DANA HOLDING CORP
Form 10-K
March 16, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

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

For the Fiscal Year Ended December 31, 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 incorporation or organization)	*(IRS Employer Identification No.)*
4500 Dorr Street, Toledo, Ohio	**43615**
(Address of principal executive offices)	*(Zip Code)*

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the common stock held by non-affiliates of the registrant, computed by reference to the average high and low trading prices of the common stock as of the closing of trading on June 30, 2008, was approximately $568,000,000.

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 Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No o

APPLICABLE ONLY TO CORPORATE ISSUERS:

There were 100,065,061 shares of the registrant s common stock outstanding at February 27, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on April 21, 2009 are incorporated by reference into Part III.

DANA HOLDING CORPORATION FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

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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, estima projects and similar expressions. These statements represent the present expectations of Dana Holding Corporation 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 below and elsewhere in this report (our 2008 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.

PART I

(Dollars in millions, except per share amounts)

Item 1. *Business*

General

Dana Holding Corporation (Dana), incorporated in Delaware in 2007, 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. At December 31, 2008, we employed approximately 29,000 people in 26 countries and operated 113 major facilities throughout the world.

As a result of the emergence of Dana Corporation (Prior Dana) 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 Prior Dana pursuant to Rule 12g-3 under the Securities Exchange Act of 1934. The terms Dana, we, our and us, wh 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.

The eleven months ended December 31, 2008 and the one month ended January 31, 2008 are distinct reporting periods as a result of our emergence from bankruptcy on January 31, 2008. References in certain analyses of sales and other results of operations combine the two periods in order to provide additional comparability of such information.

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 bankruptcy on January 31, 2008. The Debtors Chapter 11 cases (collectively, the Bankruptcy Cases) were consolidated in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) under the caption *In re Dana Corporation, et al.,* Case No. 06-10354 (BRL). Neither Dana Credit Corporation (DCC) and its subsidiaries nor any of our non-U.S. affiliates were Debtors.

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 70 million shares of Dana common stock (valued in reorganization at $1,628) on the Effective Date to holders of allowed general unsecured claims in Class 5B totaling approximately $2,050. Pursuant to the Plan, we also issued and set aside approximately 28 million additional shares of Dana common stock (valued in reorganization at $640) for future distribution to holders of allowed unsecured nonpriority claims in Class 5B under the Plan. These shares are being distributed as the disputed and unliquidated claims are resolved. The claim amount related to the 28 million shares for disputed and unliquidated claims was estimated not to exceed $700. Since emergence, we have issued an additional 23 million shares for allowed claims (valued in reorganization at $520), increasing the total shares issued to 93 million (valued in reorganization at $2,148) for unsecured claims of approximately $2,238. The corresponding decrease in the disputed claims reserve leaves 5 million shares (valued in reorganization at $122). The remaining disputed and unliquidated claims total approximately $107. To the extent that these remaining claims are settled for less than the 5 million remaining shares, additional incremental distributions will be made to the holders of the previously allowed general unsecured claims in Class 5B. The terms and conditions governing these distributions are set forth in the Plan and the Confirmation Order.

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Under the provisions of the Plan, approximately two million shares of common stock (valued in reorganization at $45) have been issued and distributed since the Effective Date to pay emergence bonuses to union employees and non-union hourly and salaried non-management employees. The original accrual of $47 on the Effective Date included approximately 65,000 shares (valued in reorganization at $2) that were not utilized for these bonuses. These shares will be distributed instead to the holders of allowed general unsecured claims in Class 5B as provided in the Plan.

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 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. Since emergence, payments of $100 have been made for administrative claims, priority tax claims, settlement pool claims and other classes of allowed claims. Additional cash payments of $86, primarily federal, state, and local tax claims, are expected to be paid in the second half of 2009.

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.

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, and we began the process of issuing 100 million shares of Dana common stock, par value $0.01 per share. See Note 12 of the notes to our consolidated financial statements in Item 8 for additional information about our common stock.

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. See Note 12 of the notes to our consolidated financial statements in Item 8 for dividend and conversion terms, dividend payments and an explanation of registration rights.

Financing at emergence We entered into an exit financing facility (the Exit Facility) on the Effective Date. 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. In November, 2008 we repaid $150 of the Term Facility in connection with an amendment to the terms of the Exit Facility. See Note 17 of the notes to our consolidated financial statements in Item 8 for the details of this amendment, 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. See Note 2 of the notes to our consolidated financial statements in Item 8 for an explanation of the impact of emerging from reorganization and applying fresh start accounting on our financial position.

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Overview of our Business

Markets

We serve three primary markets:

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

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

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

Segments

Senior management and our Board review our operations in seven operating segments:

Five product-based operating segments sell primarily into the automotive market: Light Axle Products (Light Axle), Driveshaft Products (Driveshaft), Sealing Products (Sealing), Thermal Products (Thermal) and Structural Products (Structures). Sales in this market totaled $5,173 in 2008, with Ford Motor Company (Ford), General Motors Corp. (GM) and Toyota Motor Corporation (Toyota) among the largest customers. At December 31, 2008, these segments employed 21,300 people and had 86 major facilities in 22 countries.

Two operating segments sell into their respective markets: Commercial Vehicle and Off-Highway. In 2008, these segments generated sales of $2,914. In 2008, the largest Commercial Vehicle customers were PACCAR Inc (PACCAR), Navistar, Daimler, Ford, MAN Nutzfahrzeuge Group, Oshkosh GM Truck, and Volvo. The largest Off-Highway customers included Deere & Company, AGCO Corporation, Fiat and Manitou BF. At December 31, 2008, these two segments employed 6,200 people and had 21 major facilities in 10 countries.

Three additional major facilities provide administrative services and three engineering facilities support multiple segments.

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Our operating segments manufacture and market classes of similar products as shown below. See Note 23 of the notes to our consolidated financial statements in Item 8 for financial information on all of these operating segments.

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

* The Driveshaft segment supplies product directly to the commercial vehicle market as well as the automotive market.

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 was completed in the first quarter of 2008. These divestitures and others are summarized below.

In January 2007, we sold our trailer axle business manufacturing assets for $28 in cash and recorded an after-tax gain of $14. In March 2007, we sold our engine hard parts business to MAHLE and received cash proceeds of $98. We recorded an after-tax loss of $42 in the first quarter of 2007 in connection with this sale and an after-tax loss of $3 in the second quarter related to a South American operation. During the first quarter of 2008, we recorded an expense of $5 in discontinued operations associated with a post-closing adjustment to reinstate certain retained liabilities of this business.

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

In August 2007, we executed an agreement relating to our two remaining joint ventures with GETRAG. These agreements provided for relief from non-compete provisions; the grant of a call option to GETRAG to acquire our ownership interests in the two joint ventures for $75; our payment of GETRAG claims of $11 under certain conditions; the withdrawal of bankruptcy claims of approximately $66 relating to our alleged breach of certain non-compete provisions; the amendment, assumption, rejection and/or termination of certain other agreements between the parties; and the grant of certain mutual releases by us and various other parties. We recorded the $11 claim in liabilities subject to compromise and as an expense in other income, net in the second quarter of 2007 based on the determination that the liability was probable. The $11 liability was reclassified to other current liabilities at December 31, 2007.

In September 2008, we amended our agreement with GETRAG and reduced the call option purchase price to $60, extended the call option exercise period to September 2009 and eliminated the $11. As a result of these adjustments, we recorded an asset impairment charge of $15 in the third quarter of 2008 in equity in earnings of affiliates.

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In July and August 2007, we completed the sale of our fluid products hose and tubing business to Orhan Holding A.S. and certain of its affiliates. Aggregate cash proceeds of $84 were received from these transactions, and an aggregate after-tax gain of $32 was recorded in the third quarter in connection with the sale of this business. Additional adjustments to this sale were made during the first quarter of 2008 when we recorded an expense of $2 in discontinued operations associated with a post-closing purchase price adjustment and in the third quarter of 2008 when we incurred $1 of settlement costs and related expenses.

In September 2007, we completed the sale of our coupled fluid products business to Coupled Products Acquisition LLC by having the buyer assume certain liabilities ($18) of the business at closing. We recorded an after-tax loss of $23 in the third quarter in connection with the sale of this business. We completed the sale of a portion of the pump products business in October 2007, generating proceeds of $7 and a nominal after-tax gain which was recorded in the fourth quarter.

