

DANA HOLDING CORP  
Form 10-Q  
May 12, 2008

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 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, 2008  
Commission File Number: 1-1063  
Dana Holding Corporation  
(Exact name of registrant as specified in its charter)**

|   |                                      |
|---|--------------------------------------|
| Delaware  | 26-1531856                           |
| (State or other jurisdiction of<br>incorporation or organization) | (IRS Employer Identification Number) |
| 4500 Dorr Street, Toledo, Ohio                                    | 43615                                |
| (Address of principal executive offices)                          | (Zip Code)                           |
| <b>(419) 535-4500</b>   |                                      |
| (Registrant's telephone number, including area code)              |                                      |

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

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 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  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

**SEC 1296(02-08) Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                          | Outstanding at May 1, 2008 |
|--------------------------------|----------------------------|
| Common stock, \$0.01 par value | 98,979,254                 |



**DANA HOLDING CORPORATION FORM 10-Q  
FOR THE QUARTERLY PERIOD  
ENDED MARCH 31, 2008**

|  | 10-Q<br>Pages |
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CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)**

|   | <b>Three Months Ended<br/>March 31, 2008</b>                                     |  |   |
|---|--|--|---|
|   | <b>Period<br/>from<br/>February<br/>1<br/>through<br/>March<br/>31,<br/>2008</b> | <b>Prior Dana<br/>January 1<br/>through<br/>January<br/>31,<br/>2008</b> | <b>Prior Dana<br/>Three<br/>Months<br/>Ended<br/>March 31,<br/>2007</b> |
| <b>Net sales</b>  | \$ 1,561   | \$ 751   | \$ 2,145  |
| Costs and expenses  |  |  |   |
| Cost of sales   | 1,477  | 702  | 2,043   |
| Selling, general and administrative expenses  | 65   | 34   | 96  |
| Amortization of intangibles   | 12   |  |   |
| Realignment charges, net  | 5  | 12   | 19  |
| Other income, net   | 32   | 8  | 46  |
| Income from continuing operations before interest, reorganization items and income taxes  | 34   | 11   | 33  |
| Interest expense (contractual interest of \$17 for the one month ended January 31, 2008 and \$36 for the three months ended March 31, 2007) | 27   | 8  | 23  |
| Reorganization items, net   | 9  | 98   | 37  |
| Fresh start accounting adjustments  |  | 1,009  |   |
| Income (loss) from continuing operations before income taxes  | (2)  | 914  | (27)  |
| Income tax expense  | (20)   | (199)  | (15)  |
| Minority interests  | (2)  | (2)  | (2)   |
| Equity in earnings of affiliates  | 1  | 2  | 8   |
| <b>Income (loss) from continuing operations</b>   | <b>(23)</b>  | <b>715</b>   | <b>(36)</b>   |
| <b>Loss from discontinued operations</b>  | <b>(1)</b>   | <b>(6)</b>   | <b>(56)</b>   |
| <b>Net income (loss)</b>  | <b>(24)</b>  | <b>709</b>   | <b>(92)</b>   |
| <b>Preferred stock dividend requirements</b>  | <b>5</b>   |  |   |
| <b>Net income (loss) available to common stockholders</b>   | <b>\$ (29)</b>   | <b>\$ 709</b>  | <b>\$ (92)</b>  |
| <b>Net income (loss) from continuing operations:</b>  |  |  |   |
| Basic   | \$ (0.28)  | \$ 4.77  | \$ (0.24)   |
| Diluted   | \$ (0.28)  | \$ 4.75  | \$ (0.24)   |

**Net loss from discontinued operations:**

|         |           |           |           |
|---------|-----------|-----------|-----------|
| Basic   | \$ (0.01) | \$ (0.04) | \$ (0.37) |
| Diluted | \$ (0.01) | \$ (0.04) | \$ (0.37) |

**Net income (loss) available to common stockholders:**

|   |           |         |           |
|---|-----------|---------|-----------|
| Basic                                     | \$ (0.29) | \$ 4.73 | \$ (0.61) |
| Diluted                                   | \$ (0.29) | \$ 4.71 | \$ (0.61) |
| Average common shares outstanding Basic   | 100       | 150     | 150       |
| Average common shares outstanding Diluted | 160       | 150     | 150       |

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

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**DANA HOLDING CORPORATION**  
**CONSOLIDATED BALANCE SHEET (Unaudited)**

|  | <b>March<br/>31,<br/>2008</b> | <b>Prior Dana<br/>December<br/>31,<br/>2007</b> |
|--|-------------------------------|---|
| <b>Assets</b>  |                               |   |
| Current assets   |                               |   |
| Cash and cash equivalents  | \$ 1,283                      | \$ 1,271  |
| Restricted cash  |                               | 93  |
| Accounts receivable  |                               |   |
| Trade, less allowance for doubtful accounts of \$23 in 2008 and \$20 in 2007 | 1,444                         | 1,197   |
| Other  | 364                           | 295   |
| Inventories  |                               |   |
| Raw materials  | 383                           | 331   |
| Work in process and finished goods   | 634                           | 481   |
| Assets of discontinued operations  |                               | 24  |
| Other current assets   | 123                           | 100   |
| <b>Total current assets</b>  | <b>4,231</b>                  | <b>3,792</b>                                    |
| Goodwill   | 310                           | 349   |
| Intangibles  | 678                           | 1   |
| Investments and other assets   | 252                           | 348   |
| Investments in affiliates  | 183                           | 172   |
| Property, plant and equipment, net   | 2,049                         | 1,763   |
| <b>Total assets</b>  | <b>\$ 7,703</b>               | <b>\$ 6,425</b>                                 |
| <b>Liabilities and stockholders equity (deficit)</b>                         |                               |   |
| Current liabilities  |                               |   |
| Notes payable, including current portion of long-term debt                   | \$ 127                        | \$ 283  |
| Debtor-in-possession financing   |                               | 900   |
| Accounts payable   | 1,214                         | 1,072   |
| Accrued payroll and employee benefits  | 268                           | 258   |
| Liabilities of discontinued operations                                       |                               | 9   |
| Taxes on income  | 142                           | 12  |
| Other accrued liabilities  | 555                           | 418   |
| <b>Total current liabilities</b>   | <b>2,306</b>                  | <b>2,952</b>                                    |
| Liabilities subject to compromise  |                               | 3,511   |
| Deferred employee benefits and other non-current liabilities                 | 907                           | 630   |
| Long-term debt   | 1,321                         | 19  |
| Minority interest in consolidated subsidiaries                               | 115                           | 95  |
| Commitments and contingencies (Note 16)                                      |                               |   |
| <b>Total liabilities</b>   | <b>4,649</b>                  | <b>7,207</b>                                    |

|   |       |       |          |
|---|-------|-------|----------|
| Preferred stock, 50,000,000 shares authorized   |       |       |          |
| Series A, \$0.01 par value, 2,500,000 issued and outstanding  |       | 242   |          |
| Series B, \$0.01 par value, 5,400,000 issued and outstanding  |       | 529   |          |
| Common stock, \$.01 par value, 450,000,000 authorized, 97,971,791 issued and outstanding              |       | 1     |          |
| Prior Dana common stock, \$1.00 par value, 350,000,000 authorized, 150,245,250 issued and outstanding |       |       | 150      |
| Additional paid-in-capital  | 2,267 |       | 202      |
| Retained earnings (deficit)   | (29)  |       | (468)    |
| Accumulated other comprehensive income (loss)   | 44    |       | (666)    |
| <b>Total stockholders equity (deficit)</b>  |       | 3,054 | (782)    |
| <b>Total liabilities and stockholders equity (deficit)</b>  | \$    | 7,703 | \$ 6,425 |

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

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**DANA HOLDING CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**

|  | <b>Three Months Ended<br/>March 31, 2008</b>                                     |  |   |
|--|--|--|---|
|  | <b>Period<br/>from<br/>February<br/>1<br/>through<br/>March<br/>31,<br/>2008</b> | <b>Prior Dana<br/>January 1<br/>through<br/>January<br/>31,<br/>2008</b> | <b>Prior Dana<br/>Three<br/>Months<br/>Ended<br/>March 31,<br/>2007</b> |
| <b>Cash flows operating activities</b>                           |  |  |   |
| Net income (loss)  | \$ (24)  | \$ 709   | \$ (92)   |
| Depreciation and amortization                                    | 67   | 23   | 70  |
| Amortization of inventory valuation                              | 15   |  |   |
| Minority interest  | 2  | 2  |   |
| Deferred income taxes  | (2)  | 191  |   |
| Reorganization:  |  |  |   |
| Gain on settlement of liabilities subject to compromise          |  | (27)   |   |
| Payment of claims  | (88)   |  |   |
| Reorganization items net of cash payments                        | (18)   | 79   | 27  |
| Fresh start adjustments  |  | (1,009)  |   |
| Payments to VEBAs  | (733)  | (55)   |   |
| Loss on sale of businesses and assets                            | 1  | 7  | 14  |
| Change in working capital  | (124)  | (61)   | (52)  |
| Other, net   | (23)   | 19   | 16  |
| <b>Net cash flows used in operating activities</b>               | <b>(927)</b>   | <b>(122)</b>   | <b>(17)</b>   |
| <b>Cash flows investing activities</b>                           |  |  |   |
| Purchases of property, plant and equipment                       | (29)   | (16)   | (39)  |
| Proceeds from sale of businesses and assets                      |  | 5  | 328   |
| Change in restricted cash  |  | 93   |   |
| Other  | 8  | (5)  | (15)  |
| <b>Net cash flows provided by (used in) investing activities</b> | <b>(21)</b>  | <b>77</b>  | <b>274</b>  |
| <b>Cash flows financing activities</b>                           |  |  |   |
| Proceeds from (repayment of) debtor-in-possession facility       |  | (900)  | 200   |
| Net change in short-term debt                                    | (7)  | (18)   | 65  |
| Payment of DCC Medium Term Notes                                 |  | (136)  |   |
| Proceeds from Exit Facility debt                                 | 80   | 1,350  |   |
| Original issue discount fees                                     |  | (114)  |   |
| Deferred financing fees  |  | (40)   |   |
| Repayment of Exit Facility debt                                  | (4)  |  |   |

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|   |                 |                 |                 |
|---|-----------------|-----------------|-----------------|
| Issuance of Series A and Series B preferred stock           |                 | 771             |                 |
| Other   | (5)             | (1)             |                 |
| <b>Net cash flows provided by financing activities</b>      | <b>64</b>       | <b>912</b>      | <b>265</b>      |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>(884)</b>    | <b>867</b>      | <b>522</b>      |
| Cash and cash equivalents beginning of period               | 2,147           | 1,271           | 719             |
| Effect of exchange rate changes on cash balances            | 20              | 5               | 17              |
| Net change in cash of discontinued operations               |                 | 4               | (8)             |
| <b>Cash and cash equivalents end of period</b>              | <b>\$ 1,283</b> | <b>\$ 2,147</b> | <b>\$ 1,250</b> |

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

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**DANA HOLDING CORPORATION**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (Unaudited)**

|   | Preferred<br>Stock | Common<br>Stock | Additional<br>Paid-In-<br>Capital | Retained<br>Earnings<br>(Deficit) | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Total    |
|---|--------------------|-----------------|-----------------------------------|-----------------------------------|---|----------|
| <b>Balance, December 31,<br/>2007, Prior Dana</b>   | \$                 | \$ 150          | \$ 202                            | \$ (468)                          | \$ (666)  | \$ (782) |
| Comprehensive income:<br>Net income   |                    |                 |                                   | 709                               |   | 709      |
| Foreign currency<br>translation   |                    |                 |                                   |                                   | 3   | 3        |
| Defined benefit plans   |                    |                 |                                   |                                   | 79  | 79       |
| Other   |                    |                 |                                   |                                   | (6)   | (6)      |
| Other comprehensive<br>income   |                    |                 |                                   |                                   |   | 76       |
| Total comprehensive<br>income   |                    |                 |                                   |                                   |   | 785      |
| Cancellation of Prior Dana<br>common stock  |                    | (150)           | (202)                             |                                   |   | (352)    |
| Elimination of Prior Dana<br>accumulated deficit and<br>accumulated other<br>comprehensive loss |                    |                 |                                   | (241)                             | 590   | 349      |
| <b>Balance, January 31,<br/>2008, Prior Dana</b>  |                    |                 |                                   |                                   |   |          |
| Issuance of new equity in<br>connection with emergence<br>from Chapter 11                       | 771                | 1               | 2,267                             |                                   |   | 3,039    |
| <b>Balance, January 31,<br/>2008, Dana</b>  | 771                | 1               | 2,267                             |                                   |   | 3,039    |
| Comprehensive income:<br>Net loss   |                    |                 |                                   | (24)                              |   | (24)     |
| Foreign currency<br>translation   |                    |                 |                                   |                                   | 44  | 44       |
| Other comprehensive<br>income   |                    |                 |                                   |                                   |   | 44       |

|                                 |        |      |          |         |       |          |
|---------------------------------|--------|------|----------|---------|-------|----------|
| Total comprehensive income      |        |      |          |         |       | 20       |
| Preferred stock dividends       |        |      |          | (5)     |       | (5)      |
| <b>Balance, March 31, 2008,</b> |        |      |          |         |       |          |
| <b>Dana</b>                     | \$ 771 | \$ 1 | \$ 2,267 | \$ (29) | \$ 44 | \$ 3,054 |

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

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**Notes to Consolidated Financial Statements  
(In millions, except per share amounts)**

**Note 1. Emergence from Chapter 11**

**General**

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

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

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

**Emergence from Reorganization Proceedings and Related Subsequent Events**

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

*Claims resolution* On December 26, 2007, the Bankruptcy Court entered an order (the Confirmation Order) confirming the Third Amended Joint Plan of Reorganization of Debtors and Debtors-in-Possession (as modified, the Plan) and, on the Effective Date, the Plan was consummated and we emerged from bankruptcy. As provided in the Plan and the Confirmation Order, we issued and distributed approximately 71 million shares of Dana common stock to holders of allowed unsecured claims totaling approximately \$2,050. Pursuant to the Plan, we have issued and set aside approximately 27 million additional shares of Dana common stock for future distribution to all holders of allowed unsecured nonpriority claims in Class 5B under the Plan. These shares are distributed as the disputed and unliquidated claims are resolved. Subsequent to emergence we distributed approximately six million shares from the disputed claims reserve leaving approximately 21 million shares for the remaining disputed and unliquidated claims estimated not to exceed \$700. To the extent that such remaining claims are settled for less than \$700, additional distributions will also be made to previously allowed claimants. The terms and conditions governing such distributions are set forth in the Plan and the Confirmation Order.

Under the provisions of the Plan, an additional two million shares of common stock are being issued and distributed during the second quarter of 2008 to pay bonuses to union employees and non-union hourly and salaried non-management employees.

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

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Settlement obligations relating to non-pension retiree benefits and long-term disability (LTD) benefits for union claimants and non-pension retiree benefits for non-union claimants were satisfied with cash payments of \$788 to non-Dana sponsored Voluntary Employee Benefit Associations (VEBAs) established for the benefit of the respective claimant groups. Additionally, we paid DCC \$49, the remaining amount due to DCC noteholders, thereby settling DCC's general unsecured claim of \$325 against the Debtors. DCC, in turn, used these funds to repay the noteholders in full. Administrative claims, priority tax claims and other classes of allowed claims of \$212 have been satisfied by cash payments of \$88 during the first quarter of 2008, with the additional cash payments of \$124 expected to be made during the remainder of 2008.

