabilities), we believe that the liabilities that may result from these proceedings beyond the amounts already accrued are not reasonably likely to have a material adverse effect on our liquidity, financial condition or results of operations.

### **Item 1A. *Risk Factors***

There have been no material changes in our risk factors disclosed in Item 1A of our 2011 Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table presents information with respect to repurchases of common stock made by us during the quarter ended March 31, 2012. These shares were delivered to us by employees as payment for withholding taxes due upon the distribution of stock awards.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
2/1/12 - 2/29/12	1,868	15.81	-	-
3/1/12 - 3/31/12	389	16.33	-	-

**Item 6. Exhibits**

The Exhibits listed in the “Exhibit Index” are filed or furnished with this report.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

**DANA HOLDING  
CORPORATION**

Date: April 25, 2012 By: /s/ William  
G. Quigley  
III

William G.  
Quigley  
III  
Executive  
Vice  
President  
and  
Chief  
Financial  
Officer

**EXHIBIT INDEX**

Exhibit No.	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification by Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification by Chief Financial Officer
32	Section 1350 Certifications (furnished only)
	101.INS XBRL Instance Document*
	101.SCH XBRL Schema Document*
	101.CAL XBRL Calculation Linkbase Document*
101	101.LAB XBRL Labels Linkbase Document*
	101.PRE XBRL Presentation Linkbase Document*
	101.DEF XBRL Definition Linkbase Document*

Our XBRL (Extensible Business Reporting Language) information is furnished and not filed, is not part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934 and otherwise is not subject to liability under these sections.