In January 2008, we completed the sale of the remaining assets of the pump products business to Melling Tool Company, generating proceeds of $5 and an after-tax loss of $1 that was recorded in the first quarter of 2008. Additional post-closing purchase price adjustments of $1 were recorded in the second quarter of 2008.

In the third quarter of 2008, we indicated that we were evaluating a number of strategic options in our non-driveline automotive businesses. We incurred costs of $10 in other income, net during 2008 in connection with the evaluation of these strategic options, primarily for professional fees. We are continuing to evaluate strategic options in the Structures segment.

Dana Credit Corporation

We historically had been a provider of lease financing services through our wholly-owned subsidiary, DCC. Over the last seven years, DCC has sold significant portions of its asset portfolio and has recorded asset impairments, reducing its portfolio from $2,200 in December 2001 to less than $1 at the end of 2008. In December 2006, DCC signed a forbearance agreement with its noteholders which allowed DCC to sell its remaining asset portfolio and use the proceeds to pay the forbearing noteholders a pro rata share of the cash generated. On the Effective Date, and pursuant to the Plan, we paid DCC $49, the remaining amount due to DCC noteholders, thereby settling DCC s general unsecured claim of $325 against the Debtors.

Presentation of Divested Businesses in the Financial Statements

The engine hard parts, fluid products and pump products businesses have been presented in the financial statements as discontinued operations. The trailer axle business and DCC did not meet the requirements for treatment as discontinued operations, and their results have been included with continuing operations. Substantially all of these operations were sold prior to 2008. See Note 5 of the notes to our consolidated financial statements in Item 8 for additional information on discontinued operations.

Geographic

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

North America	Europe	South America	Asia Pacific

Canada	Austria	Italy	Argentina	Australia
Mexico	Belgium	Spain	Brazil	China
United States	France	Sweden	Colombia	India
	Germany	Switzerland	South Africa	Japan
	Hungary	United Kingdom	Uruguay	South Korea
			Venezuela	Taiwan
				Thailand

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Our international subsidiaries and affiliates manufacture and sell products similar to those we produce in the U.S. Operations outside the U.S. may be subject to a greater risk of changing political, economic and social environments, changing governmental laws and regulations, currency revaluations and market fluctuations than our domestic operations. See the discussion of additional risk factors in Item 1A.

Non-U.S. sales comprised $4,746 ($418 in January and $4,328 for February to December) of our 2008 consolidated sales of $8,095 ($751 for January and $7,344 for February to December). Non-U.S. net income for 2008 was $292 ($320 for January and a loss of $28 for February to December) while on a consolidated basis there was net income of $18 ($709 in January 2008 and a loss of $691 from February to December). A summary of sales and long-lived assets by geographic region can be found in Note 23 of the notes to our consolidated financial statements in Item 8.

Customer Dependence

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

Ford was the only individual customer accounting for 10% or more of our consolidated sales in 2008. As a percentage of total sales from continuing operations, our sales to Ford were approximately 17% in 2008 and 23% in 2007 and 2006, and our sales to GM, our second largest customer, were approximately 6% in 2008, 7% in 2007 and 10% in 2006.

In 2007, Toyota became our third largest customer. As a percentage of total sales from continuing operations, our sales to Toyota were 5% in 2008, 2007 and 2006. In 2008, PACCAR and Navistar were our fourth and fifth largest customers. PACCAR, Navistar, Chrysler LLC (Chrysler), Daimler and Nissan, collectively accounted for approximately 18% of our revenues in 2008, 19% in 2007 and 23% in 2006.

Loss of all or a substantial portion of our sales to Ford, GM, Toyota or other large volume customers would have a significant adverse effect on our financial results until such lost sales volume could be replaced and there is no assurance that any such lost volume would be replaced. We continue to work to diversify our customer base and geographic footprint.

Sources and Availability of Raw Materials

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

While our suppliers have generally been able to support our needs, our operations may experience shortages and delays in the supply of raw material from time to time, due to strong demand, capacity limitations and other problems experienced by the suppliers. A significant or prolonged shortage of critical components from any of our suppliers could adversely impact our ability to meet our production schedules and to deliver our products to our customers in a timely manner.

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

Seasonality

Our businesses are generally not seasonal. However, in the automotive market, our sales are closely related to the production schedules of our OEM customers and, historically, those schedules have been

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weakest in the third quarter of the year due to a large number of model year change-overs that occur during this period. Additionally, third-quarter production schedules in Europe are typically impacted by the summer holiday schedules and fourth-quarter production by year end holidays.

Backlog

Our products are generally not sold on a backlog basis since most orders may be rescheduled or modified by our customers at any time. Our product sales are dependent upon the number of vehicles that our customers actually produce as well as the timing of such production. A substantial amount of the new business we are awarded by OEMs is granted well in advance of a program launch. These awards typically extend through the life of the given program. We estimate future revenues from new business on the projected volume under these programs.

Competition

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

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

The Structures segment produces vehicle frames and cradles. Its primary competitors are Magna; Maxion Sistemas Automotivos Ltda.; Press Kyogo Co., Ltd.; Metalsa S. de R. L.; Tower Automotive Inc. and Martinrea International Inc.

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

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

We are one of the primary independent suppliers of axles, driveshafts and other products for the medium- and heavy-truck markets, as well as various specialty and off-highway segments, and we specialize in the manufacture of off-highway transmissions. In these markets, our primary competitors in North America are ArvinMeritor, Inc. and American Axle in the medium- and heavy-truck markets. Major competitors in Europe in both the heavy-truck and off-highway markets include Carraro S.p.A., ZF Group, Klein Products Inc. and certain OEMs vertically integrated operations.

Patents and Trademarks

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

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

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Research and Development

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

We engage in ongoing engineering, research and development activities to improve the reliability, performance and cost-effectiveness of our existing products and to design and develop innovative products that meet customer requirements for new applications. We are integrating related operations to create a more innovative environment, speed product development, maximize efficiency and improve communication and information sharing among our research and development operations. At December 31, 2008, we had seven major technical centers. Our engineering and research and development costs were $193 in 2008, $189 in 2007 and $219 in 2006.

We are developing a number of products for vehicular and other applications that will assist fuel cell, battery and hybrid vehicle manufacturers to make their technologies commercially viable in mass production. Specifically, we are applying the expertise from our Sealing segment to develop metallic and composite bipolar plates used in the fuel cell stack. Furthermore, our Thermal segment is applying its heat transfer technology to provide thermal management sub-systems needed for fuel cell and hybrid electric engines as well as catalytic reactors for conversion of fuels to hydrogen for stationary fuel cell systems.

Employment

Our worldwide employment was approximately 29,000 at December 31, 2008.

Environmental Compliance

We make capital expenditures in the normal course of business as necessary to ensure that our facilities are in compliance with applicable environmental laws and regulations. The cost of environmental compliance has not been a material part of capital expenditures and did not have a materially adverse effect on our earnings or competitive position in 2008.

In connection with our bankruptcy reorganization we settled certain pre-petition claims related to environmental matters. See Contingencies in Item 7 and the discussion of contingencies in Note 19 of the notes to our consolidated financial statements in Item 8.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) are available, free of charge, on or through our Internet website (http://www.dana.com/investors) as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC. We also post our *Corporate Governance Guidelines, Standards of Business Code for Members of the Board of Directors*, Board Committee membership lists and charters, *Standards of Business Conduct* and other corporate governance materials at this website address. Copies of these posted materials are available in print, free of charge, to any stockholder upon request from: Investor Relations Department, P.O. Box 1000, Toledo, Ohio 43697 or via telephone at 419-535-4635 or e-mail at InvestorRelations@dana.com. The inclusion of our website address in this report is an inactive textual reference only and is not intended to include or incorporate by reference the information on our website into this report.

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Item 1A. *Risk Factors*

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

Risk Factors in the Markets We Serve

Continuing negative economic conditions in the United States and elsewhere could have a substantial effect on our business.

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

Leading economic indicators such as employment levels and income growth predict a continuing downward trend in the United States economy. The overall market for new vehicle sales in the United States is expected to decline significantly in 2009. Our customers are likely to continue to reduce their vehicle production even further in North America and, as a result, demand for our products has been and is likely to continue to be adversely affected.

Demand in our non-U.S. markets also continues to decline in response to overall economic conditions, including changes in the global economy, the limited availability of credit and fuel costs.