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

*Organization* In connection with the formation of a new holding company, we formed a new legal organization aligned with how our businesses are managed operationally. Except as described below, all operating assets and related undischarged liabilities of Prior Dana were transferred to new legal entities within the new holding company structure. Certain other assets and liabilities, including those associated with asbestos personal injury claims, were retained in Prior Dana, which was then merged into Dana Companies, LLC, a consolidated wholly owned subsidiary of Dana. The assets of Dana Companies, LLC include insurance rights relating to coverage against these liabilities and other assets which we believe are sufficient to satisfy its liabilities. Dana Companies, LLC continues to process asbestos personal injury claims in the normal course of business and is paying such claims in cash. Dana Companies, LLC is separately managed, and has an independent board member. The independent board member is required to approve certain transactions including dividends or other transfers of \$1 or more of value to Dana. See Note 16 for a discussion of our asbestos liabilities.

*Common Stock* Pursuant to the Plan, all of the issued and outstanding shares of Prior Dana common stock, par value \$1.00 per share, and any other outstanding equity securities of Prior Dana, including all options and warrants, were cancelled. On the Effective Date, we began the process of issuing 100 million shares of Dana common stock, par value \$0.01 per share, including approximately 71 million shares for allowed unsecured nonpriority claims, approximately 27 million additional shares issued and deposited to a reserve for disputed unsecured nonpriority claims in Class 5B under the Plan and approximately two million shares to pay bonuses to union employees and non-union hourly and salaried non-management employees. A charge of \$47 to reorganization items for these bonuses was recorded as a liability as of the Effective Date. A portion of the bonus shares were issued in April 2008 with approximately one million remaining to be issued.

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

In accordance with the terms of the preferred stock, all of the shares of preferred stock are, at the holder's option, convertible into fully paid and non-assessable shares of new common stock at a conversion price of \$13.19. Conversion of all of the outstanding shares of preferred stock would increase the number of shares of our common stock outstanding by approximately 60 million.

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

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

In connection with the issuance of the preferred stock, we entered into two registration rights agreements: one with Centerbridge and the other with the purchasers of Series B Preferred, and we also entered into a shareholder's agreement. Under the terms of these agreements and the Restated Certificate of Incorporation, Centerbridge was granted representation on our Board of Directors and limited approval rights. See Note 8 for additional information.

*Financing at emergence* On the Effective Date, Dana, as borrower, and certain of our domestic subsidiaries, as guarantors, entered into an exit financing facility (the Exit Facility) with Citicorp USA, Inc., Lehman Brothers Inc. and Barclays Capital. The Exit Facility consists of a Term Facility Credit and Guaranty Agreement in the total aggregate amount of \$1,430 (the Term Facility) and a \$650 Revolving Credit and Guaranty Agreement (the Revolving Facility). The Term Facility was fully drawn with borrowings of \$1,350 on the Effective Date and \$80 on February 1, 2008. There have been no borrowings under the Revolving Facility but \$200 was utilized for existing letters of credit. Net proceeds from the Exit Facility were \$1,276 after \$114 of original issue discount (OID) and \$40 of customary issuance costs and fees, both of which were deferred and will amortize to interest expense over the term of the loan. The net proceeds were used to repay the Senior Secured Superpriority Debtor-in-Possession Credit Agreement (DIP Credit Agreement), make other payments required upon exit from bankruptcy and provide liquidity to fund working capital and other general corporate purposes. See Note 14 for the terms and conditions of these facilities and the availability of additional borrowing.

*Fresh Start Accounting* As required by accounting principles generally accepted in the United States (GAAP), we adopted fresh start accounting effective February 1, 2008 following the guidance of American Institute of Certified Public Accountants (AICPA) Statement of Position 90-7, Financial Reporting by Entities in Reorganization under the Bankruptcy Code (SOP 90-7). The financial statements for the periods ended prior to January 31, 2008 do not include the effect of any changes in our capital structure or changes in the fair value of assets and liabilities as a result of fresh start accounting.

The timing of the availability of funds from the Exit Facility resulted in a January 31, 2008 consummation of the Plan. We have selected February 1, 2008 for adoption of fresh start accounting. In accordance with SOP 90-7, the results of operations of Dana for January 2008 include charges of \$21 incurred during the month of January plus one-time reorganization costs incurred at emergence of \$104 offset by a pre-emergence gain of \$27 resulting from the discharge of liabilities under the Plan. In addition, we recorded a credit to earnings of \$1,009 (\$831 after tax), resulting from the aggregate changes to the net carrying value of our pre-emergence assets and liabilities to record their fair values under fresh start accounting.



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SOP 90-7 provides, among other things, for a determination of the value to be assigned to the equity of the emerging company as of a date selected for financial reporting purposes. Dana's compromise total enterprise value is \$3,563. This value represents the amount of resources available for the satisfaction of post-petition liabilities and allowed claims, as negotiated between the Debtors and their creditors. This value, along with other terms of the Plan, was determined only after extensive arms-length negotiations between the Interested Parties. Dana developed its view of what the value should be based upon expected future cash flows of the business after emergence from Chapter 11, discounted at rates reflecting perceived business and financial risks. This valuation and a valuation using market value multiples for peer companies were blended to arrive at the compromise valuation. This value is enterprise value of the entity and, after adjusting for certain liabilities and debt, is intended to approximate the amount a willing buyer would pay for the assets and liabilities of Dana immediately after restructuring. Based on current conditions in the automobile industry and general economic conditions, we used the low end of the range of valuations provided by the valuation specialists to determine the enterprise reorganization value.

Under fresh start accounting, this compromise total enterprise value is adjusted to reorganization value and is allocated to our assets based on their respective fair values in conformity with the purchase method of accounting for business combinations in Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations (SFAS 141). The valuations required to determine the fair value of certain of Dana's assets as presented below represent the results of valuation procedures performed by valuation specialists.

The enterprise reorganization value, after adjustments for cash net of expected claims payments, is reduced by debt, minority interest and preferred stock with the remainder representing the value to common shareholders.

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The adjustments presented below are to our January 31, 2008 balance sheet. The balance sheet reorganization adjustments presented below summarize the impact of the Plan and the adoption of fresh start accounting as of the Effective Date.

**DANA HOLDING CORPORATION  
REORGANIZED CONSOLIDATED BALANCE SHEET**

|  | <b>January 31, 2008</b> |   |                                       |                 |
|--|-------------------------|---|---------------------------------------|-----------------|
|  | <b>Prior<br/>Dana</b>   | <b>Reorganization<br/>Adjustments (1)</b> | <b>Fresh Start<br/>Adjustments(2)</b> | <b>Dana</b>     |
| <b>Assets</b>  |                         |   |                                       |                 |
| Current assets   |                         |   |                                       |                 |
| Cash and cash equivalents  | \$ 1,199                | \$ 948 (6)                                | \$                                    | \$ 2,147        |
| Restricted cash  |                         |   |                                       |                 |
| Accounts receivable  |                         |   |                                       |                 |
| Trade,   | 1,255                   |   | 1                                     | 1,256           |
| Other  | 316                     |   | (1)                                   | 315             |
| Inventories  | 843                     |   | 169                                   | 1,012           |
| Other current assets   | 127                     |   | (32)                                  | 95              |
| <b>Total current assets</b>                                      | <b>3,740</b>            | <b>948</b>                                | <b>137</b>                            | <b>4,825</b>    |
| Goodwill   | 352                     |   | (50)                                  | 302             |
| Intangibles  | 1                       |   | 679                                   | 680             |
| Investments and other assets                                     | 294                     | 22 (3)                                    | (70)                                  | 246             |
| Investments in affiliates  | 172                     |   | 9                                     | 181             |
| Property, plant and equipment,<br>net                            | 1,763                   |   | 278                                   | 2,041           |
| <b>Total assets</b>  | <b>\$ 6,322</b>         | <b>\$ 970</b>                             | <b>\$ 983</b>                         | <b>\$ 8,275</b> |
| <b>Liabilities and Stockholders<br/>equity (deficit)</b>         |                         |   |                                       |                 |
| Current liabilities  |                         |   |                                       |                 |
| Notes payable, including<br>current portion of long-term<br>debt | \$ 178                  | \$ (35)                                   | \$                                    | \$ 143          |
| Debtor-in-possession<br>financing                                | 900                     | (900)                                     |                                       |                 |
| Accounts payable   | 1,094                   |   |                                       | 1,094           |
| Accrued payroll and employee<br>benefits                         | 267                     |   | 1                                     | 268             |
| Taxes on income  | 132                     |   |                                       | 132             |
| Other accrued liabilities  | 471                     | 887 (6)                                   | 21                                    | 1,379 (6)       |
| <b>Total current liabilities</b>                                 | <b>3,042</b>            | <b>(48)</b>                               | <b>22</b>                             | <b>3,016</b>    |
| Liabilities subject to<br>compromise                             | 3,382                   | (3,382)                                   |                                       |                 |
| Deferred employee benefits<br>and other non-current              | 614                     |   | 254                                   | 868             |

|  |                 |                |                |                 |
|--|-----------------|----------------|----------------|-----------------|
| liabilities  |                 |                |                |                 |
| Long-term debt   | 19              |                |                | 19              |
| Term loan facility   |                 | 1,221 (3)      |                | 1,221           |
| Minority interest in consolidated subsidiaries             | 96              |                | 16             | 112             |
| <b>Total liabilities</b>                                   | <b>7,153</b>    | <b>(2,209)</b> | <b>292</b>     | <b>5,236</b>    |
| Series A preferred stock                                   |                 | 242 (3)        |                | 242             |
| Series B preferred stock                                   |                 | 529 (3)        |                | 529             |
| Common stock successor                                     |                 | 1              |                | 1               |
| Additional paid in capital successor                       |                 | 2,267          |                | 2,267           |
| Common stock predecessor                                   | 150             | (150)          |                |                 |
| Additional paid in capital predecessor                     | 202             | (202)          |                |                 |
| Accumulated deficit  | (515)           | 275 (4)        | 240 (5)        |                 |
| Accumulated other comprehensive income                     | (668)           | 217 (4)        | 451 (5)        |                 |
| <b>Total stockholders equity (deficit)</b>                 | <b>(831)</b>    | <b>3,179</b>   | <b>691 (5)</b> | <b>3,039</b>    |
| <b>Total liabilities and stockholders equity (deficit)</b> | <b>\$ 6,322</b> | <b>\$ 970</b>  | <b>\$ 983</b>  | <b>\$ 8,275</b> |

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**Explanatory Notes**

- (1) Represents amounts recorded on the Effective Date for the implementation of the Plan, including the settlement of liabilities subject to compromise and related payments, the issuance of new debt and repayment of old debt, distributions of cash and new shares of common and preferred stock, and the cancellation of Prior Dana common and preferred stock as discussed above.
- (2) Records the adjustments for fresh start accounting including the write-up of inventory and the adjustment of property, plant and equipment to its appraised value. Fresh start adjustments for intangible assets are also included and are based on valuations performed by third party valuation specialists. The fresh start adjustments also result in the elimination of the accumulated deficit and accumulated other comprehensive income (AOCI).

The reorganization value was allocated to assets and liabilities at appropriate fair market values, with the excess of reorganization value over the fair value of our net assets of \$302 recorded as goodwill.

- (3) Records debt financing for the senior credit facility and the issuance of new Series A and Series B Preferred. An additional \$80 of the term loan facility was borrowed by Dana on February 1, 2008 and is not included in the January balance above. Debt issuance costs of \$40 are recorded in Investments and other assets and OID of \$114 is netted against the debt. Both of these are deferred and amortized over the debt term. The \$790 of preferred stock is recorded at the net proceeds of \$771.
- (4) Records reorganization costs of \$104 and a gain of \$27 on extinguishment of the obligations pursuant to implementation of the Plan and the closeout of the Prior Dana common stock balances coincident with the issuance of shares of Dana. Other comprehensive income of \$217 related to the termination of the union postretirement plans at emergence is included in AOCI.
- (5) Includes the \$1,009 (\$831 after tax) adjustment to assets and liabilities for fresh start accounting and a charge of \$140 to other comprehensive income related to the remeasurement of employee benefit plans.
- (6) Other accrued liabilities include a \$733 liability to the union VEBAs. On February 1, 2008, Dana paid this obligation and borrowed the remaining \$80 of the term loan commitment in (3) above. Payments after January 31, under the terms of the Plan, will include approximately \$212 of administrative claims, priority tax claims and other classes of allowed claims, and are also included in other accrued liabilities of Dana.

**Note 2. Summary of Significant Accounting Policies**

These financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2007. Financial results for interim periods are not necessarily indicative of anticipated results for the entire year.

This is the first public report of our post-emergence results and, as discussed in Note 1, includes the results of the implementation of the Plan and the effects of the adoption of fresh start accounting. In accordance with generally accepted accounting principles in the United States, (GAAP), historical financial statements of Prior Dana will be presented separately from Dana results in this filing and future filings.

The implementation of the Plan and the application of fresh start accounting will result in financial statements that are not comparable to financial statements in periods prior to emergence.

*Basis of Presentation* As discussed in Note 3, the Debtors reorganized under Chapter 11 of the United States Bankruptcy Code. SOP 90-7, which is applicable to companies operating under Chapter 11, generally does not change the manner in which financial statements are prepared. However, SOP 90-7 does require that the financial statements for periods subsequent to the filing of a Chapter 11 petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business.

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We adopted SOP 90-7 on the Filing Date and prepared our financial statements in accordance with its requirements through January 31, 2008. Revenues, expenses, realized gains and losses and provisions for losses that can be directly associated with the reorganization and the related restructuring of our business were reported separately as reorganization items in our statement of operations. Our balance sheet prior to February 1, 2008 distinguished pre-petition liabilities subject to compromise both from those pre-petition liabilities that are not subject to compromise and from post-petition liabilities. Liabilities that were affected by the plan of reorganization were reported at the amounts expected to be allowed by the Bankruptcy Court. In addition, cash provided by or used for reorganization items was disclosed separately in our statement of cash flows. See Note 3 for further information about our financial statement presentation under SOP 90-7.

*Estimates* These consolidated financial statements are prepared in accordance with GAAP, which require the use of estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. Some of the more significant estimates include: valuation of deferred tax assets and inventories; restructuring, environmental, product liability and warranty accruals; valuation of post-employment and postretirement benefits; valuation, depreciation and amortization of long-lived assets; valuation of goodwill; and allowances for doubtful accounts. We believe our assumptions and estimates are reasonable and appropriate. However, due to the inherent uncertainties in making estimates, actual results could differ from those estimates.

As discussed above, in connection with the adoption of fresh start accounting, our asset values were valued at fair market value in accordance with SFAS 141. In addition, our liabilities were adjusted to fair value or present value where appropriate. Deferred taxes are determined in accordance with SFAS 109, Accounting for Income Taxes.

*Inventories* Inventories are valued at the lower of cost or market. Cost is generally determined on the last-in, first-out (LIFO) basis for U.S. inventories and on the first-in, first-out (FIFO) or average cost basis for non-U.S. inventories. In connection with our adoption of fresh start accounting on February 1, 2008, inventories were revalued upward by \$169 including the elimination of the U.S. LIFO reserve of \$120. Of this valuation amount, \$15 related to FIFO basis inventory outside of the U.S. is to be amortized to cost of sales as the inventory is sold. This occurred primarily in the first quarter with a nominal amount to be recorded in the second quarter. The remainder of the valuation represents U.S. inventories which will be accounted for on a LIFO basis following the initial valuation on the effective date.