Our international as well as our domestic customers and suppliers could experience severe economic constraints in the future, including bankruptcy. Continuation of these global economic conditions and further deterioration could have a material adverse impact on our financial position and results of operations.

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

We are reliant upon sales to several significant customers. Sales to our eight largest customers accounted for over 45% of our overall revenue in 2008. In the United States, the automobile industry faces an uncertain future. GM and Chrysler have already required assistance through government loans under the Troubled Asset Relief Program (TARP) and other companies in the automobile industry may seek government assistance. Changes in our business relationships with any of our large customers or in the timing, size and continuation of their various programs could have a material adverse impact on us.

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

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

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

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

Approximately 59% of our sales were from operations located in countries other than the United States. Currency variations can have an impact on our results (expressed in U.S. dollars). Currency variations can also adversely affect margins on sales of our products in countries outside of the United States and margins on sales of products that include components obtained from affiliate or other suppliers located outside of the United States. The recent strengthening of the U.S. dollar against the euro and many other currencies of countries in which we have operations will adversely affect our results reported in U.S. dollars. We use a combination of natural hedging techniques and financial derivatives to protect against foreign currency exchange rate risks. Such hedging activities may be ineffective or may not offset more than a portion of the adverse financial impact resulting from currency variations. Gains or losses associated with hedging activities also may impact operating results.

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

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

Company-Specific Risk Factors

Our amended Exit Facility terms contain covenants that may constrain our growth.

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

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

The financial covenants in our amended Exit Facility require us to achieve certain financial ratios based on levels of earnings before interest, taxes, depreciation, amortization and certain levels of restructuring and reorganization related costs (EBITDA), as defined in the amended Exit Facility. In November 2008, certain covenants of the Exit Facility were amended to allow for future compliance. A failure to comply with these or other covenants in the amended Exit Facility could, if we were unable to obtain a waiver or another amendment of the covenant terms, cause an event of default that could cause our loans under the amended Exit Facility to become immediately due and payable. In addition, additional waivers or amendments could substantially increase the cost of borrowing. In connection with the November 2008 amendment our interest cost increased by 50 basis points, we repaid $150 of the term loan and we incurred amendment fees.

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

Dana Holding Corporation is a holding company. Our subsidiaries conduct all of our operations and own substantially all of our assets. Our cash flow and our ability to meet our obligations depends on the cash flow of our subsidiaries. In addition, the payments of funds in the form of dividends, intercompany payments, tax sharing payments and other forms may be subject to restrictions under the laws of the countries of incorporation of our subsidiaries.

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

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

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

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

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

We spend over $4,000 annually for purchased goods and services. To manage and reduce these costs, we have been consolidating our supply base. As a result, we are dependent on single sources of supply for some components of our products. We select our suppliers based on total value (including price, delivery and quality), taking into consideration their production capacities and financial condition, and we expect that they will be able to support our needs. However, there is no assurance that adverse financial conditions, including bankruptcies of our suppliers, reduced levels of production or other problems experienced by our suppliers will not result in shortages or delays in their supply of components to us or even in the financial collapse of one or more such suppliers. If we were to experience a significant or prolonged shortage of critical components from any of our suppliers, particularly those who are sole sources, and were unable to procure the components from other sources, we would be unable to meet our production schedules for some of our key products and to ship such products to our customers in timely fashion, which would adversely affect our revenues, margins and customer relations.

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

Our operations are subject to environmental laws and regulations in the U.S. and other countries that govern emissions to the air; discharges to water; the generation, handling, storage, transportation, treatment and disposal of waste materials and the cleanup of contaminated properties. Historically, environmental costs other than the EPA settlement for Hamilton (see Note 19 to our consolidated financial statements in Item 8) related to our former and existing operations have not been material. However, there is no assurance that the costs of complying with current environmental laws and regulations, or those that may be adopted in the future will not increase and adversely impact us.

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

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

We paid approximately $733 following emergence to fund union-sponsored VEBAs for certain union employee benefit obligations. We are currently working with the Internal Revenue Service (IRS), through the pre-filing agreement program, to evaluate applicable tax laws and regulations and confirm that the amounts paid to the VEBAs in 2008 were deductible. There is a risk that, if the payment is determined not to be wholly deductible in 2008, the deductibility would instead occur over time which delays recognition of our NOLs.

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We emerged from bankruptcy with net operating loss carryforwards (NOLs) of approximately $300 available to Dana. Certain provisions of the tax code also limit our annual utilization of the $300 of NOLs available at emergence to approximately $90 per year. There can be no assurance that we will be able to utilize all of our pre-emergence and any subsequent NOL benefits in the future.

Risk Factors Related to our Securities

We may not be able to maintain our listing with the New York Stock Exchange.

On December 19, 2008, we received written notice from the New York Stock Exchange, Inc. (NYSE) that we had fallen below the NYSE s continued listing standard because over a 30 trading-day period our total market capitalization was less than $100 and the average 30 trading-day closing price of our common stock had fallen below $1.00. We notified the NYSE in January 2009 that we intend to resolve these matters. The NYSE has now temporarily suspended its requirement of a minimum 30 trading-day closing price. Once this requirement resumes, we will have approximately three months to comply.

There can be no assurances that we will be able to maintain our listing. Continued non-compliance with the NYSE s continued listing standards or delisting from the NYSE could negatively impact our access to equity financing, which in turn could materially and adversely affect our business, financial condition and results of operations.

Our common stock could trade in the over-the-counter market which generally has significantly less liquidity than securities traded on a national securities exchange, through factors such as a reduction in the number of investors that will consider investing in the securities, the number of market makers in the securities, reduction in securities analyst and news media coverage and lower market prices than might otherwise be obtained. As a result, in the event of a delisting, holders of shares of our common stock may find it difficult to resell their shares at prices quoted in the market or at all.

Volatility is possible in the trading of our common stock.

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

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

As required by GAAP, we adopted fresh start accounting effective February 1, 2008. This adoption increased the value of our long-lived assets. Subsequent developments in our markets resulted in impairments of the fresh start values during 2008 and could result in additional impairments in future periods. Since fresh start accounting required us to adjust all of our assets and liabilities to their respective fair values, the consolidated financial statements for periods after the emergence will not be comparable to those of the periods prior to the emergence which are presented on an historical basis. Fresh start accounting may make it more difficult to compare our post-emergence financial position and results of operations to those in the pre-emergence periods which could limit investment in our stock.

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

In accordance with the Plan, Centerbridge owns preferred stock and is entitled to vote on most matters presented to stockholders on an as-converted basis. Centerbridge also has certain approval rights, board representation and other rights pursuant to our Restated Certificate of Incorporation, and a shareholders agreement. These rights include the right to approve a transaction involving a change of control of our

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company, subject to being overridden by a two-thirds stockholder vote. (See Note 12 to the financial statements in Item 8 for additional information regarding Centerbridge s participation in the selection of our Board of Directors and approval rights with respect to certain transactions.)

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

Item 1B. ***Unresolved Staff Comments***

-None-

Item 2. ***Properties***

Type of Facility	**North America**	**Europe**	**South America**	**Asia/ Pacific**	**Total**
Administrative Offices	3				3
Engineering Multiple Groups	2			1	3
Axle					
Manufacturing/Distribution	11	2	7	7	27
Driveshaft					
Manufacturing/Distribution	10	6	1	6	23
Sealing					
Manufacturing/Distribution	9	3		1	13
Engineering	2				2
Thermal					
Manufacturing/Distribution	7	2			9
Structures					
Manufacturing/Distribution	5		4	2	11
Engineering	1				1
Commercial Vehicle					
Manufacturing/Distribution	9	1	1		11
Engineering	1				1
Off-Highway					
Manufacturing/Distribution	2	5		2	9
Total Dana	62	19	13	19	113

As of December 31, 2008, we operated in 26 countries and had 113 major manufacturing/ distribution, engineering or office facilities worldwide. While we lease 42 of the manufacturing and distribution operations, we own the remainder of our facilities. We believe that all of our property and equipment is properly maintained. Prior to our emergence from bankruptcy there was significant excess capacity in our facilities based on our manufacturing and distribution needs, especially in the United States. As part of our reorganization initiatives, we took significant steps to close facilities and we continue to evaluate capacity requirements in 2009 in light of market conditions.

Our corporate headquarters facilities are located in Toledo, Ohio and include three office facilities housing functions that have global responsibility for finance and accounting, treasury, risk management, legal, human resources, procurement and supply chain management, communications and information technology. Our main headquarters facility in Toledo, Ohio was sold in February 2009 but we expect to occupy the facility until the fourth quarter of 2009. Our obligations under the amended Exit Facility are secured by, among other things, mortgages on all the domestic facilities that we own.

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Item 3. *Legal Proceedings*

As discussed in Notes 2 and 3 of the notes to our consolidated financial statements in Item 8, we emerged from bankruptcy on January 31, 2008. Pursuant to the Plan, the pre-petition ownership interests in Prior Dana were cancelled and all of the pre-petition claims against the Debtors, including claims with respect to debt, pension and postretirement healthcare obligations and other liabilities, were addressed in connection with our emergence from bankruptcy.

As previously reported and as discussed in Note 19 of the notes to our consolidated financial statements in Item 8, we are a party to various pending judicial and administrative proceedings that arose in the ordinary course of business (including both pre-petition and subsequent proceedings) and we are cooperating with a formal investigation by the SEC with respect to matters related to the restatement of our financial statements for the first two quarters of 2005 and fiscal years 2002 through 2004.

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

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

We did not submit any matters for a stockholder vote in the fourth quarter of 2008.

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PART II

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

Market Information Our common stock trades on the New York Stock Exchange under the symbol DAN. The stock began trading on such exchange on February 1, 2008, in conjunction with our emergence from Chapter 11 proceedings.

Prior to March 3, 2006, Prior Dana s common stock traded on the New York Stock Exchange. From March 3, 2006 through the Effective Date, shares of common stock of Prior Dana traded on the OTC Bulletin Board under the symbol DCNAQ. On the Effective Date, all of the outstanding common stock and all other outstanding equity securities of Prior Dana, including all options and warrants, were cancelled pursuant to the terms of the Plan.

Because the value of one share of Prior Dana common stock bears no relation to the value of one share of Dana common stock, only the trading prices of Dana common stock following its listing on the New York Stock Exchange are set forth below. The following table shows the high and low sales prices per share of Dana common stock during 2008.

High and Low Prices per Share of Dana Common Stock	**Quarterly**	
	High Price	**Low Price**
As reported by the New York Stock Exchange:		
First Quarter 2008 (beginning February 1, 2008)	$ 13.30	$ 8.50
Second Quarter 2008	12.65	5.10
Third Quarter 2008	7.49	4.10
Fourth Quarter 2008	4.83	0.34

Holders of Common Stock The number of stockholders of record of our common stock on January 31, 2009 was approximately 6,700.

Shareholder Return The following graph shows the cumulative total shareholder return for our common stock during the period from February 1, 2008 to December 31, 2008. Five year historical data is not presented since we emerged from bankruptcy on January 31, 2008 and the stock performance of Dana is not comparable to the stock performance of Prior Dana. The graph also shows the cumulative returns of the S&P 500 Index and the S&P Global Auto Parts Index. The comparison assumes $100 was invested on February 1, 2008 (the date our new common stock began trading on the NYSE). Each of the indices shown assumes that all dividends paid were reinvested.

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Performance Chart

	2/1/2008	3/31/2008	6/30/2008	9/30/2008	12/31/2008
Dana Holding Corporation	$ 100.00	$ 78.74	$ 42.13	$ 38.11	$ 5.83
S&P 500	$ 100.00	$ 94.79	$ 91.73	$ 83.47	$ 64.73
Automotive Index (Dow Jones)	$ 100.00	$ 95.13	$ 83.58	$ 80.69	$ 50.83

Dividends We did not declare or pay any common stock dividends during 2008. The terms of our amended Exit Facility restrict the payment of dividends on shares of common stock, and we do not anticipate paying any such dividends at this time.

Issuers Purchases of Equity Securities No purchases of equity securities were made during the quarter ended December 31, 2008.

Annual Meeting We will hold an annual meeting of shareholders on April 21, 2009.

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Item 6. *Selected Financial Data*

	Dana	Prior Dana				
	Eleven Months Ended December 31, 2008	One Month Ended January 31, 2008	For the Years Ended December 31, 2007	2006	2005	2004
Net sales	$ 7,344	$ 751	$ 8,721	$ 8,504	$ 8,611	$ 7,775
Income (loss) from continuing operations before income taxes	$ (563)	$ 914	$ (387)	$ (571)	$ (285)	$ (165)
Income (loss) from continuing operations	$ (687)	$ 715	$ (433)	$ (618)	$ (1,175)	$ 72
Loss from discontinued operations	(4)	(6)	(118)	(121)	(434)	(10)
Effect of change in accounting					4	
Net income (loss)	$ (691)	$ 709	$ (551)	$ (739)	$ (1,605)	$ 62
Net income (loss) per share from continuing operations						
Basic	$ (7.16)	$ 4.77	$ (2.89)	$ (4.11)	$ (7.86)	$ 0.48
Diluted	$ (7.16)	$ 4.75	$ (2.89)	$ (4.11)	$ (7.86)	$ 0.48
Net loss per share from discontinued operations						
Basic	$ (0.04)	$ (0.04)	$ (0.79)	$ (0.81)	$ (2.90)	$ (0.07)
Diluted	$ (0.04)	$ (0.04)	$ (0.79)	$ (0.81)	$ (2.90)	$ (0.07)
Net income per share from effect of change in accounting						
Basic					$ 0.03	
Diluted					$ 0.03	
Net income (loss) per share available to common stockholders						
Basic	$ (7.20)	$ 4.73	$ (3.68)	$ (4.92)	$ (10.73)	$ 0.41
Diluted	$ (7.20)	$ 4.71	$ (3.68)	$ (4.92)	$ (10.73)	$ 0.41
Cash dividends per common share	$	$	$	$	$ 0.37	$ 0.48
Common Stock Data						
Average number of shares outstanding (in millions)						
Basic	100	150	150	150	150	149
Diluted	100	150	150	150	151	151
Stock price						
High	$ 13.30		$ 2.51	$ 8.05	$ 17.56	$ 23.20
Low	0.34		0.02	0.65	5.50	13.86

Note: Information for Prior Dana is not comparable to the information shown for Dana due to the effects of our emergence from bankruptcy on January 31, 2008.

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	As of December 31,				
	Dana	Prior Dana			
	2008	2007	2006	2005	2004
Summary of Financial Position					
Total assets	$ 5,593	$ 6,425	$ 6,664	$ 7,358	$ 9,019
Short-term debt	70	1,183	293	2,578	155
Long-term debt	1,181	19	722	67	2,054
Liabilities subject to compromise		3,511	4,175		
Preferred Stock	$ 771	$	$	$	$
Common stock, additional paid-in-capital, accumulated deficit and accumulated other comprehensive loss	1,243	(782)	(834)	545	2,411
Total stockholders equity (deficit)	$ 2,014	$ (782)	$ (834)	$ 545	$ 2,411
Book value per share	$ 20.14	$ (5.22)	$ (5.55)	$ 3.63	$ 16.19

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

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

Management Overview

Dana Holding Corporation is a world leader in the supply of axles; driveshafts; and structural, sealing and thermal-management products; as well as genuine service parts. Our customer base includes virtually every major vehicle manufacturer in the global automotive, commercial vehicle, and off-highway markets. Headquartered in Toledo, Ohio, the company was incorporated in Delaware in 2007. As of December 31, we employed approximately 29,000 people with 113 major facilities in 26 countries.

We are committed to continuing to diversify our product offerings, customer base, and geographic footprint, minimizing our exposure to individual market and segment declines. In 2008, North American operations accounted for 48% of our revenue, while the rest of the world accounted for 52%. Similarly, non-light vehicle products accounted for 42% of our global revenues.

Our Internet address is www.dana.com. The inclusion of our website address in this report is an inactive textual reference only, and is not intended to include or incorporate by reference the information on our website into this report.

Business Strategy

Dana currently has seven operating segments that supply driveshafts, axles, transmissions, structures and engine components to customers in the automotive, commercial vehicle and off-highway markets. We continue to evaluate the strategy for each of these operating segments. These evaluations include a close analysis of both strategic options and growth opportunities. While the strategy is still evolving, we currently anticipate a focus primarily on axles and driveshafts (driveline products) in these markets. Material advancements are playing a key role in this endeavor, with an emphasis on research and development of efficient technologies such as lightweight, high-strength aluminum applications, currently in demand.