*Property, Plant and Equipment* Prior to the effective date, property, plant and equipment of Prior Dana was recorded at cost. If assets were impaired their value was reduced by an increase in the depreciation reserve. Depreciation was recognized over the estimated useful lives using primarily the straight-line method for financial reporting purposes and accelerated depreciation methods for federal income tax purposes. In connection with our adoption of fresh start accounting on February 1, 2008, fixed assets were revalued to their fair market value, generally their appraised value after considering economic obsolescence, and new useful lives were established. The appraisals assigned remaining useful lives to each asset with assigned lives ranging from two to thirty years. The revalued assets will depreciate over these estimated remaining useful lives under the same straight-line method as utilized for the Prior Dana assets. Property additions after January 31, 2008 will be assigned lives based on our existing practices.

*Long Term Assets and Liabilities* As required by SFAS 141, in connection with the application of fresh start accounting we discounted our asbestos and worker's compensation liabilities and the related amounts recoverable from the insurers.

*Intangible Assets* Intangible assets were valued as part of the appraisals performed for fresh start reporting. Historically we carried nominal values for acquired patent and trademark intangibles. Our intangible assets as valued for fresh start accounting include customer contracts, developed technology and trademark and trade names. Customer contracts and developed technology have finite lives while substantially all of the trademarks and trade names have infinite lives. Intangible assets are carried at cost less accumulated amortization and are amortized over their useful life using the straight-line method of amortization. See Note 7.

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*Goodwill* Goodwill represents the excess of the reorganization value of Dana over the fair value of tangible and identified intangible assets. Goodwill is reviewed annually or more frequently under certain circumstances to determine if any impairment has occurred. See Note 7.

*Earnings Per Share* Basic earnings per share is computed by dividing earnings by the weighted average common shares outstanding. Prior Dana shares were cancelled at emergence and shares in Dana were issued. Therefore the earnings per share information for Dana is not comparable to Prior Dana earnings per share. See Note 9 for details of the shares outstanding.

*Recent Accounting Pronouncements* In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ( SFAS No. 161 ). SFAS No. 161 requires companies with derivative instruments to disclose additional information that would enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. The new requirements apply to derivative instruments and non-derivative instruments that are designated and qualify as hedging instruments and related hedged items accounted for under SFAS No. 133. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Early application is encouraged.

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3 (FSP 142-3) *Determination of the Useful Life of Intangible Assets*. FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142, *Goodwill and Other Intangible Assets*. FSP 142-3 is effective on January 1, 2009. We have not yet determined the impact FSP 142-3 will have on our consolidated financial statements.

**Note 3. Reorganization Proceedings**

The Bankruptcy Cases were jointly administered, with the Debtors managing their businesses as debtors in possession subject to the supervision of the Bankruptcy Court. We continued normal business operations during the bankruptcy process and emerged from bankruptcy on January 31, 2008.

**Claims Resolution**

See Note 1 for an explanation of the distributions under the Plan. Except as specifically provided in the Plan, the distributions under the Plan were in complete satisfaction, discharge and release of, all claims and third-party ownership interests in the Debtors arising on or before the Effective Date, including any interest accrued on such claims from and after the Filing Date.

**DCC Notes**

DCC is a non-Debtor subsidiary of Dana. At the time of our bankruptcy filing, DCC had outstanding notes totaling approximately \$399. DCC has sold substantially all of its remaining asset portfolio and has used the proceeds to pay down the DCC Notes to a balance of \$136 at December 31, 2007. In January 2008, DCC made a \$90 payment to the forbearing noteholders, consisting of \$87 of principal and \$3 of interest.

Dana and DCC executed a settlement agreement whereby they agreed to the discontinuance of a tax sharing agreement between them and to a stipulated amount of a general unsecured claim owed by Prior Dana to DCC of \$325 (the DCC Claim). On the Effective Date and pursuant to the Plan, we paid DCC \$49, the remaining amount due to DCC noteholders, thereby settling DCC's general unsecured claim of \$325 against the Debtors. DCC, in turn, used these funds to repay the noteholders in full.

**Table of Contents****Liabilities Subject to Compromise**

As required by SOP 90-7, liabilities being addressed through the bankruptcy process (i.e., general unsecured nonpriority claims) were reported as liabilities subject to compromise and adjusted to allowed claim amounts as determined through the bankruptcy process, or to the estimated claim amount if determined to be probable and estimable in accordance with generally accepted accounting principles. Certain of these claims were resolved and satisfied on or before our emergence on January 31, 2008, while others have been or will be resolved subsequent to emergence. Although the allowed amount of certain unresolved claims has not yet been determined, our liability associated with these unresolved claims subject to compromise has been discharged upon our emergence. Except for certain specific claims, most of the general unsecured claims will be satisfied by distributions from the previously funded reserve holding shares of Dana common stock. Therefore, the future resolution of claims subject to the reserve will not have an impact on our post-emergence results of operations or financial condition. To the extent that unresolved claims are settled for less than the \$700 estimated, additional distributions will be made to previously allowed claimants.

Liabilities subject to compromise in the consolidated balance sheet include those of our discontinued operations and consisted of the following at December 31, 2007:

|  | <b>December<br/>31,<br/>2007</b> |
|--|----------------------------------|
| Accounts payable                             | \$ 285                           |
| Pension and other postretirement obligations | 1,034                            |
| Debt (including accrued interest of \$39)    | 1,621                            |
| Other  | 571                              |
| Liabilities subject to compromise            | \$ 3,511                         |

On the Effective Date, the Plan required that certain liabilities previously reported as liabilities subject to compromise be retained by Dana. At December 31, 2007, we reclassified approximately \$213 of liabilities, including \$145 of asbestos liabilities, \$27 of pension liabilities and \$41 of other liabilities from liabilities subject to compromise to current or long-term liabilities of Dana, as appropriate. Liabilities subject to compromise declined by \$129 in January 2008 as a result of additional liabilities retained by Dana with the remainder settled by the terms of the Plan. All liabilities subject to compromise were discharged at January 31, 2008 or were retained by us under the terms of the Plan.

**Table of Contents****Reorganization Items**

Professional advisory fees and other costs directly associated with our reorganization were reported separately as reorganization items pursuant to SOP 90-7. Professional fees include fees paid in connection with the reorganization process. Reorganization items also include provisions and adjustments to reflect the carrying value of certain pre-petition liabilities at their estimated allowable claim amounts, as well as the costs incurred by the non-Debtor companies as a result of the Debtors' bankruptcy proceedings.

The reorganization items in the consolidated statement of operations for the quarters ended March 31, 2008 and 2007 consisted of the following items:

|  | <b>Three Months Ended<br/>March 31, 2008</b>                        |  |   |
|--|---|--|---|
|  | <b>Dana<br/>Two<br/>Months<br/>Ended<br/>March<br/>31,<br/>2008</b> | <b>Prior<br/>Dana<br/>One<br/>Month<br/>Ended<br/>January<br/>31,<br/>2008</b> | <b>Prior Dana<br/>Three<br/>Months<br/>Ended<br/>March 31,<br/>2007</b> |
| Professional fees  | \$ 6  | \$ 27  | \$ 39   |
| Contract rejections and claim settlements prior to emergence |   |  | 1   |
| Gain on settlement of liabilities subject to compromise      |   | (27)   |   |
| Employee emergence bonus                                     |   | 47   |   |
| Foreign tax costs due to reorganization                      |   | 33   |   |
| Other  | 3   | 19   |   |
| Interest income  |   | (1)  | (3)   |
| <b>Total reorganization items</b>                            | <b>\$ 9</b>   | <b>\$ 98</b>   | <b>\$ 37</b>  |

The gain on settlement of liabilities subject to compromise results from the satisfaction of these liabilities at emergence through issuance of Dana common stock or cash payments, as described in Note 1. We incurred professional fees of \$21 during January 2008 and we incurred additional reorganization expenses of approximately \$104 upon emergence from bankruptcy on January 31, 2008. Included in these expenses are \$47 for the provision of common stock bonuses to certain union and non-union people. Other one-time expenses associated with emergence included transfer taxes and other tax charges to effectuate the emergence and new legal organization, success fee obligations to certain professional advisors and other parties contributing to the bankruptcy reorganization, and other costs relating directly to emergence.

**Note 4. Asset Disposals and Impairments, Divestitures and Acquisitions****Impairments**

In accordance with SFAS 142, Goodwill and Other Intangible Assets, we review long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation in which the assets are utilized to their carrying amount. If those cash flows are determined to be less than the carrying amount of the assets, the long-lived assets of the operation (excluding goodwill) are written down to fair value if the fair value is lower than the carrying amount. Fair value is determined based on discounted cash flows or other methods providing best estimates of value.

Asset impairments often result from significant actions like the discontinuance of customer programs, facility closures or other events which result in the assets being held for sale. When this occurs, the specific assets are adjusted to their fair value less cost to sell or dispose if that amount is less than the current book value.





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Long-lived assets that continue to be used internally are evaluated for impairment, in the aggregate, by business segment given the global nature of the business segment operation, the interdependency of operations within the segment and the ability to reallocate assets within the segment.

With our adoption of fresh start accounting upon emergence, assets have been revalued to new carrying values based on our enterprise reorganization value and, in some cases, the appraised values of long-lived assets are higher than their previous net book value. These increased valuations for fresh start accounting purposes subject us to greater risks of future impairment.

**DCC Asset Disposals and Impairments**

Since 2001, DCC has sold portfolio assets in individually structured transactions and achieved further reductions through normal portfolio runoff. In 2006, DCC adopted a plan to proceed with an accelerated sale of substantially all of its remaining assets. The carrying value of the remaining DCC portfolio assets was \$4 at March 31, 2008 and \$7 at December 31, 2007. These assets have been adjusted to their estimated fair value less cost to sell. The remaining DCC assets include a partnership investment with a current carrying value of \$3.

**Divestitures**

In 2005, the Board of Directors of Prior Dana approved the divestiture of our engine hard parts, fluid products and pump products operations and we have reported these businesses as discontinued operations through the dates of divestiture. The divestiture of these discontinued operations, with the exception of the pump products business, was completed during 2007. In the first quarter of 2008, we completed the sale of the remaining assets of the pump products business to Melling Tool Company, generating proceeds of \$5 and an after-tax loss of \$1 that was recorded in January 2008.

During January 2008, we recorded an expense of \$5 in discontinued operations associated with a post-closing adjustment relating to the sale of the engine products business. The adjustment reinstated certain retained liabilities. We have pending purchase price adjustments related to the sales in the third quarter of 2007 of our fluid products hose and tubing business and our coupled fluid products business. We do not expect these adjustments to have a significant impact on our results.

**Table of Contents****Note 5. Discontinued Operations**

The results of operations of the engine hard parts, fluid products and pump products businesses are aggregated and presented as discontinued operations through their respective dates of divestiture. The sales of these businesses were substantially completed during 2007.

The results of the discontinued operations for the three months ended March 31, 2008 and 2007 were as follows:

|  | <b>Three Months Ended<br/>March 31, 2008</b>               |  |   |
|--|--|--|---|
|  | <b>Two<br/>Months<br/>Ended<br/>March<br/>31,<br/>2008</b> | <b>Prior<br/>Dana<br/>One<br/>Month<br/>Ended<br/>January<br/>31,<br/>2008</b> | <b>Prior Dana<br/>Three<br/>Months<br/>Ended<br/>March 31,<br/>2007</b> |
| Sales  | \$   | \$ 6   | \$ 278  |
| Cost of sales                                |  | 6  | 270   |
| Selling, general and administrative expenses |  |  | 15  |
| Impairment charges                           |  |  | 1   |
| Realignment and other expense, net           | 1  | 8  | 26  |
| Loss before income taxes                     | (1)  | (8)  | (34)  |
| Income tax benefit (expense)                 |  | 2  | (22)  |
| Loss from discontinued operations            | \$ (1)   | \$ (6)   | \$ (56)   |

Realignment and other expense, net in 2008 includes the pre-tax loss of \$1 on the sale of the remaining pump products business and a post-closing adjustment of \$5 related to the sale of the engine hard parts business in the prior year. The first quarter of 2007 includes a pre-tax loss of \$26 on the sale of the engine hard parts business to MAHLE GmbH.

With the sale of the remaining assets of the pump products business to Melling Tool Company in January 2008, we have completed the disposal of our discontinued operations.

The assets and liabilities of discontinued operations reported in the consolidated balance sheet at December 31, 2007 consisted of the following:

|   | <b>December<br/>31,<br/>2007</b> |
|---|----------------------------------|
| <b>Assets of discontinued operations</b>      |                                  |
| Accounts receivable                           | \$ 13                            |
| Inventories                                   | 5                                |
| Cash and other assets                         | 6                                |
| Total assets                                  | \$ 24                            |
| <b>Liabilities of discontinued operations</b> |                                  |
| Accounts payable                              | \$ 6                             |

|                                       |  |    |   |
|---------------------------------------|--|----|---|
| Accrued payroll and employee benefits |  |    | 1 |
| Other current liabilities             |  |    | 2 |
| Total liabilities                     |  | \$ | 9 |

There were no remaining assets and liabilities of discontinued operations as of March 31, 2008.

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In the consolidated statement of cash flows, the cash flows of discontinued operations are reported in the respective categories of cash flows, along with those of our continuing operations.

**Note 6. Realignment of Operations**

Realignment of our manufacturing operations was an essential component of our bankruptcy reorganization plans. We focused on eliminating excess capacity, closing and consolidating facilities and repositioning operations in lower cost facilities or those with excess capacity and on reducing and realigning overhead costs.

During 2007, we completed the closure of fifteen facilities. An additional 3 facilities are scheduled to close in 2008 and 2009 and other locations are in various stages of implementing work force reductions. Realignment costs in January 2008 include the announced closure of the Barrie, Ontario Commercial Vehicle facility.

In connection with the adoption of fresh start accounting, the facilities which will be closed in 2008 and later were treated as closures of acquired facilities in accordance with Emerging Issues Task Force Issue No. 95-3 and an additional \$32 was recorded at emergence for additional closure-related obligations.

The following tables show the realignment charges and related payments including the amounts accrued in January 2008 under fresh start accounting in our continuing operations for the three months ended March 31, 2008.

|                                     | <b>Employee<br/>Termination<br/>Benefits</b> | <b>Long-Lived<br/>Asset<br/>Impairment</b> | <b>Exit<br/>Costs</b> | <b>Total</b> |
|-------------------------------------|--|--|-----------------------|--------------|
| <b>Balance at December 31, 2007</b> | \$ 53  | \$   | \$ 15                 | \$ 68        |
| Activity during the period          |  |  |                       |              |
| Charged to realignment              | 7  | 2  | 3                     | 12           |
| Fresh start adjustment              |  |  | 32                    | 32           |
| Non-cash write-off                  |  | (2)  |                       | (2)          |
| Cash payments                       | (2)  |  | (3)                   | (5)          |
| <b>Balance at January 31, 2008</b>  | 58   |  | 47                    | 105          |
| Activity during the period          |  |  |                       |              |
| Charged to realignment              | 1  |  | 4                     | 5            |
| Cash payments                       | (4)  |  | (12)                  | (16)         |
| <b>Balance at March 31, 2008</b>    | \$ 55  | \$   | \$ 39                 | \$ 94        |

The realignment charges during the three months ended March 31, 2008 related primarily to the ongoing facility closure activities associated with the announced closure of the Barrie, Ontario facility and the previously announced manufacturing footprint actions.