In 2008, we faced challenges related to declining production levels and increased steel prices. To address these challenges, we have a comprehensive strategy in place that includes developing and implementing common metrics and operational standards that is being rolled out to all Dana operations globally. Through our Operational Excellence program, we are evaluating all operations, seeking opportunities to reduce costs while improving quality and productivity. Driving our cost structure down and improving our manufacturing efficiency will be critical to our success in 2009 as lower production levels will continue to be a major challenge affecting our business. During 2008, we also worked closely with our major customers to implement pricing arrangements that provide adjustment mechanisms based on steel price movements, thereby positioning us to better mitigate the effects of increased steel prices in the future.

While our North American automotive driveline operations continue to improve, becoming more competitive through consolidation or internal restructuring, we see significant growth opportunities in our non-automotive driveline businesses, particularly outside North America. In the third quarter of 2008, we indicated that we were evaluating a number of strategic options for our non-driveline automotive businesses. We are continuing to evaluate strategic options in the Structures segment.

Business Units

We manage our operations globally through seven operating segments. Our products in the automotive market primarily support light vehicle original equipment manufacturers with products for light trucks, sport utility vehicles, crossover utility vehicles, vans and passenger cars. The operating segments in the automotive markets are: Light Axle, Driveshaft, Structures, Sealing and Thermal. While being primarily focused on the light vehicle automotive market, certain segments also support the commercial vehicle and off-highway markets.

Two operating segments support 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): Commercial Vehicle and Off-Highway.

Trends in Our Markets

Light Vehicle Markets

Rest of the World Outside of North America, light vehicle production was relatively strong through the first half of 2008. However, during the third quarter of 2008, softening market conditions began to surface in Europe. Whereas the mid-year forecast for western European production levels was comparable to 2007 levels, with the significant weakening in demand during the second half of the year, full year 2008 production was down about 9%. Production levels in South America and Asia Pacific during the last six months of 2008 also declined from earlier forecasts, with full year 2008 production in South America being about 6% stronger than 2007 and Asia being comparable to 2007. The 2008 global light vehicle production, excluding North America, was about 55 million units which is down from a mid-year forecast that approximated 59 million units and relatively comparable to 2007. For 2009, light vehicle production outside of North America is expected to decline to around 50 million units (*source: Global Insight).*

North America North American light vehicle production levels were about 26% lower in the fourth quarter of 2008 than in the fourth quarter of 2007 and 16% lower for the full year 2008 when compared to 2007. In the light truck market, fourth-quarter 2008 production levels were down about 38% versus 2007 while the full year production was down 25%. Several vehicles with significant Dana content are full-size pickups, vans and SUVs. Within these categories of the light truck segment, production was more than 42% lower when compared to last year s fourth quarter and lower by about 37% for the full year. The comparatively lower light truck production levels are consistent with the decline in North American light truck sales which was about 22% from 2007 sales. As with production, the sales decline in full size pickups, vans and SUVs during these periods have been even greater at around 27% *(source: Ward s Automotive).*

The weakness in light truck sales has been influenced, in part, by consumer concerns over high fuel prices, declining home values, increased unemployment and other economic factors including access to credit. While fuel prices have dropped since mid-2008, the uncertainty as to where gasoline prices will stabilize may result in a longer-term shift in consumer interest away from trucks and SUVs to more fuel-efficient passenger cars and CUVs. While a number of our newer programs involve CUVs, pickup and SUV platforms continue to be a key segment for us, particularly with a number of high sales pickup truck platforms.

Despite lower production of light trucks during the fourth quarter of 2008, lower sales led to higher inventory levels with 82 days supply at September 30, 2008 increasing to 86 days at December 31, 2008. At this level, the days supply of light trucks in inventory is considerably higher than the 65 days at December 31,

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2007. While inventory levels for full-size pickups and SUVs are slightly lower, they increased as well during the fourth quarter of 2008 from 74 days at the end of the third quarter to 76 days at December 31, 2008. With the steeper cutbacks in production this past year in this particular segment, days supply in inventory is down from 82 days at the end of 2007. Given the current level of inventory and the negative economic environment, we expect the weakness in light truck sales and production in North America to continue well into 2009 *(source: Ward s Automotive).*

Adding to the already difficult market conditions that have existed through most of 2008 is the more recent turmoil in the financial markets that has further eroded consumer confidence and tightened availability of credit. Most projections for overall North American light vehicle production for 2009 are around 9.5 to 11 million units down from about 12.7 million units in 2008 (*source: Global Insight and Ward s).*

Automaker Viability

Globally, OEMs are moving quickly to cut production, reduce manufacturing costs, lower vehicle prices and clear inventory. All domestic and even a few of the Asian automakers are offering generous consumer incentive and rebate programs. These programs ultimately put pressure on suppliers to identify additional cost savings in their own manufacturing operations and supply chains.

GM and Chrysler presented their Viability Plans to the U.S. Government in February 2009. These plans, which outlined how these companies plan to achieve long-term sustainability, will require net cost reductions from suppliers. The impact is already being felt by suppliers. In January 2009, Chrysler issued a letter to its suppliers, demanding a 3% cost reduction from all suppliers effective April 1, 2009 and stated that increased raw material costs must be absorbed by suppliers. We are continuing to monitor these market conditions.

In January 2009, the Original Equipment Suppliers Association (OESA) conducted its bi-monthly Supplier Barometer survey. The outcome revealed several key risks that suppliers will face throughout 2009. The top three, as identified by OESA members, include: decreased production volumes (absolute levels and predictability); customer bankruptcy risk (especially of an OEM); and cash flow (as a result of the low production levels and delayed payments). Other significant risks identified include credit availability and multiple supplier bankruptcies.

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 2008, as compared to about 73% of light truck production in 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 could make our efforts to generate new business more difficult.

Rapid technology changes Under the new Democratic administration in the U.S., it is likely that new CAFE standards will be implemented quickly. The revised standard may require vehicles for each manufacturer to achieve an average of 35 miles per gallon by the 2011 model year, up from 27.5 miles per gallon in effect today. This change will require rapid response by automakers, and represents opportunity for suppliers that are able to supply highly engineered products that will help OEMs quickly meet these stricter carbon emissions and fuel economy requirements. The National Academy of Sciences estimates that fuel economy could be increased by 50 percent while maintaining vehicle size and performance without reducing safety and that midsize cars could average 41 miles per gallon and large pickups nearly 30 miles per gallon, all using existing technology to develop new components and applications. Suppliers, like Dana, who are able to provide these new components and applications will fair best in this new environment.

The proposed new CAFE standards present a significant opportunity for us, as OEMs will need to improve the fuel economy and reduce carbon emissions of their vehicles. Our materials and process competencies, and product enhancements can provide OEMs with needed vehicle weight reduction, assisting them in their efforts to meet the more stringent requirements.

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Commercial Vehicle Markets

Rest of the World Outside of North America, commercial vehicle medium- and heavy-duty production grew in 2008, particularly in emerging Eastern European and Asian markets. Global commercial vehicle production, excluding North America, approximated 2.3 million units in 2008, an increase of about 4% over 2007. However, in 2009, our current expectation is that commercial vehicle production outside North America will decline to around 2.0 million units (*source: Global Insight and ACT).*

North America Developments in this region have a significant impact on our results as North America accounts for more than 80% of our sales in the commercial vehicle market. Production of heavy-duty (Class 8) vehicles during the fourth quarter of 2008 of 45,000 units was comparable to the same period in 2007. For the full year 2008, Class 8 production of around 196,000 units was down about 4% from 2007. The Class 8 production comparisons are influenced by the engine emission regulation change which became effective at the beginning of 2007 in North America. First quarter 2007 sales benefited from vehicle owners purchasing, from dealer inventory, the lower cost engines built prior to the new emission standards. Production levels for the remainder of 2007 were at comparatively lower levels as many customers with new vehicle needs accelerated their purchases into 2006 or the first quarter of 2007 in advance of the higher costing vehicles meeting new emission requirements. Production levels in the Class 8 market have not rebounded as quickly in 2008 as previously expected, in part due to higher fuel costs causing customers to postpone purchases of the newer vehicles as a means of minimizing increased overall operating costs. The commercial vehicle market also is being impacted by the overall financial market turmoil and consequent economic difficulties, leading customers in these markets to be cautious about new vehicle purchases. The economic factors contributing to lower customer demand and production during the second half of 2008 are expected to continue into 2009 resulting in forecast Class 8 production of about 160,000 units, a decline of 19% from 2008 (*source: Global Insight and ACT).*