At March 31, 2008, \$94 of realignment accruals remained in accrued liabilities, including \$55 for the reduction of approximately 1,400 employees to be completed over the next two years and \$39 for lease terminations and other exit costs. The estimated cash expenditures related to these liabilities are projected to approximate \$81 in 2008 and \$13 thereafter. In addition to the \$94 accrued at March 31, 2008, we estimate that another \$21 will be expensed in the future to complete pending initiatives.

Realignment initiatives generally occur over multiple reporting periods. The following table provides project-to-date and estimated future expenses for completion of our pending realignment initiatives for the Automotive Systems Group (ASG) and the Heavy Vehicle Systems Group (HVSG) business units and the underlying segments.

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|                                    | Expense Recognized  |       |                  | Future              |
|------------------------------------|---------------------|-------|------------------|---------------------|
|                                    | Prior<br>to<br>2008 | 2008  | Total<br>to Date | Cost to<br>Complete |
| <b>ASG</b>                         |                     |       |                  |                     |
| Axle                               | \$ 53               | \$ 3  | \$ 56            | \$ 8                |
| Driveshaft                         | 28                  | 1     | 29               | 5                   |
| Structures                         | 68                  | 4     | 72               | 1                   |
| Total ASG                          | 149                 | 8     | 157              | 14                  |
| <b>HVSG</b>                        |                     |       |                  |                     |
| Commercial Vehicles                | 18                  | 9     | 27               | 7                   |
| Other                              |                     |       |                  |                     |
| <b>Total continuing operations</b> | \$ 167              | \$ 17 | \$ 184           | \$ 21               |

**Note 7. Goodwill and Other Intangible Assets****Goodwill**

Goodwill is tested for impairment on an annual basis and between annual tests if indicators of potential impairment exist, using a fair-value based approach. The annual evaluation for impairment is generally based on valuation models that incorporate internal projections of expected future cash flows and operating plans. The annual impairments tests are performed on October 31.

The following table summarizes the components of goodwill by operating segment:

|             | December<br>31,<br>2007 | Fresh<br>Start<br>Adjustments | Effect of<br>Currency<br>and<br>Other | March<br>31,<br>2008 |
|-------------|-------------------------|-------------------------------|---------------------------------------|----------------------|
| <b>ASG</b>  |                         |                               |                                       |                      |
| Driveshaft  | \$ 173                  | \$ 2                          | \$ 3                                  | \$ 178               |
| Sealing     | 26                      | (26)                          |                                       |                      |
| Thermal     | 31                      | (31)                          |                                       |                      |
| Total       | 230                     | (55)                          | 3                                     | 178                  |
| <b>HVSG</b> |                         |                               |                                       |                      |
| Off-Highway | 119                     | 5                             | 8                                     | 132                  |
| Total       | \$ 349                  | \$ (50)                       | \$ 11                                 | \$ 310               |

**Other Intangible Assets**

In connection with the adoption of fresh start accounting, we obtained valuations of certain intangible assets including core technology, trademarks and trade names and customer relationships. Core technology includes the valuation of proprietary know-how and expertise that is inherent in our products and manufacturing processes. Trademark and tradenames valuations include the valuation of our trade names and the related trademarks including

Dana®, Spicer® and others. Customer relationships include the established relationships with our customers and the related ability of these customers to continue to generate future recurring revenue and income. The value of these intangible assets was measured by valuation experts and was recorded at emergence as part of the fresh start adjustments discussed in Note 1.

Intangible assets are amortized using the straight-line method over their estimated period of benefit, ranging from one to seventeen years. We evaluate the recoverability of intangible assets periodically and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. Substantially all of our intangible assets are subject to amortization.

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The following table summarizes the components of other intangible assets.

|                                   | Weighted<br>Average<br>Useful<br>Life<br>(years) | Dana<br>March 31, 2008      |                             | Net<br>Carrying<br>Amount |
|-----------------------------------|--|-----------------------------|-----------------------------|---------------------------|
|                                   |  | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization |                           |
| Amortizable intangible assets     |  |                             |                             |                           |
| Core technology                   | 7  | \$ 102                      | \$ (3)                      | \$ 99                     |
| Trademarks and trade names        | 17   | 4                           |                             | 4                         |
| Customer relationships            | 8  | 502                         | (12)                        | 490                       |
| Non-amortizable intangible assets |  |                             |                             |                           |
| Trademarks and trade names        |  | 85                          |                             | 85                        |
|                                   |  | \$ 693                      | \$ (15)                     | \$ 678                    |

Intangible assets attributable to each of our operating segments, net, at March 31, 2008, were as follows: Axle, \$15; Driveshaft \$238; Sealing \$53; Thermal \$25; Structures \$61; Commercial Vehicle \$52; and Off-Highway \$234.

Amortizable intangible assets at December 31, 2007, primarily trademarks, were less than \$1.

Amortization expense related to intangible assets was \$15 in the two months ended March 31, 2008. Amortization of core technology of \$3 was charged to cost of sales and \$12 of amortization of trademarks and trade names and customer relationships was charged to amortization of intangibles.

Estimated amortization expense related to intangible assets for 2008 and each of the five succeeding fiscal years is shown below. Actual amounts may differ from these estimates due to such factors as foreign exchange, customer turnover, impairments, additional intangible asset acquisitions and other events.

|                   | Estimated<br>Aggregate<br>Amortization<br>Expense<br>(pre-tax) |
|-------------------|--|
| Remainder of 2008 | \$ 68  |
| 2009              | 90   |
| 2010              | 90   |
| 2011              | 89   |
| 2012              | 89   |
| 2013              | 88   |

**Note 8. Capital Stock***Preferred Stock***Prior Dana Preferred Stock**

Prior Dana had 5,000,000 shares of preferred stock authorized, without par value, including 1,000,000 shares reserved for issuance under a Rights Agreement. No shares of Prior Dana preferred stock were issued. The share authorization and reservation were cancelled on the Effective Date.



**Table of Contents****Series A and Series B Preferred Stock**

*Issuance* Pursuant to the Plan, we issued 2,500,000 shares of our Series A Preferred and 5,400,000 shares of our Series B Preferred on the Effective Date. The Series A Preferred was sold to Centerbridge for \$250, less a commitment fee of \$3 and expense reimbursement of \$5, resulting in net proceeds of \$242. The Series B Preferred was sold to certain qualified investors (as described in the Plan) for \$540, less a commitment fee of \$11, resulting in net proceeds of \$529.

*Conversion Rights* In accordance with the terms of the preferred stock, all of the shares of preferred stock are, at the holder's option, convertible into a number of fully paid and non-assessable shares of common stock at an initial price of \$13.19. This initial conversion price is subject to certain adjustments as set forth in our Restated Certificate of Incorporation.

Shares of Series A Preferred having an aggregate liquidation preference of not more than \$125 and the Series B Preferred are convertible at any time at the option of the applicable holder after July 31, 2008. The remaining shares of Series A Preferred are convertible after January 31, 2011. In addition, we will be able to cause the conversion of all, but not less than all, of the preferred stock, if the common stock's per share closing price exceeds the mandatory conversion trigger price, as determined at that time, for at least 20 consecutive trading days. This price is subject to adjustment in certain customary circumstances, including as a result of stock splits and combinations, dividends and distributions and certain issuances of common stock or common stock derivatives.

*Common Stock***New Common Stock**

On the Effective Date, we began the process of issuing 100 million shares of Dana common stock, par value \$0.01 per share, including approximately 71 million shares for allowed unsecured nonpriority claims, approximately 27 million additional shares deposited to a reserve for disputed unsecured nonpriority claims in Class 5B under the Plan and approximately two million shares to pay bonuses to union employees and non-union hourly and salaried non-management employees. We relied, based on the Confirmation Order, on Section 1145(a)(1) of the Bankruptcy Code to exempt us from the registration requirements of the Securities Act for the offer and sale of the common stock to the general unsecured creditors. We filed a Registration Statement on Form S-8 with respect to the common stock issued for the post-emergence bonuses to non-union hourly and salaried non-management employees which we began issuing in April 2008. The charge to reorganization items, net for these bonuses was accrued as a current liability as of the Effective Date.

**Note 9. Earnings Per Share**

The 100 million shares of common stock utilized in the calculation of earnings per share for the two month period ended March 31, 2008 represent the average shares of common stock issued and committed for issuance for the two months ended March 31, 2008. The 98 million shares of common stock issued have been increased by the shares of common stock committed for future issuance to certain union and non-union employees. In the calculation of basic earnings per share, net income is reduced by the preferred dividend.

Stock options and restricted stock units issued during the quarter had a nominal impact on the weighted average shares outstanding as a substantial portion of the stock options carry a strike price above the average price of the stock. Conversion of the preferred stock has not been included in the share count for diluted earnings per share as it was anti-dilutive. The preferred stock would convert into approximately 60 million shares of common stock at the \$13.19 conversion price.

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In addition to average shares of common stock outstanding of 150 million for 2007, we had one million shares that satisfy the definition of potentially dilutive shares. These potentially dilutive shares have been excluded from the computation of earnings per share for the three months ended March 31, 2007 as the loss from continuing operations for these periods caused the shares to have an anti-dilutive effect. In addition, we excluded 14 million shares of common stock for the 2007 period from the computation of earnings per share as these shares represented stock options with exercise prices higher than the average per share trading price of our stock during the respective periods and the effect of including them would also be anti-dilutive.

**Note 10. Incentive and Stock Compensation**

Upon emergence, all common stock as well as equity-based incentive compensation, including but not limited to stock options and restricted stock units of Prior Dana, were cancelled in accordance with the Plan.

**Stock Distributions**

As previously disclosed, as part of the amendments to executive agreements Dana entered into with certain executive officers, Dana instituted an Executive Incentive Compensation (EIC) plan. The participant is eligible to receive payments with respect to 2007 and 2008 performance upon the achievement of certain earnings before interest, depreciation and amortization, reorganization and realignment (EBITDA) targets as defined in the EIC plan. Please note, in previous filings we have utilized the term EBITDAR to describe earnings before interest, depreciation and amortization, reorganization and realignment. For purposes of reflecting this measurement as it is customarily used, we have elected for this report and future filings to describe earnings before interest, depreciation and amortization, reorganization and realignment by now utilizing the term EBITDA. On April 14, 2008, we issued 73,562 shares of common stock to EIC participants for meeting 2007 performance goals. The average fair value per share was \$9.84 on the date of distribution.

**2008 Omnibus Incentive Plan**

As part of the Plan, the Bankruptcy Court approved our 2008 Omnibus Incentive Plan. The purpose of the Omnibus Incentive Plan is to attract and retain our directors, officers, other employees and consultants and to motivate and provide to such persons incentives and rewards for superior performance. The eligibility requirements and terms governing the allocation of any common stock and the receipt of other consideration under the Omnibus Incentive Plan is determined by the Board of Directors and/or the Compensation Committee of the Board of Directors, as applicable. It is a tenet of our executive compensation philosophy that performance-based compensation provided to our Chief Executive Officer and other senior managers who are covered employees under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) should comply with the Code requirements that qualify such compensation as tax-deductible for Dana, unless the Compensation Committee determines that it is in Dana's best interests in individual circumstances to provide compensation that is not tax-deductible.

Under the Omnibus Incentive Plan and subject to adjustment as provided therein, the number of shares of common stock that may be issued or delivered

upon the exercise of option rights or appreciation rights,

as restricted shares and released from the substantial risk of forfeiture thereof,

as settlement for restricted stock units upon satisfaction of the substantial risk of forfeiture thereof,

in payment of performance shares or performance units that have been earned,

as awards to non-employee directors, or

in payment of dividend equivalents paid with respect to awards made under the Omnibus Incentive Plan may not exceed, in the aggregate, 16,090,000 shares, plus any shares relating to awards that terminate or are forfeited. The aggregate number of shares of common stock we actually issue or transfer upon the exercise of incentive stock

options may not exceed 4,000,000 shares. Further, no participant may be granted option rights or appreciation rights for more than 2,000,000 shares of common stock during any calendar year, subject to adjustments as provided in the Omnibus Incentive Plan.

In no event may any participant receive restricted shares, restricted stock units or performance shares in the aggregate for more than 1,000,000 shares of common stock during any calendar year or receive an award of performance units having an aggregate maximum value as of their respective dates of grant in excess of \$10. The maximum number of shares that may be granted under the Omnibus Incentive Plan is subject to adjustment in the

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event of stock dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, spin-offs, reorganizations, liquidations, issuances of rights or warrants and similar events.

No grants may be made under the Omnibus Incentive Plan after December 25, 2017.

Under the Omnibus Incentive Plan, the Board of Directors may also, in its discretion, authorize the granting of option rights and appreciation rights to non-employee directors and may also authorize the grant of other awards.

Upon a change in control of Dana, except as otherwise provided in the terms of the award or as provided by the Compensation Committee of the Board of Directors, to the extent outstanding awards are not assumed, converted or replaced by the resulting entity, all outstanding awards that may be exercised will become fully exercisable, all restrictions with respect to outstanding awards will lapse and such awards will become fully vested and non-forfeitable, and any specified performance measures with respect to outstanding awards will be deemed to be satisfied at target.

**Stock Options**

During the first quarter of 2008, we granted stock options to our Executive Chairman as well as our non-employee directors under the Omnibus Incentive Plan. We calculated a fair value at the date of the grant using the Black-Scholes valuation method for options granted. We changed from the lattice valuation method because we believe Black-Scholes is more appropriate for situations in which historical exercise data is not available. The fair value at grant date for the employee options was \$5.57. The weighted-average fair value at grant date for the non-employee director options was \$4.53. The exercise price of each option awarded under the Omnibus Incentive Plan equaled the market price of Dana common stock on the date of grant and an option's maximum term is 10 years. Shares issued upon the exercise of options are recorded in the common stock accounts at the option price.

The following table summarizes the stock options granted to employees under the Omnibus Incentive Plan during the two months ended March 31, 2008:

|                                 | <b>Number of<br/>Shares</b> | <b>Exercise<br/>Price</b> |
|---------------------------------|-----------------------------|---------------------------|
| Outstanding at January 31, 2008 |                             | \$                        |
| Granted                         | 800,000                     | 12.75                     |
| Outstanding at March 31, 2008   | 800,000                     | \$ 12.75                  |

The following table summarizes information about the employee stock options outstanding at March 31, 2008:

| <b>Range of<br/>Exercise Prices</b> | <b>Number of<br/>Options</b> | <b>Outstanding Options</b>                         |                           | <b>Exercisable Options</b>   |                           |
|-------------------------------------|------------------------------|--|---------------------------|------------------------------|---------------------------|
|                                     |                              | <b>Remaining<br/>Contractual<br/>Life in Years</b> | <b>Exercise<br/>Price</b> | <b>Number of<br/>Options</b> | <b>Exercise<br/>Price</b> |
| \$12.75                             | 800,000                      | 9.8  | \$12.75                   |                              | \$                        |

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The following table summarizes the stock options granted to the non-employee directors under the Omnibus Incentive Plan during the two months ended March 31, 2008:

|                                 | Number of<br>Shares | Weighted<br>Average<br>Exercise<br>Price |
|---------------------------------|---------------------|--|
| Outstanding at January 31, 2008 |                     | \$                                       |
| Granted                         | 231,714             | 10.06                                    |
| Outstanding at March 31, 2008   | 231,714             | \$ 10.06                                 |

The following table summarizes information about the non-employee directors stock options outstanding at March 31, 2008:

| Range of<br>Exercise Prices | Number of<br>Options | Outstanding Options  |  | Exercisable Options  |  |
|-----------------------------|----------------------|--|--|----------------------|--|
|                             |                      | Weighted<br>Average<br>Remaining<br>Contractual<br>Life in Years | Weighted<br>Average<br>Exercise<br>Price | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price |
| \$10.06                     | 231,714              | 10.0   | \$10.06                                  |                      | \$                                       |

As of March 31, 2008, the total unrecognized compensation expense for non-vested options was \$5, which is being amortized over a period of approximately three years. No options vested during the two months ended March 31, 2008. During the two months ended March 31, 2008, we recognized nominal equity-based compensation expense.

**Restricted Stock Units**

On March 28, 2008, we granted 34,790 restricted stock units to our non-employee directors under the Omnibus Incentive Plan. Each restricted stock unit granted represents the right to receive one share of Dana common stock or, at the election of Dana, cash equal to the market value per share. The restricted stock units granted vest in three equal annual installments beginning on the first anniversary date of the grant and contain dividend equivalent rights. Compensation expense for restricted stock units is measured based on the fair value at grant date and is recognized on a straight-line basis over the vesting period.

**Subsequent Event Omnibus Incentive Plan**

On April 16, 2008, we granted 600,000 stock options to consultants under the Omnibus Incentive Plan.

**Subsequent Event 2008 Long Term Incentive Program**

On April 16, 2008, upon the recommendation of the Compensation Committee, the Board of Directors of Dana approved the 2008 Long Term Incentive Program (2008 LTIP). The 2008 LTIP is being implemented pursuant to the terms and conditions of the Omnibus Incentive Plan. Below is a summary of the key terms of the 2008 LTIP.

Employees designated by Dana, including our named executive officers, may participate in the 2008 LTIP. The target award is determined based upon the annualized expected value calculated and the stock price at the date of grant. The 2008 LTIP provides for three different mixes of long-term incentives. First, certain executives, including the named executive officers, are eligible for long-term incentive awards consisting of 50% stock options and 50% performance shares. The next group of employees is eligible for long-term incentive awards consisting of 50% performance shares and 50% restricted stock units. Finally, other key employees are eligible for restricted stock unit awards from a discretionary pool.

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Stock option awards under the 2008 LTIP have a contractual term of 10 years and vest ratably over three years. The restricted stock unit awards cliff vest fully after three years and will be settled in shares of Dana common stock, except for certain international employees who may receive cash-settled awards.

With respect to an award of performance shares, each participant will receive notional shares equal to the number of shares of Dana common stock that would be payable based on the target performance goals. An award of performance shares under the 2008 LTIP is based on certain target performance goals. Dana has chosen EBITDA (34% weighted), free cash flow (as defined) (33% weighted) and return on invested capital (as defined) (ROIC) (33% weighted) as its financial measurements for establishing its 2008 LTIP target performance goals. Awards for executive officers, including the named executive officers, are based on a range of 50% of the target performance award to 250% of the target performance award. Dana will set for each participant a number of notional shares payable at the target.

For 2008 performance share awards, there are three distinct performance periods. The first period covers the 2008 calendar year. It will account for 25% of the target award. The second period covers the two-year period 2008 through 2009. It accounts for another 25% of the target award. The final period covers the three-year period 2008 through 2010. It accounts for the remaining 50% of the target award. Award payouts, which are based on actual performance, will be made shortly after the conclusion of the respective performance period.

On April 16, 2008, we granted 2,069,395 stock options to employees. The fair value per option at grant date was \$4.38.

On April 16, 2008, we granted approximately 525,000 restricted stock units pursuant to the terms and guidelines set forth under the 2008 LTIP to certain employees.

**Subsequent Event 2008 Annual Incentive Program**

On April 16, 2008, upon the recommendation of the Compensation Committee, the Board of Directors of Dana approved the 2008 Annual Incentive Program (2008 AIP). The 2008 AIP is being implemented pursuant to the terms and conditions of the Omnibus Incentive Plan. Below is a summary of the key terms of the 2008 AIP.

Certain eligible employees designated by Dana, including our named executive officers, may participate in the 2008 AIP. The 2008 AIP is based on a calendar year performance period commencing January 1, 2008 and ending on December 31, 2008. All earned awards will be paid in cash during the first quarter of 2009.

An award under the 2008 AIP is based on certain target performance goals. Dana has chosen EBITDA (50% weighted) and free cash flow (50% weighted) as its financial measurements for establishing its 2008 AIP target performance goals. Awards for executive officers, including the named executive officers, are determined on a range of 50% of the target performance award to 250% of the target performance award. Dana will set for each participant a percentage of his or her annual base salary payable at the target. A minimum level of EBITDA must be achieved by Dana in order for any award to be earned.

There is individual performance recognition through discretionary award adjustments within specified guidelines. Employees must perform at a minimum level to be eligible to earn any award. There is a maximum upward and downward adjustment of 20%, subject to a zero sum overall impact. The 2008 AIP, along with our 2008 LTIP, are designed to comply with Section 162(m) of the Code and allow us to deduct for income tax purposes awards made under both programs.

**Table of Contents****Note 11. Pension and Postretirement Benefit Plans**

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

The components of net periodic benefit costs for the three months ended March 31, 2008 and 2007 were as follows:

|   | <b>Pension Benefits</b>                  |                 |                        |                 |                           |                 |
|---|--|-----------------|------------------------|-----------------|---------------------------|-----------------|
|   | <b>Three Months Ended March 31, 2008</b> |                 |                        |                 |                           |                 |
|   | <b>Two Months Ended</b>                  |                 | <b>Prior Dana</b>      |                 | <b>Prior Dana</b>         |                 |
|   | <b>March 31, 2008</b>                    |                 | <b>One Month Ended</b> |                 | <b>Three Months Ended</b> |                 |
|   | <b>U.S.</b>                              | <b>Non-U.S.</b> | <b>U.S.</b>            | <b>Non-U.S.</b> | <b>U.S.</b>               | <b>Non-U.S.</b> |
| Service cost  | \$                                       | \$ 1            | \$ 1                   | \$ 1            | \$ 7                      | \$ 6            |
| Interest cost   |  | 5               | 9                      | 2               | 29                        | 12              |
| Expected return on plan assets  |  | (23)            | (12)                   | (2)             | (37)                      | (13)            |
| Recognized net actuarial loss   |  |                 | 2                      |                 | 6                         |                 |
| Net periodic benefit cost (credit)  |  | (5)             |                        | 1               | 5                         | 5               |
| Curtailment loss  |  | 2               |                        |                 |                           | 8               |
| <b>Net periodic benefit cost (credit) after curtailment and settlements</b> | <b>\$</b>                                | <b>(5)</b>      | <b>\$</b>              | <b>2</b>        | <b>\$</b>                 | <b>13</b>       |
|   |  |                 | \$                     | 1               | \$                        | 5               |

  

|   | <b>Other Benefits</b>                    |                 |                        |                 |                           |                 |
|---|--|-----------------|------------------------|-----------------|---------------------------|-----------------|
|   | <b>Three Months Ended March 31, 2008</b> |                 |                        |                 |                           |                 |
|   | <b>Two Months Ended</b>                  |                 | <b>Prior Dana</b>      |                 | <b>Prior Dana</b>         |                 |
|   | <b>March 31, 2008</b>                    |                 | <b>One Month Ended</b> |                 | <b>Three Months Ended</b> |                 |
|   | <b>U.S.</b>                              | <b>Non-U.S.</b> | <b>U.S.</b>            | <b>Non-U.S.</b> | <b>U.S.</b>               | <b>Non-U.S.</b> |
| Service cost  | \$                                       | \$              | \$                     | \$              | \$ 2                      | \$              |
| Interest cost   |  | 1               | 5                      | 1               | 21                        | 1               |
| Amortization of prior service credit  |  |                 | (3)                    |                 |                           | (3)             |
| Recognized net actuarial loss   |  |                 | 3                      |                 | 5                         | 4               |
| Net periodic benefit cost   |  | 1               | 5                      | 1               | 28                        | 2               |
| Curtailment gain  |  |                 | (61)                   |                 |                           |                 |
| Settlement gain   |  |                 |                        |                 | (12)                      |                 |
| <b>Net periodic benefit cost (credit) after curtailment and settlements</b> | <b>\$</b>                                | <b>\$</b>       | <b>\$</b>              | <b>(56)</b>     | <b>\$</b>                 | <b>2</b>        |
|   |  | 1               | \$                     | 1               | \$                        | 16              |

During the first quarter of 2007 we announced the restructuring of our pension liabilities in the U.K. necessitated by the planned divestiture of several non-core U.K. businesses. Pursuant to the underlying agreement, we recorded \$8

of pension curtailment cost as a realignment charge in the first quarter of 2007.

During the first quarter of 2007, the sale of the engine hard parts business resulted in a postretirement medical plan settlement gain of \$12.



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Certain changes to our U.S. pension and postretirement benefit plans were implemented during the bankruptcy process. Provisions implemented during the bankruptcy process were:

- § eliminated postretirement healthcare benefits for active non-union employees in the U.S. effective as of April 1, 2007. This action reduced our accumulated postretirement benefit obligation (APBO) for postretirement healthcare by \$115 in the first quarter of 2007. Because the elimination of these benefits reduced benefits previously earned, it was considered a negative plan amendment. Accordingly, the reduction in the APBO was offset by a credit to other comprehensive income (OCI) which was amortized to income as a reduction of OPEB expense until AOCI was eliminated under fresh start accounting;
- § contributed an aggregate of \$78 to a VEBA trust for postretirement healthcare and life insurance benefits for non-union retirees in the U.S. in exchange for release of the Debtors from these obligations. We funded our contribution with payments of \$25 in June 2007 and \$53 in January 2008. In May 2007, we also made a \$2 payment to the International Association of Machinists (IAM) to resolve all claims for postretirement non-pension benefits after June 30, 2007 for retirees and active employees represented by the IAM. These actions reduced our APBO by \$303 in the second quarter of 2007, with \$80 being offset by the payment obligation to the VEBAs and \$223 being credited to AOCI until AOCI was eliminated under fresh start accounting; and
- § amended our U.S. pension plans for non-union employees to freeze service credits and benefit accruals effective July 1, 2007. In connection with this action, we recorded a curtailment charge of \$3 during the second quarter of 2007.

Other changes related to our U.S. pensions and other postretirement benefits specific to union-represented employees and retirees were implemented on January 31, 2008 with our emergence from bankruptcy. Under these provisions, we have:

- § frozen credited service and benefit accruals under our defined benefit pension plans for employees;
- § agreed to make future contributions, based on a cents per hour formula, to a USW multiemployer pension trust, which will provide future pension benefits for covered employees;
- § eliminated non-pension retiree benefits (postretirement healthcare and life insurance benefits) for employees and retirees; and
- § contributed an aggregate of approximately \$733 in cash on February 1, 2008 (which is net of amounts paid for non-pension retiree benefits, long-term disability and related healthcare claims of retirees incurred and paid between July 1, 2007 and the date of emergence) to the union-administered VEBAs. These VEBAs will provide non-pension retiree benefits, disability benefits and related healthcare benefits, as determined by the VEBA trustees, to eligible retirees. As a result of the changes in our U.S. other postretirement benefits that became effective on January 31, 2008 with our emergence from bankruptcy, we recognized a portion of the previously unrecognized prior service credits as a curtailment gain of \$61 due to the negative plan amendment and reported it as a component of the gain on settlement of liabilities subject to compromise. In connection with the recognition of the VEBA obligations at emergence, the APBO was reduced by \$278 with an offsetting credit to OCI.

Our postretirement healthcare obligations for all U.S. employees and retirees have been eliminated. Our related cost and funding requirements, after making our VEBA contributions, have been eliminated. With regard to pension benefits, credited service and benefit accruals have been frozen for all U.S. employees in defined benefit plans. Our future pension costs have been reduced significantly.

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Under fresh start accounting we were required to remeasure all defined benefit plan obligations and assets. The discount rate used to measure the U.S. pension and other postretirement benefit obligations were 6.13% and 6.10% at January 31, 2008 compared to 6.26% and 6.24% at December 31, 2007. The weighted average discount rates used to measure the non-U.S. pension and other postretirement benefit obligations were 5.29% and 5.29% at January 31, 2008 compared to 5.27% and 5.29% at December 31, 2007. The generally adverse asset investment performance during the month of January 2008 negatively impacted net obligations. As a result of these changes, a net actuarial loss of \$140 increased defined benefit obligations with an offset to OCI. The AOCI balance at January 31, 2008 was eliminated under fresh start accounting.

**Note 12. Comprehensive Income (Loss)**

Comprehensive income (loss) includes our net income (loss) and components of OCI such as deferred currency translation gains and losses that are charged or credited directly to shareholders' equity.

The components of our total comprehensive income (loss) for the three months ended March 31, 2008 and 2007 were as follows:

|  | <b>Three Months Ended<br/>March 31, 2008</b>               |  |   |
|--|--|--|---|
|  | <b>Two<br/>Months<br/>Ended<br/>March<br/>31,<br/>2008</b> | <b>Prior<br/>Dana<br/>One<br/>Month<br/>Ended<br/>January<br/>31,<br/>2008</b> | <b>Prior Dana<br/>Three<br/>Months<br/>Ended<br/>March 31,<br/>2007</b> |
| Net income (loss)  | \$ (24)  | \$ 709   | \$ (92)   |
| Other comprehensive income (loss):                               |  |  |   |
| Currency translation adjustments                                 | 44   | 3  | 16  |
| Postretirement healthcare plan amendments                        |  | 278  | 115   |
| Immediate recognition of prior service credit due to curtailment |  | (61)   |   |
| Actuarial loss   |  | (140)  |   |
| Reclassification to net income (loss) of:                        |  |  |   |
| Benefit plan amortization  |  | 2  | 11  |
| GETRAG deferred translation and pension                          |  |  | (93)  |
| Other  |  | (6)  | 13  |
| <b>Total comprehensive income (loss)</b>                         | <b>\$ 20</b>   | <b>\$ 785</b>  | <b>\$ (30)</b>  |

The \$44 deferred translation gain reported for the two months ended March 31, 2008 was primarily due to the continued weakening of the U.S. dollar in relation to the euro (\$39). For the one month ended January 31, 2008, the euro (\$8) and the Brazilian real (\$2) strengthened relative to the U.S. dollar while the South African rand weakened (\$4).

As previously described in Note 11, OCI for the one month ended January 31, 2008 includes the impact of the changes made to our U.S. other postretirement benefit plans specific to union-represented employees effective with our emergence from bankruptcy. As a result of these changes, we recognized \$61 of previously unrecognized prior service credits as a curtailment gain. In addition, OCI was credited with \$278 pursuant to the plan change and establishment of the union VEBAs. In connection with the adoption of fresh start accounting upon emergence, we were required to re-measure the assets and liabilities of all of our defined benefit plans using updated assumptions. As a result, OCI was charged with \$140 in actuarial losses.