In the medium-duty (Class 5-7) market, fourth quarter 2008 production of 32,000 units was down 30% from last year s fourth quarter. For the year, medium-duty production in 2008 was 25% lower than in 2007. Medium-duty production levels have been adversely impacted by high fuel costs and the same economic factors discussed in the Light Vehicle Markets North America market trends section. Production levels in 2009 are expected to be similarly impacted, with the unit build forecast at around 135,000, 15% lower than 2008 *(source: Global Insight and ACT).*

Off-Highway Markets

Our off-highway business, which has become an increasingly more significant component of our total operations over the past three years, accounted for 22% of our 2008 sales. Unlike our on-highway businesses, our off-highway business is larger outside of North America, with more than 75% of its sales coming from outside North America. We serve several segments of the diverse off-highway market, including construction, agriculture, mining and material handling. Our largest markets are the European and North American construction and agriculture equipment segments. These markets were relatively strong through the first half of 2008, with demand softening during the last six months of the year resulting in full year 2008 sales volumes that were comparable to 2007. As with our other markets, we are forecasting reductions in 2009 demand in the North American and European construction markets of about 40% and reductions in agriculture market demand in 2009 of around 20%.

Steel Costs

During 2008, we were challenged with unprecedented levels of steel costs that significantly impacted our 2008 results of operations. Higher steel cost is reflected directly in our purchases of various grades of raw steel as well as indirectly through purchases of products such as castings, forgings and bearings. At present, we annually purchase over one million tons of steel and products with significant steel content.

Two commonly used market-based indicators of steel prices the Tri Cities Scrap Index for #1 bundled scrap steel (which represents the monthly average costs in the Chicago, Cleveland and Pittsburgh ferrous scrap markets, as posted by American Metal Market, and is used by our domestic steel suppliers to

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determine our monthly surcharge) and the spot market price for hot-rolled sheet steel illustrate the impact. Scrap prices were relatively stable in 2006 and 2007, averaging about $270 per ton in 2006 and $310 per ton in 2007. During 2008, however, the per ton prices increased significantly, reaching a high of more than $850 per ton before declining to prices of around $250 per ton at the end of 2008. The average scrap price of about $520 per ton for the year was 67% higher than in 2007. Spot prices per ton for hot-rolled steel followed a similar pattern, averaging about $655 in 2006 and $595 in 2007, increasing in 2008 to an average of about $975 per ton, 64% higher than in 2007.

Although steel prices declined significantly during the fourth quarter of 2008, our 2008 results did not benefit significantly from the lower cost. There is a lag time for scrap prices to impact the cost of other steel-based products, and with the lower fourth quarter production volumes, we were still working down inventory acquired at higher prices.

Agreements with certain customers eliminate or mitigate our exposure to steel cost increases, allowing us to effectively pass all or a portion of the cost on to our customers. In certain cases, principally in our Structures business, we have resale arrangements whereby we purchase the steel at the cost negotiated by our customers and include that cost in the pricing of our products. In other arrangements, we have material price escalation provisions in customer contracts providing for adjustments to unit prices based on commodity cost increases or decreases over agreed reference periods. Adjustments under these arrangements typically occur at quarterly, semi-annual and annual intervals with the adjustment coming in the form of prospective price increases or decreases.

Historically, although not always required by existing agreements, we also have been successful in obtaining price increases or surcharges from certain customers as a result of escalating steel costs. We aggressively pursued steel cost recovery agreements with customers in 2008 where not already in place, while also pursuing enhanced recovery terms on existing agreements. We also took actions to mitigate the impact of steel and other commodity increases by consolidating purchases, contracting with new global steel sources, identifying alternative materials and redesigning our products to be less dependent on higher cost steel grades. As a result of these efforts, we currently have arrangements in place that we estimate will provide recovery on approximately 80% of prospective steel-related cost increases. These agreements are generally indexed to a base price such that decreased steel costs result in price reductions.

We estimate that higher steel costs adversely impacted our cost of sales in 2008 by approximately $167. Our recovery efforts partially offset the increased cost, thereby resulting in a net adverse impact on our gross margin for the full year of 2008 of approximately $53. With the lag effect associated with certain customer recovery arrangements, a portion of the recovery of 2008 cost will be received in 2009 as higher prices take effect as part of indexed pricing arrangements with our customers.

Sales and Earnings Outlook

We expect the economic factors currently having a negative impact on our markets to persist into 2009 and beyond. By almost any measure, 2009 will be a challenging year with production levels in most of our markets forecast to be significantly lower. To mitigate the effects of lower sales volume, we are aggressively right sizing our cost structure and continuing to pursue increased pricing from customers where programs warrant. On the cost front, we have reduced the work force during 2008 by about 6,000 people. With reductions in the first two months of this year, our employment level has been reduced to about 25,000. Additional reductions in March are expected to reduce the number of people to around 24,000 and we expect to make further reductions during 2009. See Note 6 of the notes to our financial statements in Item 8 for additional discussion relating to our realignment initiatives.

We completed several pricing and material recovery initiatives during the latter part of 2008 that will benefit 2009, albeit on lower sales volume. At our current forecast level for sales, we estimate that material recovery and other pricing actions already finalized in 2008 will add more than $150 to gross margin in 2009. The combined gross margin improvement from pricing and cost reductions is expected to more than offset the margin impact of lower 2009 sales volume.

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Growing our sales through new business continues to be an important focus for us. Our current backlog of awarded new business which comes on stream over the next two years more than offsets any programs that are expiring or being co-sourced. While we continue to pursue vigorously new business opportunities, we are doing so with measured discipline to ensure that such opportunities provide acceptable investment returns.

Results of Operations Summary

	Dana	Prior Dana		
	Eleven Months Ended December 31, 2008	One Month Ended January 31, 2008	Year Ended December 31, 2007	2006
Net sales	$ 7,344	$ 751	$ 8,721	$ 8,504
Cost of sales	7,127	702	8,231	8,166
Gross margin	217	49	490	338
Selling, general and administrative expenses	303	34	365	419
Amortization of intangibles	66			
Realignment charges, net	114	12	205	92
Impairment of goodwill	169		89	46
Impairment of intangible assets	14			
Impairment of investments and other assets				234
Other income, net	53	8	162	140
Income (loss) from continuing operations before interest, reorganization items and income taxes	(396)	11	(7)	(313)
Fresh start accounting adjustments	$	$ 1,009	$	$
Income (loss) from continuing operations	$ (687)	$ 715	$ (433)	$ (618)
Loss from discontinued operations	$ (4)	$ (6)	$ (118)	$ (121)
Net income (loss)	$ (691)	$ 709	$ (551)	$ (739)

As a consequence of emergence from bankruptcy on January 31, 2008, the results of operations for 2008 separately present the month of January pre-emergence results of Prior Dana and the eleven-month results of Dana. As such, the application of fresh start accounting as described in Note 2 of the notes to our consolidated financial statements in Item 8 is reflected in the Dana eleven-month results, but not in the pre-emergence January results. Loss from continuing operations before interest, reorganization items and income taxes for the eleven months ended December 31, 2008 includes net expenses of approximately $105 resulting from the application of fresh start accounting, primarily amortization of intangibles, a one-time amortization of the stepped-up value of inventories on hand at emergence and additional depreciation expense. Additionally, certain agreements such as the labor agreements negotiated with our major unions became effective upon emergence from bankruptcy. Consequently, certain benefits associated with the effectiveness of these agreements, including the elimination of postretirement medical costs in the U.S., commenced at emergence, thereby benefiting the eleven-month results of Dana.

Results of Operations (2008 versus 2007)

Geographic Sales, Segment Sales and Margin Analysis

The tables below show our sales by geographic region and by segment for the eleven months ended December 31, 2008, one month ended January 31, 2008 and the year ended December 31, 2007. Certain reclassifications were made to conform 2007 to the 2008 presentation.

Although the eleven months ended December 31, 2008 and one month ended January 31, 2008 are distinct reporting periods as a consequence of our emergence from bankruptcy on January 31, 2008, the

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emergence and fresh start accounting effects had negligible impact on the comparability of sales between the periods. Accordingly, references in our analysis to annual 2008 sales information combine the two periods in order to enhance the comparability of such information for the two annual periods.