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For the three months ended March 31, 2007, OCI included a \$115 credit related to the termination of postretirement healthcare coverage for active non-union employees (see Note 11) and a charge of \$93 to reclassify to net loss the deferred translation gain and unamortized pension expense related to the sale in March 2007 of our equity investment in GETRAG. The \$16 deferred translation gain reported for the three months ended March 31, 2007 was primarily due to the weakening of the U.S. dollar against the euro, partially offset by losses of \$9 and \$3 due to strengthening of the dollar against the Brazilian real and Mexican peso. Other includes \$10 of pension adjustments related to our sale of the engine hard parts business.

**Note 13. Cash Deposits**

Cash deposits are maintained to provide credit enhancement for certain agreements. These financial instruments are typically renewed each year and are recorded in Cash and cash equivalents. In most instances, these cash deposits may be withdrawn if comparable security is provided in the form of letters of credit.

At March 31, 2008, cash and cash equivalents held in the U.S. amounted to \$557. Included in this amount was \$71 of cash deposits primarily to provide credit enhancement for certain lease agreements, support surety bonds that enable us to self-insure our workers' compensation obligations in certain states and fund an escrow account required to appeal a judgment rendered in Texas. Cash held by DCC is no longer restricted as the obligations under a forbearance agreement were satisfied in January 2008.

At March 31, 2008, cash and cash equivalents held outside the U.S. amounted to \$726. Included in this amount was \$47 of cash deposits primarily to provide credit enhancement for certain lease agreements and to support letters of credit, bank guarantees and certain employee benefit obligations.

Cash deposits are not considered to be restricted as they could be replaced by letters of credit available under our Exit Facility (discussed in Note 14). Availability at March 31, 2008 was adequate to cover the deposits for which replacement by letters of credit is permitted.

A substantial portion of our non-U.S. cash and cash equivalents is needed 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. In addition, at March 31, 2008, \$85 was held by consolidated entities that have minority interests with varying levels of participation rights involving cash withdrawals. Beyond these restrictions, there are practical limitations on repatriation of cash from certain countries because of the resulting tax withholdings.

**Table of Contents****Note 14. Financing Agreements**

Details of our consolidated long-term debt at March 31, 2008 and December 31, 2007 were as follows:

|  | <b>March<br/>31,<br/>2008</b> | <b>Prior Dana<br/>December<br/>31,<br/>2007</b> |
|--|-------------------------------|---|
| Indebtedness of Dana, excluding consolidated subsidiaries -    |                               |   |
| Term Loan Facility, weighted average rate, 6.80%               | \$ 1,426                      |   |
| Less original issue discount (OID)                             | (111)                         |   |
| DIP Term Loan  |                               | \$ 900  |
| Indebtedness of DCC -  |                               |   |
| Unsecured notes, fixed rates, 2.00% - 8.375%, due 2008 to 2012 |                               | 136   |
| Nonrecourse notes, fixed rates, 5.92%, due 2008 to 2011        | 7                             | 7   |
| Indebtedness of other consolidated subsidiaries                | 21                            | 19  |
| Total  | 1,343                         | 1,062   |
| Less: Current maturities                                       | 22                            | 1,043   |
| <b>Total long-term debt</b>                                    | <b>\$ 1,321</b>               | <b>\$ 19</b>                                    |

**DIP Credit Agreement**

Prior Dana, as borrower, and its Debtor subsidiaries, as guarantors, were parties to the DIP Credit Agreement that was initially approved by the Bankruptcy Court in March 2006. Under the DIP Credit Agreement, we had a \$650 revolving credit facility and a \$900 term loan facility at December 31, 2007. For a discussion of the terms of the DIP Credit Agreement, see Note 16 to our consolidated financial statements in Item 8 of our 2007 Form 10-K.

At December 31, 2007, we had borrowed \$900 under the DIP Credit Agreement. All of the loans and other obligations under the DIP Credit Agreement were repaid as part of the consummation of the Plan, primarily from the funding obtained from the Exit Facility. Letters of credit issued under the DIP Credit Agreement were transferred to the Exit Facility.

**Exit Financing**

On the Effective Date, Dana, as Borrower, and certain of our domestic subsidiaries, as guarantors, entered into the Exit Facility with Citicorp USA, Inc., Lehman Brothers Inc. and Barclays Capital. The Exit Facility consists of the Term Facility in the total aggregate amount of \$1,430 and the \$650 Revolving Facility. The Term Facility was fully drawn in borrowings of \$1,350 on the Effective Date and \$80 on February 1, 2008. Net proceeds were \$1,276 after \$114 of original issue discount and other customary issuance costs and fees of \$40 both of which were deferred and will be amortized into interest expense over the term of the loan. There were no borrowings under the Revolving Facility at the Effective Date, but \$200 was utilized for existing letters of credit. For an explanation of the terms of the Exit Facility, see Note 16 to our consolidated financial statements in Item 8 of our 2007 Form 10-K.

At March 31, 2008, we had gross borrowings of \$1,426 (before reduction of \$111 for unamortized original issue discount) under the Term Facility and although we had no borrowing under the Revolving Facility, we had utilized \$191 for letters of credit. Based on our borrowing base collateral, we had availability at that date under the Revolving Facility of \$398 after deducting the outstanding letters of credit.

We believe 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 for the foreseeable future.

**Table of Contents****European Receivables Loan Facility**

In July 2007, certain of our European subsidiaries entered into definitive agreements to establish an accounts receivable securitization program. The agreements include a Receivable Loan Agreement (the Loan Agreement) with GE Leveraged Loans Limited (GE) that provides for a five-year accounts receivable securitization facility under which up to the euro equivalent of \$225 in financing is available to those European subsidiaries (collectively, the Sellers) subject to the availability of adequate levels of accounts receivable. For a discussion of this facility and the receivables program, see Note 16 to our consolidated financial statements in Item 8 of our 2007 Form 10-K. At March 31, 2008, there was availability of \$117 in countries that have securitization in place and there were borrowings under this facility equivalent to \$90 recorded as notes payable. The proceeds from the borrowings are used for operations including the repayment of intercompany debt.

**Canadian Credit Agreement**

In June 2006, Dana Canada Corporation (Dana Canada), as borrower, and certain of its Canadian affiliates, as guarantors, entered into a Credit Agreement (the Canadian Credit Agreement) with Citibank Canada, as agent, initial lender and an issuing bank, and with JPMorgan Chase Bank, N.A., Toronto Branch, and Bank of America, N.A., Canada Branch, as initial lenders and issuing banks. The Canadian Credit Agreement provided for a \$100 revolving credit facility, of which \$5 was available for the issuance of letters of credit. At January 31, 2008, less than \$1 of the facility was being utilized for the letters of credit and there had been no borrowings over the life of this agreement. The Canadian Credit Agreement was terminated upon our emergence from bankruptcy.

**Interest Rate Agreements**

Interest on the Term Facility is at variable interest rates. Under the terms of the Term Facility we are required to enter into interest rate hedge agreements by May 30, 2008 and to maintain agreements covering a notional amount of not less than 50% of the aggregate loans outstanding under the Term Facility for a period of no less than three years.

**DCC**

See Note 3 for information about DCC's repayment of outstanding debt to its bondholders on January 31, 2008.

**Note 15. Fair Value Measurements**

SFAS No. 157, Fair Value Measurements, defines fair value, provides a framework for measuring fair value and establishes a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value:

Level 1 inputs (highest priority) include unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 inputs include other than quoted prices for similar assets or liabilities that are observable either directly or indirectly.

Level 3 inputs (lowest priority) include unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

We have deferred the adoption of SFAS No. 157 with respect to nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), in accordance with the provisions of FASB Staff Position FAS 157-2, Effective Date of FASB Statement No. 157.

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. A decrease in the valuation of notes receivable during the quarter of \$6 was charged to other comprehensive income. The decrease was attributable to changes in observable inputs as we did not revise our unobservable input assumptions. As of March 31, 2008, our assets and liabilities that are measured at fair value on a recurring basis include the following:

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|                            | Total        | Fair Value Measurements Using             |                                   |   |
|----------------------------|--------------|---|-----------------------------------|---|
|                            |              | Quoted Prices in Active Markets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets:                    |              |   |                                   |   |
| Note receivable            | \$ 63        | \$  | \$                                | \$ 63                                     |
| Currency forward contracts | 7            |   | 7                                 |   |
| <b>Total assets</b>        | <b>\$ 70</b> | <b>\$</b>                                 | <b>\$ 7</b>                       | <b>\$ 63</b>                              |
| Liabilities:               |              |   |                                   |   |
| Currency forward contracts | \$ 5         | \$  | \$ 5                              | \$  |
| <b>Total liabilities</b>   | <b>\$ 5</b>  | <b>\$</b>                                 | <b>\$ 5</b>                       | <b>\$</b>                                 |

**Note 16. Commitments and Contingencies**  
**Impact of Our Bankruptcy Filing**

During our Chapter 11 reorganization proceedings, most actions against the Debtors relating to pre-petition liabilities were automatically stayed. Substantially all of our pre-petition liabilities were addressed under the Plan. Our emergence from bankruptcy resolved certain of our contingencies as discussed below.

During January 2008, both an Ad Hoc Committee of Asbestos Personal Injury Claimants as well as an asbestos claimant, Jose Angel Valdez, filed notices of appeal of the Confirmation Order. During February 2008, the United States District Court for the Southern District of New York consolidated the two appeals. Prior Dana and the other post-emergence Debtors filed with the District Court (i) a motion to dismiss the consolidated appeal and (ii) a brief in support of the motion to dismiss and on the merits of the consolidated appeal. The consolidated appeal and the motion to dismiss are currently pending before the District Court, with oral arguments yet to be scheduled.

**Class Action Lawsuit and Derivative Actions**

A securities class action entitled *Howard Frank v. Michael J. Burns and Robert C. Richter* was originally filed in October 2005 in the U.S. District Court for the Northern District of Ohio, naming our former Chief Executive Officer, Michael J. Burns, and former Chief Financial Officer, Robert C. Richter, as defendants. In a consolidated complaint filed in August 2006, lead plaintiffs alleged violations of the U.S. securities laws and claimed that the price at which our stock traded at various times between April 2004 and October 2005 was artificially inflated as a result of the defendants' alleged wrongdoing. In June 2007, the District Court denied lead plaintiffs' motion for an order partially lifting the statutory discovery stay which would have enabled them to obtain copies of certain documents produced to the Securities and Exchange Commission (SEC). By order dated August 21, 2007, the District Court granted the defendants' motion to dismiss the consolidated complaint and entered a judgment closing the case. In September 2007, the lead plaintiffs filed a notice of appeal from the District Court's order and judgment. As of the date hereof, the appeal has been fully briefed. Oral arguments have not been scheduled.

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A stockholder derivative action entitled *Roberta Casden v. Michael J. Burns, et al.*, was originally filed in the U.S. District Court for the Northern District of Ohio in March 2006. An amended complaint filed in August 2006 added alleged non-derivative class claims on behalf of holders of our stock alleging, among other things, that the defendants (our former Board of Directors, former Chief Executive Officer and former Chief Financial Officer) had breached their fiduciary duties and acted in bad faith in determining to file for protection under the Bankruptcy Laws. These alleged non-derivative class claims are not asserted against Dana. In June 2006, the District Court stayed the derivative claims, deferring to the Bankruptcy Court on those claims. In July 2007, the District Court dismissed the non-derivative class claims asserted in the amended complaint and entered a judgment closing the case. In August 2007, the plaintiff filed a notice of appeal from the District Court's order and judgment. As of the date hereof, the appeal has been fully briefed. Oral arguments have not been scheduled.

**SEC Investigation**

In September 2005, we reported that management was investigating accounting matters arising out of incorrect entries related to a customer agreement in our Commercial Vehicle operations, and that the Prior Dana Audit Committee had engaged outside counsel to conduct an independent investigation of these matters as well. Outside counsel informed the SEC of the investigation, which ended in December 2005, the same month that we filed restated financial statements for the first two quarters of 2005 and the years 2002 through 2004. In January 2006, we learned that the SEC had issued a formal order of investigation with respect to matters related to our restatements. The SEC's investigation is a non-public, fact-finding inquiry to determine whether any violations of the law have occurred. We are continuing to cooperate fully with the SEC in the investigation.

**Legal Proceedings Arising in the Ordinary Course of Business**

We are a party to various pending judicial and administrative proceedings arising in the ordinary course of business. These include, among others, proceedings based on product liability claims and alleged violations of environmental laws. We have reviewed these pending legal proceedings, including the probable outcomes, our reasonably anticipated costs and expenses, the availability and limits of our insurance coverage and surety bonds and our established reserves for uninsured liabilities.

Further information about some of these legal proceedings follows, including information about our accruals for the liabilities that may arise from such proceedings. We accrue for contingent liabilities at the time when we believe they are both probable and estimable. We review our assessments of probability and estimability as new information becomes available and adjust our accruals quarterly, if appropriate. Since we do not accrue for contingent liabilities that we believe are probable unless we can reasonably estimate the amounts of such liabilities, our actual liabilities may exceed the amounts we have recorded. We do not believe that any liabilities that may result from these proceedings are reasonably likely to have a material adverse effect on our liquidity or financial condition.

**Asbestos Personal Injury Liabilities**

We had approximately 41,000 active pending asbestos personal injury liability claims at March 31, 2008, which is generally unchanged from the number of claims pending at December 31, 2007, including approximately 6,000 claims that were settled but awaiting final documentation and payment. In connection with applying fresh start accounting, we assigned probabilities to the values underlying the estimated range of future asbestos indemnity and defense costs included in the December 31, 2007 actuarial valuation obtained to estimate our liability associated with these obligations. The related cash flows were probability weighted and discounted to determine the estimated fair value as of January 31, 2008. As a result, we had accrued \$144 for indemnity and defense costs for pending and future asbestos personal injury liability claims at March 31, 2008. Our policy before the adoption of fresh start accounting had been to accrue the undiscounted low end of the range of projected obligations, which had resulted in an accrual of \$136 at December 31, 2007.



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Prior to 2006, we reached agreements with some of our insurers to commute policies covering asbestos personal injury claims. We apply proceeds from insurance commutations first to reduce any recorded recoverable amount. Proceeds from commutations in excess of our estimated recoverable amount for pending and future claims are recorded as a credit to other income. Commutation proceeds of \$2 were credited to other income in the two months ended March 31, 2008.

At March 31, 2008, we had recorded \$73 as an asset for probable recovery from our insurers for the pending and projected asbestos personal injury liability claims, compared to \$69 recorded at December 31, 2007. The March 31 amount was also discounted using the same methodology as the associated liability. The recorded asset reflects 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. These recoveries take into account elections to extend existing coverage which we exercised in order to maximize our insurance recovery. 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.

In addition, we had a net amount receivable from our insurers and others of \$18 at March 31, 2008, compared to \$17 at December 31, 2007. The receivable represents reimbursements for settled asbestos personal injury liability claims, including billings in progress and amounts subject to alternate dispute resolution proceedings with some of our insurers. It is anticipated that a favorable settlement to these proceedings will be finalized soon.

As part of our reorganization, assets and liabilities associated with asbestos claims were retained in Prior Dana which was then merged into Dana Companies, LLC, a consolidated wholly owned subsidiary of Dana. The assets of Dana Companies, LLC include insurance rights relating to coverage against these liabilities and other assets which we believe are sufficient to satisfy its liabilities. Dana Companies, LLC continues to process asbestos personal injury claims in the normal course of business, is separately managed and has an independent board member. The independent board member is required to approve certain transactions including dividends or other transfers of \$1 or more of value to Dana.

**Other Product Liabilities**

We had accrued \$2 for non-asbestos product liability costs at March 31, 2008, compared to \$4 at December 31, 2007, 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 at March 31, 2008 were \$21, compared to \$180 at December 31, 2007. We retained \$19 of the \$180 liability as a post-emergence obligation. Claims of \$161 are being addressed through the unresolved claims process described in the Emergence from Reorganization Proceedings section of Item 1. As such, the resolution of these matters will not have an impact on our post-emergence financial condition or results of operations.

We considered the most probable method of remediation, current laws and regulations and existing technology in determining the fair value as of January 31, 2008.

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One of the larger claims at emergence was a claim involving the Hamilton Avenue Industrial Park (Hamilton) site in New Jersey. We are a potentially responsible party at this site (also known as the Cornell Dubilier Electronics or CDE site) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). This matter has been the subject of an estimation proceeding as a result of our objection to a claim filed by the U.S. Environmental Protection Agency (EPA) and other federal agencies (collectively, the Government) in connection with this and several other CERCLA sites. During the course of the proceedings and our efforts to address the Government's claim, no additional information was provided to support any adjustment to the amounts we had accrued for this matter. For the past several months, we have been actively litigating the claim and negotiating a settlement with the Government on the Hamilton site as well as other environmental claims. We reached agreement with the Government in April 2008 providing for an allowed general unsecured claim of \$126, which will be settled by distribution of shares from the disputed claims reserve. At December 31, 2007, we had concluded there was a probable settlement outcome and adjusted the December 2007 liability to the probable settlement amount.

**Other Liabilities Related to Asbestos Claims**

After the Center for Claims Resolution (CCR) discontinued negotiating shared settlements for asbestos claims for its member companies in 2001, some former CCR members defaulted on the payment of their shares of some settlements and some settling claimants sought payment of the unpaid shares from other members of the CCR at the time of the settlements, including from us. We have been working with the CCR, other former CCR members, our insurers and the claimants over a period of several years in an effort to resolve these issues. Through March 31, 2008, we had paid \$47 to claimants and collected \$29 from our insurance carriers with respect to these claims. At March 31, 2008, we had a receivable of \$18 that we expect to recover from available insurance and surety bonds relating to these claims.

**Note 17. Warranty Obligations**

We record a liability for estimated warranty obligations at the dates our products are sold. Adjustments are made as new information becomes available. Our warranty activity for the three months ended March 31, 2008 and 2007 was as follows:

|  | <b>Three Months Ended<br/>March 31, 2008</b>               |  |   |
|--|--|--|---|
|  | <b>Two<br/>Months<br/>Ended<br/>March<br/>31,<br/>2008</b> | <b>Prior<br/>Dana<br/>One<br/>Month<br/>Ended<br/>January<br/>31,<br/>2008</b> | <b>Prior Dana<br/>Three<br/>Months<br/>Ended<br/>March 31,<br/>2007</b> |
| Balance, beginning of period             | \$ 93  | \$ 92  | \$ 90   |
| Amounts accrued for current period sales | 10   | 4  | 11  |
| Adjustments of prior accrual estimates   | 1  |  | 3   |
| Settlements of warranty claims           | (11)   | (3)  | (20)  |
| Foreign currency translation and other   | 2  |  |   |
| <b>Balance, end of period</b>            | <b>\$ 95</b>   | <b>\$ 93</b>   | <b>\$ 84</b>  |

We have been notified by a customer in Europe that a quality matter relating to a specific product supplied by us could potentially result in warranty claims. Our customer has advised us of alleged vehicle performance issues which may be potentially attributable to our product. We are currently investigating the information provided by our customer and performing product testing to ascertain whether the reported performance failures are attributable to our product. At March 31, 2008, no liability had been recorded for this matter as the information currently available to us

is insufficient to assess our liability, if any.

**Table of Contents****Note 18. Income Taxes**

Income taxes are accounted for in accordance with SFAS No. 109, Accounting for Income Taxes. Current and deferred income tax assets and liabilities are recognized based on events which have occurred and are measured under enacted tax laws. Based on our history of losses and our near-term profit outlook, we have established 100% valuation allowances against our U.S. deferred tax assets. Similar valuation allowances are recorded in other countries such as the U.K. where, based on the profit outlook, realization of the deferred tax asset does not satisfy the more likely than not recognition criterion.

We have not recognized tax benefits on losses generated since 2005 in several countries, including the U.S. and the U.K., where the recent history of operating losses does not allow us to satisfy the more likely than not criterion for realization of deferred tax assets. This and the impact of fresh start adjustments in 2008, are the primary factors which cause the tax expense of \$219 (\$199 for January and \$20 for February and March) for the three months ended March 31, 2008 and the tax expense of \$15 for the three months ended March 31, 2007 to differ from expected tax expense of \$319 (\$320 for January and a benefit of \$1 for February and March) for the three months ended March 31, 2008 and benefit of \$9 for the three months ended March 31, 2007 at the U.S. federal statutory rate of 35%.

We conduct business globally and, as a result, file income tax returns in multiple jurisdictions and are subject to examination by taxing authorities throughout the world. With few exceptions, we are no longer subject to U.S. federal, state and local or foreign income tax examinations for years before 1999. The 1999-2002 U.S. federal audits are effectively settled except for a determination of the treatment of certain leasing transactions. The closing agreement on these transactions are expected to be finalized during 2008 and the effect, if any, on the financial statements is not expected to be material. We are currently under audit by the U.S. Internal Revenue Service (IRS) for the 2003 to 2005 tax years. The examination phase of this audit is expected to be completed in 2008.

If matters for 1999 through 2005 are settled with the U.S. Internal Revenue Service within the next 12 months, the total amounts of unrecognized tax benefits for all open tax years may be modified. Audit outcomes and the timing of the audit settlements are subject to significant uncertainty; therefore, we cannot make an estimate of the impact at this time. Any adjustment recorded during 2008 will increase or decrease goodwill. While most tax obligations were recognized as allowed priority tax claims, and effectively retained, certain tax liabilities were settled on emergence from bankruptcy.

Generally, the discharge of a debt obligation for an amount less than the adjusted issue price creates cancellation of indebtedness income (CODI), which must be included in the obligor's taxable income. However, recognition of CODI is limited for a taxpayer that is a debtor in a reorganization case if the discharge is granted by the court or pursuant to a plan of reorganization approved by the court. The Plan enabled the Debtors to qualify for this bankruptcy exclusion rule. Therefore, the CODI triggered by discharge of debt under the Plan will affect the taxable income of the Debtors by reducing certain income tax attributes otherwise available in the following order: (i) net operating losses (NOLs) for the year of discharge and net operating loss carryforwards; (ii) most credit carryforwards, including the general business credit and the minimum tax credit; (iii) net capital losses for the year of discharge and capital loss carryforwards; and (iv) the tax basis of the debtor's assets. A debtor may elect to avoid the prescribed order of attribute reduction and instead reduce the basis of certain property first. We have not completed our analysis as to whether it would be beneficial to reduce the basis of certain property before reducing NOLs. Our financial statements assume that we will reduce the NOLs first.

We are in the process of finalizing our analysis regarding the impact of CODI on our attributes. We expect to complete our analysis in late 2008 in connection with the filing of our short period 2008 tax return. Our current estimate is that we will have pre-emergence NOLs in the U.S. of approximately \$300 that will remain available upon emergence. The deferred tax assets related to our pre-emergence U.S. NOLs, including those remaining post-emergence, will have a full valuation allowance.

Section 382 of the Internal Revenue Code will impose an annual limitation on our use of these pre-emergence NOLs. There is also a limitation on the recognition of built-in losses generated as a result of an ownership change. Generally, under a special rule applicable to ownership changes occurring in connection with a Chapter 11 plan of reorganization, the annual limitation amount is equal to the value of the stock of a company immediately after



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emergence multiplied by an applicable federal rate. In our case this would result in an annual limitation of approximately \$87.

We paid approximately \$733 following emergence to fund a VEBA for certain union employee benefit obligations. We are currently evaluating applicable tax laws and regulations to determine the timing of the deduction for the amount paid. As currently presented, the amount paid is assumed to be deductible in the post emergence period and not a deduction that would increase the \$300 of pre-emergence NOLs that are subject to the limitations imposed by the IRS.

**Note 19. Other Income, Net**

|                              | <b>Three Months Ended</b> |                |                   |
|------------------------------|---------------------------|----------------|-------------------|
|                              | <b>March 31, 2008</b>     |                |                   |
|                              | <b>Two</b>                | <b>Prior</b>   | <b>Prior Dana</b> |
|                              | <b>Months</b>             | <b>Dana</b>    | <b>Three</b>      |
|                              | <b>Ended</b>              | <b>One</b>     | <b>Months</b>     |
|                              | <b>March</b>              | <b>Month</b>   | <b>Ended</b>      |
|                              | <b>31,</b>                | <b>Ended</b>   | <b>March 31,</b>  |
|                              | <b>2008</b>               | <b>January</b> | <b>2007</b>       |
|                              | <b>2008</b>               | <b>31,</b>     | <b>2007</b>       |
|                              | <b>2008</b>               | <b>2008</b>    | <b>2007</b>       |
| Interest income              | \$ 11                     | \$ 4           | \$ 8              |
| DCC other income (loss), net |                           | (1)            | 6                 |
| Divestiture gains            |                           |                | 12                |
| Foreign exchange gain, net   | 15                        | 3              | 5                 |
| Government grants            | 2                         | 1              | 3                 |
| Other, net                   | 4                         | 1              | 12                |
| Other income, net            | \$ 32                     | \$ 8           | \$ 46             |

Foreign currency denominated intercompany loan obligations to the U.S. with an equivalent value of \$252 at March 31, 2008 are not considered permanently invested as they are expected to be repaid in the near term. Accordingly, the foreign exchange gains on these loans of \$13 and \$4 for the two months ended March 31, 2008 and one month ended January 31, 2008 are included in foreign exchange gain, net above, rather than as translation gain in other comprehensive income.

**Note 20. Segments**

We manage our operations globally through two manufacturing business units ASG and HVSG. ASG has five operating segments focused on specific products for the automotive light vehicle market: Axle, Driveshaft, Sealing, Thermal and Structures. HVSG has two operating segments focused on specific medium-duty and heavy-duty vehicle markets: Commercial Vehicle and Off-Highway. We report operating and related disclosures about each of our seven segments below on a basis that is used internally for evaluating segment performance and deciding how to allocate resources to those segments.

Costs not included in the business unit and operating segment results are related primarily to corporate administrative services, shared service centers, trailing liabilities of closed operations and other administrative activities for which the charges are not allocated to the operating segments. In addition, segment operating results are reported using the FIFO inventory valuation method with the LIFO versus FIFO difference included as part of the reconciling items.

Management had previously utilized earnings before interest and taxes (EBIT) as the primary internal segment profit measure. While EBIT and net income continue to be important profit measures, in 2008 the primary measure was changed to EBITDA, to enhance the comparability and usefulness of our operating segment results after application of fresh start accounting upon emergence from bankruptcy. Please note, in previous filings we have

utilized the term EBITDAR to describe earnings before interest, depreciation and amortization, reorganization and realignment. For purposes of reflecting this measurement as it is customarily used, we have elected for this report and future filings to describe earnings before interest, depreciation and amortization, reorganization and realignment by now utilizing the term EBITDA . Although a non-GAAP financial measure, EBITDA is also more closely aligned with the performance measurements in our debt covenants. EBITDA, as defined for both internal performance measurement and debt covenant compliance, excludes equity in earnings of affiliates, minority interest, discontinued operations, certain nonrecurring and unusual items such as goodwill impairment, amortization of fresh start inventory step-up and divestiture gains and losses.

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We used the following information to evaluate our operating segments for the three months ended March 31, 2008 and 2007:

|                         | <b>Three Months Ended March 31, 2008</b>   |                                     |                           |  |                                     |                           |
|-------------------------|--|-------------------------------------|---------------------------|--|-------------------------------------|---------------------------|
|                         | <b>Two Months Ended<br/>March 31, 2008</b> |                                     |                           | <b>Prior Dana<br/>One Month Ended<br/>January 31, 2008</b> |                                     |                           |
|                         | <b>External<br/>Sales</b>                  | <b>Inter-<br/>Segment<br/>Sales</b> | <b>Segment<br/>EBITDA</b> | <b>External<br/>Sales</b>                                  | <b>Inter-<br/>Segment<br/>Sales</b> | <b>Segment<br/>EBITDA</b> |
| <b>2008</b>             |  |                                     |                           |  |                                     |                           |
| <b>ASG</b>              |  |                                     |                           |  |                                     |                           |
| Axle                    | \$ 431                                     | \$ 12                               | \$ 20                     | \$ 210   | \$ 6                                | \$ 8                      |
| Driveshaft              | 225  | 36                                  | 26                        | 110  | 17                                  | 12                        |
| Sealing                 | 131  | 4                                   | 15                        | 64   | 1                                   | 7                         |
| Thermal                 | 52   | 1                                   | 4                         | 28   |                                     | 3                         |
| Structures              | 180  | 2                                   | 17                        | 90   | 1                                   | 5                         |
| Eliminations and other  | 4  | (36)                                | (5)                       | 1  | (16)                                | (3)                       |
| <b>Total ASG</b>        | <b>1,023</b>                               | <b>19</b>                           | <b>77</b>                 | <b>503</b>   | <b>9</b>                            | <b>32</b>                 |
| <b>HVSG</b>             |  |                                     |                           |  |                                     |                           |
| Commercial Vehicle      | 209  | 1                                   | 11                        | 97   | 1                                   | 4                         |
| Off-Highway             | 328  | 9                                   | 32                        | 151  | 4                                   | 15                        |
| Eliminations and other  |  | (7)                                 | (2)                       |  | (4)                                 |                           |
| <b>Total HVSG</b>       | <b>537</b>                                 | <b>3</b>                            | <b>41</b>                 | <b>248</b>   | <b>1</b>                            | <b>19</b>                 |
| <b>Other Operations</b> | <b>1</b>                                   | <b>1</b>                            |                           |  | <b>1</b>                            |                           |
| <b>Eliminations</b>     |  | <b>(23)</b>                         |                           |  | <b>(11)</b>                         |                           |
| <b>Total</b>            | <b>\$ 1,561</b>                            | <b>\$</b>                           | <b>\$ 118</b>             | <b>\$ 751</b>  | <b>\$</b>                           | <b>\$ 51</b>              |

|                        | <b>Prior Dana<br/>Three Months Ended<br/>March 31, 2007</b> |                                     |                           |
|------------------------|---|-------------------------------------|---------------------------|
|                        | <b>External<br/>Sales</b>                                   | <b>Inter-<br/>Segment<br/>Sales</b> | <b>Segment<br/>EBITDA</b> |
|                        | <b>2007</b>   |                                     |                           |
| <b>ASG</b>             |   |                                     |                           |
| Axle                   | \$ 610  | \$ 24                               | \$ 12                     |
| Driveshaft             | 286   | 51                                  | 18                        |
| Sealing                | 176   | 7                                   | 18                        |
| Thermal                | 72  | 2                                   | 7                         |
| Structures             | 270   | 4                                   | 23                        |
| Eliminations and other | 6   | (61)                                | (6)                       |
| <b>Total ASG</b>       | <b>1,420</b>  | <b>27</b>                           | <b>72</b>                 |



|                         |          |      |        |
|-------------------------|----------|------|--------|
| <b>HVSG</b>             |          |      |        |
| Commercial Vehicle      | 340      | 1    | 17     |
| Off-Highway             | 384      | 9    | 41     |
| Eliminations and other  |          | (9)  | (2)    |
| Total HVSG              | 724      | 1    | 56     |
| <b>Other Operations</b> | 1        |      |        |
| <b>Eliminations</b>     |          | (28) |        |
| <b>Total</b>            | \$ 2,145 | \$   | \$ 128 |