Geographical Sales Analysis

	Dana	Prior Dana	
	Eleven Months Ended December 31, 2008	One Month Ended January 31, 2008	Year Ended December 31, 2007
North America	$ 3,523	$ 396	$ 4,791
Europe	2,169	224	2,256
South America	1,030	73	1,007
Asia Pacific	622	58	667
Total	$ 7,344	$ 751	$ 8,721

Sales for the combined periods of 2008 were $626 lower than sales in 2007. Currency movements generated $256 of increased sales as a number of the major currencies in international markets where we conduct business strengthened against the U.S. dollar. Exclusive of currency, sales decreased $882, or 10%, primarily due to lower production levels in each of our markets. Partially offsetting the effects of lower production was improved pricing, largely for recovery of higher material cost.

Sales for 2008 in North America, adjusted for currency, declined approximately 19% due to the lower production levels in both the light duty and commercial vehicle markets. Light and medium duty truck production was down 25% in 2008 compared to 2007 and the production of Class 8 commercial vehicle trucks was down 4%. The impact of lower vehicle production levels was partially offset by the impact of higher pricing, principally to recover higher material costs.

Sales in Europe, South America and Asia Pacific all benefited from the effects of stronger local currencies against the U.S. dollar. Stronger currencies increased 2008 sales by $163 in Europe, $51 in South America and $20 in Asia Pacific. Exclusive of this currency effect, European sales were down $27 against 2007, principally due to the lower production levels in the second half of 2008. In South America, year-over-year production levels were stronger, leading to increased sales of $45 after excluding currency effect.

Segment Sales Analysis

	Dana	Prior Dana	
	Eleven Months Ended December 31, 2008	One Month Ended January 31, 2008	Year Ended December 31, 2007
Light Axle	$ 1,944	$ 210	$ 2,627

Driveshaft	1,069	110	1,200
Sealing	641	64	728
Thermal	231	28	293
Structures	786	90	1,069
Commercial Vehicle	1,090	97	1,235
Off-Highway	1,576	151	1,549
Other Operations	7	1	20
Total	$ 7,344	$ 751	$ 8,721

Light Axle sales declined 18% due principally to lower light truck production levels in North America and Europe. Our Driveshaft segment serves both the light-duty automotive and commercial vehicle markets. Since commercial vehicle production levels did not decline as significantly as those on the light-duty side, sales in this segment were down only 2%. Increased pricing and favorable currency effects provided a partial offset to the effect of lower production levels in both the Light Axle and Driveshaft segments. Sales in the Sealing segment declined 3%. Like the Driveshaft segment, the Sealing business also supports the commercial vehicle market and has a proportionately larger share of business in Europe where the production declines were lower than in North America and a stronger euro provided favorable currency effect. Thermal sales declined 12%, primarily due to lower North American production levels partially offset by favorable currency effect. Lower North American production was also the primary factor leading to an 18% reduction in sales in the Structures business.

Our Commercial Vehicle segment is heavily concentrated in the North American market and the overall sales decline of 4% in this segment was primarily due to the drop in North American production levels discussed in the regional review above. Stronger markets outside North America and some pricing improvement partially offset the weaker North American production. With its significant European presence, our Off-Highway segment benefited from the stronger euro. Exclusive of favorable currency effects of $178, Off-Highway sales increased 5% due to stronger production levels during the first half of 2008, sales from new programs and increased pricing.

Margin Analysis

The chart below shows our segment margin analysis for the eleven months ended December 31, 2008, one month ended January 31, 2008 and the year ended December 31, 2007.

	As a Percentage of Sales		
	Dana	Prior Dana	
	Eleven Months Ended December 31, 2008	One Month Ended January 31, 2008	Year Ended December 31, 2007
Gross margin:			
Light Axle	0.6%	2.7%	1.9%
Driveshaft	4.8	10.2	7.1
Sealing	10.0	14.1	12.7
Thermal	0.9	9.7	8.0
Structures	1.6	1.2	5.0
Commercial Vehicle	3.8	4.5	5.8
Off-Highway	8.1	10.5	10.9
Consolidated	3.0%	6.5%	5.6%
Selling, general and administrative expenses:			
Light Axle	1.9%	2.7%	2.2%
Driveshaft	2.2	3.2	2.9
Sealing	7.5	7.4	6.5
Thermal	5.7	4.5	4.7
Structures	0.9	1.5	1.7
Commercial Vehicle	3.4	3.7	3.9
Off-Highway	2.3	1.8	2.4
Consolidated	4.1%	4.5%	4.2%

Consolidated Gross Margin Margins during the eleven-month period ended December 31, 2008 were adversely impacted by two significant factors reduced sales levels and higher steel costs. Adjusted for currency effects, sales in

2008 were down from the comparable 2007 period, with most of the reduction occurring in the second half of 2008. As a result, there has been a lower sales base relative to our fixed costs, negatively affecting margins in the eleven-month period ended December 31, 2008 as compared to the first month of 2008 and the full previous year. For the combined periods in 2008, lower sales volumes reduced margin by approximately $245 (2.8% of sales). Higher steel costs reduced margin by approximately $170 (2.0% of sales). Gross margins during the eleven-month period ended December 31, 2008 were also reduced by about $39 resulting from the fresh start accounting effects discussed below. Partially offsetting these adverse developments were benefits from the reorganization actions undertaken in connection with the bankruptcy process customer pricing improvement, labor cost savings, overhead cost reduction and manufacturing footprint optimization. Those customer pricing actions began contributing to gross margins in the first quarter of 2007, with additional pricing improvements being achieved over the course of 2007 and into 2008. The 2008 results reflect a full year of customer pricing improvements while 2007 includes only a portion thereof.

Pricing improvements unrelated to the reorganization process, primarily associated with recovery of higher steel cost, were also achieved, which when combined with the reorganization-related pricing actions increased margin by approximately $140 during the eleven months ended December 31, 2008 and the month of January 2008. We did not begin benefiting significantly from non-union employee benefit plan reductions and other labor savings until the first quarter of 2008 with much of the savings associated with the agreements negotiated with the unions only becoming effective upon our emergence on January 31, 2008. Labor cost savings associated with the reorganization initiatives and other actions added approximately $100 to margin in the eleven months ended December 31, 2008, while overhead reduction, manufacturing footprint and increased pricing actions provided additional margin improvement.

In connection with the application of fresh start accounting, margins were negatively impacted by two factors. At emergence, inventory values were increased in accordance with fresh start accounting requirements. With respect to our U.S. inventories which are carried on a LIFO basis, the stepped-up value of the inventory became part of the base LIFO layer and will not be recognized in cost of sales under LIFO costing until there is a decrement of the base layer. In the case of inventories outside the U.S. which are carried on a FIFO or average cost basis, the fresh start adjustment of $15 was recorded as cost of sales in the first and second quarters of 2008 as the inventory was sold. The other factor negatively impacting margins as a result of fresh start accounting was higher depreciation expense on the stepped-up value of fixed assets and amortization expense associated with technology related intangibles recognized at emergence. This higher depreciation and amortization reduced margin for the eleven months ended December 31, 2008 by approximately $24.

In the Light Axle segment, reduced sales volume led to margin reduction of approximately $92 (3.5% of sales), while higher steel costs resulted in lower margin of about $40 (1.5% of sales). Partially offsetting these effects were customer pricing improvement and labor cost reductions which contributed approximately $83 (3.2% of sales) to 2008 margin and other cost reductions and operational improvements. Driveshaft, like the Light Axle segment, experienced margin reduction from lower sales volume. The reduction attributed to lower sales approximated $36 (3.0% of sales), and higher steel resulted in lower margin of $35 (2.9% of sales). Also reducing margin in the Driveshaft segment was higher depreciation and amortization expense of $28 (1.1% of sales) attributed primarily to the application of fresh start accounting. Partially offsetting these reductions were improvements to Driveshaft margin of approximately $66 (2.5% of sales) from increased customer pricing and labor cost savings.

In the Sealing segment, the gross margin decline was primarily due to lower sales volume and higher depreciation and amortization resulting from application of fresh start accounting. These effects were partially offset by lower material cost, currency effect and cost reductions. Gross margin in our Thermal segment declined due to lower sales volume, additional warranty cost and higher depreciation and amortization. Our Structures business was significantly impacted by lower sales levels which reduced margin by approximately $72 (6.7% of sales). Mitigating the effects of lower sales were improved pricing and labor savings which improved margin by about $20 (1.8% of sales) and lower depreciation and amortization expense related to fresh start accounting which increased margin by $17 (1.6% of sales).