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The following table reconciles segment EBITDA to the consolidated income (loss) from continuing operations before income tax:

|   | <b>Three Months Ended<br/>March 31, 2008</b>               |  |   |
|---|--|--|---|
|   | <b>Two<br/>Months<br/>Ended<br/>March<br/>31,<br/>2008</b> | <b>Prior Dana<br/>One<br/>Month<br/>Ended<br/>January<br/>31,<br/>2008</b> | <b>Prior Dana<br/>Three<br/>Months<br/>Ended<br/>March 31,<br/>2007</b> |
| <b>Segment EBITDA</b>   | \$ 118   | \$ 51  | \$ 128  |
| Shared services and administrative expenses                         | (30)   | (10)   | (40)  |
| Closed operations not in segments                                   | 2  | (2)  | (2)   |
| Foreign exchange not in segments                                    | 15   | 4  | 4   |
| Depreciation  | (47)   | (23)   | (67)  |
| Amortization of intangibles   | (15)   |  |   |
| Amortization of fresh start inventory step-up                       | (15)   |  |   |
| Realignment   | (5)  | (12)   | (19)  |
| DCC EBIT  |  |  | 7   |
| Reorganization items, net   | (9)  | (98)   | (37)  |
| Interest expense  | (27)   | (8)  | (23)  |
| Interest income   | 11   | 4  | 8   |
| Fresh start accounting adjustments                                  |  | 1,009  |   |
| Other income (loss)   |  | (1)  | 14  |
| <b>Income (loss) from continuing operations before income taxes</b> | <b>\$ (2)</b>  | <b>\$ 914</b>  | <b>\$ (27)</b>  |

The loss from continuing operations before income taxes of \$2 for the two months ended March 31, 2008 includes net expenses of \$31 resulting from the application of fresh start accounting, primarily amortization of intangibles, the expensing of the incremental fresh start value of inventories sold during the period and additional depreciation expense.

**Table of Contents****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, projects and similar expressions. These statements represent the present expectations of Dana Holding Corporation (Dana, we or us) and its consolidated subsidiaries 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 in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 (our 2007 Form 10-K) 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 Holding Corporation (Dana), incorporated in Delaware, is headquartered in Toledo, Ohio. We are a leading supplier of axle, driveshaft, structural, and sealing and thermal management products for global vehicle manufacturers. Our people design and manufacture products for every major vehicle producer in the world. We employ approximately 35,000 people in 26 countries and operate 113 major facilities throughout the world.

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

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

**Emergence from Reorganization Proceedings and Related Subsequent Events**

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

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*Claims resolution* On December 26, 2007, the Bankruptcy Court entered an order (the Confirmation Order) confirming the Third Amended Joint Plan of Reorganization of Debtors and Debtors-in-Possession (as modified, the Plan) and, on the Effective Date, the Plan was consummated and we emerged from bankruptcy. As provided in the Plan and the Confirmation Order, we issued and distributed approximately 71 million shares of Dana common stock to holders of allowed unsecured claims totaling approximately \$2,050. Pursuant to the Plan, we have issued and set aside approximately 27 million additional shares of Dana common stock for future distribution to all holders of allowed unsecured nonpriority claims in Class 5B under the Plan. These shares are distributed as the disputed and unliquidated claims are resolved. Subsequent to emergence we have distributed approximately six million shares from the disputed claims reserve leaving approximately 21 million shares for the remaining disputed and unliquidated claims estimated not to exceed \$700. To the extent that such remaining claims are settled for less than \$700, additional distributions will also be made to previously allowed claimants. The terms and conditions governing such distributions are set forth in the Plan and the Confirmation Order.

Under the provisions of the Plan, an additional two million shares of common stock are being issued and distributed during the second quarter of 2008 to pay bonuses to union employees and non-union hourly and salaried non-management employees.

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

Settlement obligations relating to non-pension retiree benefits and long-term disability (LTD) benefits for union claimants and non-pension retiree benefits for non-union claimants were satisfied with cash payments of \$788 to non-Dana sponsored Voluntary Employee Benefit Associations (VEBAs) established for the benefit of the respective claimant groups. Additionally, we paid DCC \$49, the remaining amount due to DCC noteholders, thereby settling DCC's general unsecured claim of \$325 against the Debtors. DCC, in turn, used these funds to repay the noteholders in full. Administrative claims, priority tax claims and other classes of allowed claims of \$212 have been satisfied by cash payments of \$88 during the first quarter of 2008, with the additional cash payments of \$124 expected to be made during the remainder of 2008.

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

*Organization* In connection with the formation of a new holding company, we formed a new legal organization aligned with how our businesses are managed operationally. Except as described below, all operating assets and related undischarged liabilities of Prior Dana were transferred to new legal entities within the new holding company structure. Certain other assets and liabilities, including those associated with asbestos personal injury claims, were retained in Prior Dana, which was then merged into Dana Companies, LLC, a consolidated wholly owned subsidiary of Dana. The assets of Dana Companies, LLC include insurance rights relating to coverage against these liabilities and other assets which we believe are sufficient to satisfy its liabilities. Dana Companies, LLC continues to process asbestos personal injury claims in the normal course of business and is paying such claims in cash. Dana Companies, LLC is separately managed, and has an independent board member. The independent board member is required to approve certain transactions including dividends or other transfers of \$1 or more of value to Dana. See Note 16 to our consolidated financial statements in Item 1 of Part I for a discussion of our asbestos liabilities.

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*Common Stock* Pursuant to the Plan, all of the issued and outstanding shares of Prior Dana common stock, par value \$1.00 per share, and any other outstanding equity securities of Prior Dana, including all options and warrants, were cancelled. On the Effective Date, we began the process of issuing 100 million shares of Dana common stock, par value \$0.01 per share, including approximately 71 million shares for allowed unsecured nonpriority claims, approximately 27 million additional shares issued and deposited to a reserve for disputed unsecured nonpriority claims in Class 5B under the Plan and approximately two million shares to pay bonuses to union employees and non-union hourly and salaried non-management employees. A charge of \$47 to reorganization items for these bonuses was recorded as a liability as of the Effective Date. A portion of the bonus shares were issued in April 2008 with approximately one million remaining to be issued.

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

In accordance with the terms of the preferred stock, all of the shares of preferred stock are, at the holder's option, convertible into fully paid and non-assessable shares of new common stock at a conversion price of \$13.19. Conversion of all of the outstanding shares of preferred stock would increase the number of shares of our common stock outstanding by approximately 60 million.

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

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

In connection with the issuance of the preferred stock, we entered into two registration rights agreements: one with Centerbridge and the other with the purchasers of Series B Preferred, and we also entered into a shareholders agreement with Centerbridge. Under the terms of these agreements and the Restated Certificate of Incorporation, Centerbridge was granted representation on our Board of Directors and limited approval rights. See Note 8 to our consolidated financial statements in Item 1 of Part I for additional information.

*Financing at emergence* On the Effective Date, Dana, as borrower, and certain of our domestic subsidiaries, as guarantors, entered into an exit financing facility (the Exit Facility) with Citicorp USA, Inc., Lehman Brothers Inc. and Barclays Capital. The Exit Facility consists of a Term Facility Credit and Guaranty Agreement in the total aggregate amount of \$1,430 (the Term Facility) and a \$650 Revolving Credit and Guaranty Agreement (the Revolving Facility). The Term Facility was fully drawn with borrowings of \$1,350 on the Effective Date and \$80 on February 1, 2008. There have been no borrowings under the Revolving Facility but \$200 was utilized for existing letters of credit. Net proceeds from the Exit Facility were \$1,276 after \$114 of original issue discount (OID) and \$40 of customary issuance costs and fees both of which were deferred and will amortize to interest expense over the term of the loan. The net proceeds were used to repay the Senior Secured Superpriority Debtor-in-Possession Credit Agreement (DIP Credit Agreement), make other payments required upon exit from bankruptcy and provide liquidity to fund working capital and other general corporate purposes. At March 31, 2008 the amount outstanding



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under the Term Facility was \$1,426 and although we had no borrowings under the Revolving Facility, \$191 of the Revolving Facility was utilized for Letters of Credit. See Note 14 to our consolidated financial statements in Item 1 of Part I for the terms and conditions of these facilities.

*Fresh Start Accounting* As required by accounting principles generally accepted in the United States (GAAP), we adopted fresh start accounting effective February 1, 2008 following the guidance of American Institute of Certified Public Accountants (AICPA) Statement of Position 90-7, Financial Reporting by Entities in Reorganization under the Bankruptcy Code (SOP 90-7). The financial statements for the periods ended prior to January 31, 2008 do not include the effect of any changes in our capital structure or changes in the fair value of assets and liabilities as a result of fresh start accounting. See Note 1 to our consolidated financial statements in Item 1 of Part I for an explanation of the impact of emerging from reorganization and applying fresh start accounting on our financial position.

**Reorganization Proceedings under Chapter 11 of the Bankruptcy Code****The Bankruptcy Cases**

The Bankruptcy Cases were jointly administered, with the Debtors managing their businesses as debtors in possession subject to the supervision of the Bankruptcy Court. We continued normal business operations during the bankruptcy process and emerged from bankruptcy on January 31, 2008.

**Claims resolution**

See Note 1 to our consolidated financial statements in Item 1 of Part I for an explanation of the distributions under the Plan. Except as specifically provided in the Plan, the distributions under the Plan were in exchange for, and in complete satisfaction, discharge and release of, all claims and third-party ownership interests in the Debtors arising on or before the Effective Date, including any interest accrued on such claims from and after the Filing Date.

**DCC Notes**

DCC was a non-Debtor subsidiary of Dana. At the time of our bankruptcy filing, DCC had outstanding notes totaling approximately \$399. DCC had sold substantially all of its remaining asset portfolio and used the proceeds to pay down the DCC Notes to a balance of \$136 at December 31, 2007. In January 2008, DCC made a \$90 payment to the forbearing noteholders, consisting of \$87 of principal and \$3 of interest.

Dana and DCC executed a settlement agreement whereby they agreed to the discontinuance of a tax sharing agreement between them and to a stipulated amount of a general unsecured claim owed by Prior Dana to DCC of \$325 (the DCC Claim). On the Effective Date and pursuant to the Plan, we paid DCC \$49, the remaining amount due to DCC noteholders, thereby settling DCC's general unsecured claim of \$325 against the Debtors. DCC, in turn, used these funds to repay the noteholders in full.

**Business Units**

We manage our operations globally through two business units ASG and HVSG. ASG focuses on the automotive market and primarily supports light vehicle original equipment manufacturers (OEMs) with products for light trucks, sport utility vehicles (SUVs), crossover utility vehicles (CUVs), vans and passenger cars. ASG has five product based operating segments: Axle, Driveshaft, Structures, Sealing and Thermal. While being primarily focused on the light vehicle automotive market, certain of the ASG operating segments also support the Commercial Vehicle and Off-Highway markets.

HVSG supports the OEMs of medium-duty (Classes 5-7) and heavy-duty (Class 8) commercial vehicles (primarily trucks and buses) and off-highway vehicles (primarily wheeled vehicles used in construction and agricultural applications). HVSG has two operating segments focused on specific markets: Commercial Vehicle and Off-Highway.

**Table of Contents****Trends in Our Markets*****Light Vehicle Markets******North America***

North American light vehicle production levels were 8.7% lower in the first quarter of 2008 than in the first quarter of 2007. In the light truck segment, first quarter production levels were down 11.4% over 2007. The comparatively lower first quarter production is consistent with light vehicle sales which were down 6.8% from last year's first quarter, with light truck sales being 10.8% lower. Factors influencing the decline in light vehicle sales, and consequently vehicle production, include an increasingly recessionary economic environment, continued high fuel prices and parts shortages at our customers resulting from a labor strike at a major automotive supplier that is slowing their production. Within the light truck segment, production of medium and full size pick-up trucks and SUVs declined the most – down 17.8% compared to the first quarter of 2007, due in part to continued consumer concerns about high fuel prices and increased preferences for more fuel efficient CUVs. While a number of our newer programs involve CUVs, pick-up and SUV platforms continue to be a key segment for us, particularly with a number of high sales pick-up truck platforms. (*source: Wards Automotive*).

The days' supply of light truck inventories in the U.S. was 76 at March 31, 2008 as compared to 65 at the end of 2007 and 69 at the same time a year ago. In particular, the inventory of full size pick-ups is 106 days at March 31, 2008, which is up from 90 days at the end of 2007 and 82 days at the end of March 2007. Given the current level of inventory, high fuel prices and negative economic developments – a weaker housing market, increasing unemployment and lower consumer confidence – we expect continued downward pressure on light duty vehicle production and sales levels during the remainder of 2008. Most projections have overall North American light vehicle production for 2008 being around 14.5 million units, with some forecasting full year production to be below 14.0 million units – down from 15.0 million units in 2007. (*source: Global Insight & Wards Automotive*).

***Rest of World***

In contrast to North America, light truck production in the rest of the world continues to be relatively strong. Global light vehicle production, excluding North America, is currently forecast to be about 59.4 million units in 2008, somewhat stronger than the projections earlier this year. At the current level, rest of world production in 2008 would be up more than 6% compared to 2007. (*source: Global Insight*).

***OEM Mix***

The declining sales of light vehicles (especially light trucks, which generally have a higher profit margin than passenger cars) in North America, as well as losses of market share to competitors such as Toyota and Nissan, continue to put pressure on three of our largest light vehicle customers: Ford, GM and Chrysler. These three customers accounted for approximately 70% of light truck production in North America in the first three months of 2008, as compared to about 74% of light truck production in the first quarter of 2007. (*source: Global Insight*). We expect that any continuing loss of market share by these customers could result in their applying renewed pricing pressure on us relative to our existing business and our efforts to generate new business.



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***Commercial Vehicle Markets***

***North America***

Our commercial vehicle business is significantly impacted by the North American market, with more than 80% of our commercial vehicle sales being to North American customers. Production of heavy duty (Class 8) vehicles during the first quarter of 2008 was about 47,000 units, which is down from 72,000 units in 2007. The decline in production levels was less severe in the medium duty (Class 5-7) market. Medium duty production in the first quarter of 2008 was around 48,000 units as compared to 58,000 units in last year's first three months. The significant production decline in Class 8 was influenced by the engine emission regulation change which became effective at the beginning of 2007. First quarter 2007 sales benefited from vehicle owners purchasing the lower cost engines built prior to the new emission standards that were still on hand from inventory at the end of 2007. Production levels of both heavy and medium duty trucks in 2008 have also been adversely impacted by high fuel costs and the same economic factors discussed in the Light Vehicles - North American market trends section. (*source: Global Insight & ACT*).

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