Gross margin in the Commercial Vehicle segment in 2008 was negatively affected by lower sales volume and higher steel costs which reduced margin by about $16 (1.3% of sales) and $25 (2.0% of sales). Offsetting some of the reduction due to these factors was additional pricing of approximately $23 (1.9% of sales) and

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lower depreciation and amortization expense. In the Off-Highway segment, the gross margin decline was primarily due to higher material costs of about $34 (2.2% of sales in 2008), increased warranty expense of $10 and increased depreciation and amortization expense of $21 (1.4% of sales). The margin reduction from these and other factors was partially offset by improved pricing of $28 (1.8% of sales).

Corporate and Other gross margin Consolidated gross margin is impacted by cost of sales activity in Corporate and Other related to applying LIFO costing to inventory in the U.S. and full absorption costing globally. Our operating segments report inventory and cost of sales on a FIFO basis. During the eleven months ended December 31, 2008, increases in steel and other commodity costs resulted in the FIFO-based value of our U.S. inventory, as reported by the operating segments, increasing by $48. Accordingly, adjusting this inventory to a LIFO basis in consolidation required a $48 charge to cost of sales in Corporate and Other in 2008. A credit to cost of sales of $3 was recognized in the month of January 2008. During 2007, LIFO-based charges to cost of sales amounted to $7.

The application of full absorption costing consists principally of reclassifying certain expenses to cost of sales that are reported by the operating segments as SG&A. These costs are reviewed and adjusted annually. Cost of sales increased and SG&A decreased by $5 for the one month ended January 31, 2008, $59 for the eleven months ended December 31, 2008 and by $56 for the year ended December 31, 2007.

Due to the application of fresh start accounting, Corporate and Other in the eleven months ended December 31, 2008 also includes a charge of $49 to amortize, under the FIFO costing method used by our operations, the fresh start step-up of our global inventories. This charge is partially offset by the $34 adjustment required to retain the fresh start step-up under the LIFO costing method used in the U.S. for financial reporting and tax purposes.

Selling, general and administrative expenses (SG&A) For the combined periods in 2008, SG&A of $337 is lower by $28 from the 2007 expense. Both the combined 2008 periods and 2007 SG&A expense were 4.2% of sales. The 2008 period expense benefited from certain labor and overhead cost reduction initiatives implemented in connection with the bankruptcy reorganization process as well as additional reductions implemented post-emergence. Additionally, the 2007 expense included a provision for short-term incentive compensation, whereas nothing was provided in 2008 based on that year s results. Partially offsetting the factors reducing year-over-year SG&A expense was additional costs incurred during 2008 in connection with personnel changes and restoring long-term incentive plans. Also adversely impacting the year-over-year margin comparison was a reduction in long-term disability accruals in 2007.

Amortization of intangibles Amortization of customer relationship intangibles recorded in connection with applying fresh start accounting at the date of emergence resulted in expense of $66 for the eleven months ended December 31, 2008.

Realignment charges and Impairments Realignment charges are primarily costs associated with the workforce reduction actions and facility closures, certain of which were part of the manufacturing footprint optimization actions that commenced in connection with our bankruptcy plan of reorganization. These actions are more fully described in Note 6 of the notes to our consolidated financial statements in Item 8. Realignment charges in 2007 include $136 of cost relating to the settlement of our pension obligations in the United Kingdom, which was completed in April 2007.

We recorded $169 for impairment of goodwill and $14 for impairment of indefinite-lived intangibles during the eleven months ended December 31, 2008. We recorded $89 for impairment of goodwill during 2007 as discussed more fully in Note 10 of the notes to our consolidated financial statements in Item 8.

Other income, net Net currency transaction losses reduced other income by $12 in the eleven months ended December 31, 2008 while net gains of $3 were recognized in the month of January 2008. This compares to $35 of net currency transaction gains in 2007. DCC asset sales and divestitures provided other income of $49 in 2007, but only minimal income in 2008. Other income in 2008 also benefited from interest income of $48 in the eleven months ended December 31, 2008 and $4 in the month of January 2008 as compared to $42 in 2007. Other income in the eleven-month period ended December 31, 2008 includes a charge of $10 to recognize the loss incurred in connection with repayment $150 of our term debt in

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November 2008. Costs of approximately $10 have been incurred in 2008 in connection with the evaluation of strategic alternatives relating to certain businesses. Other income in 2007 also included a one-time claim settlement charge of $11 representing the cost to settle a contractual matter with an investor in one of our equity investments.

Interest expense Interest expense includes the costs associated with the Exit Financing facility and other debt agreements which are described in detail in Note 17 of the notes to our consolidated financial statements in Item 8. Interest expense in the eleven months ended December 31, 2008 includes $16 of amortized OID recorded in connection with the Exit Financing facility and $8 of amortized debt issuance costs. Also included is $4 associated with the accretion of certain liabilities that were recorded at discounted values in connection with the adoption of fresh start accounting upon emergence from bankruptcy. During 2007 and the month of January 2008, as a result of the bankruptcy reorganization process, a substantial portion of our debt obligations were reported as Liabilities subject to compromise in our consolidated financial statements with no interest expense being accrued on these obligations. The interest expense not recognized on these obligations amounted to $108 in 2007 and $9 during the month of January 2008.

Reorganization items Reorganization items are expenses directly attributed to our Chapter 11 reorganization process. See Note 3 of the notes to our financial statements in Item 8 for a summary of these costs. During the bankruptcy process, there were ongoing advisory fees of professionals representing Dana and the other bankruptcy constituencies. Certain of these costs continued subsequent to emergence as there are disputed claims which require resolution, claims which require payment and other post-emergence activities incident to emergence from bankruptcy. Among these ongoing costs are expenses associated with additional facility unionization under the framework of the global agreements negotiated with the unions as part of our reorganization activities. Reorganization items in the month of January 2008 include a gain on the settlement of liabilities subject to compromise and several one-time emergence costs, including the cost of employee stock bonuses, transfer taxes, and success fees and other fees earned by certain professionals upon emergence.

Income tax expense In the U.S. and certain other countries, our recent history of operating losses does not allow us to satisfy the more likely than not criterion for realization of deferred tax assets. Consequently, there is no income tax benefit against the pre-tax losses of these jurisdictions as valuation allowances are established offsetting the associated tax benefit or expense. In the U.S., the other comprehensive income (OCI) reported for 2007 caused us to record tax expense in OCI and recognize a U.S. tax benefit of $120 in continuing operations. For 2008, the valuation allowance impacts in the above-mentioned countries, the fresh start adjustments and the impairment of goodwill in 2008 and 2007 are the primary factors which cause the tax expense of $107 for the eleven months ended December 31, 2008, $199 for the month of January 2008, and $62 for 2007 to differ from an expected tax benefit of $197, tax expense of $320 and tax benefit of $135 for those periods at the U.S. federal statutory rate of 35%.

Discontinued operations Our engine hard parts, fluid products and pump products operations had been reported as discontinued operations. The sales of these businesses were substantially completed in 2007, except for a portion of the pump products business that was sold in January 2008. The results for 2007 reflect the operating results of these businesses as well as adjustments to the net assets of these businesses necessary to reflect their fair value less cost to sell based on expected sales proceeds. See Note 5 in the notes to our consolidated financial statements in Item 8 for additional information relating to the discontinued operations.

Results of Operations (2007 versus 2006)

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

The tables below show our sales by geographic region and segment for the years ended December 31, 2007 and 2006. Certain reclassifications were made to conform 2006 and 2007 to the 2008 presentation.

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Geographic Sales Analysis

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

Sales increased 2.6% from 2006 to 2007. Stronger currencies in our major foreign markets as compared to an overall weaker U.S. dollar resulted in positive currency movements on 2007 sales. Sales in 2007 were reduced by net divestiture impacts, principally due to a $152 reduction resulting from the sale of our trailer axle business in January 2007. Partially offsetting this loss of sales was an increase resulting from the July 2006 purchase of the axle and driveshaft businesses previously owned by Spicer S.A., our equity affiliate in Mexico. Excluding currency and net divestiture effects, organic sales in 2007 were relatively flat compared to 2006. Organic change is the period-on-period measure of the change in sales that excludes the effects of currency movements, acquisitions and divestitures.

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

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

Segment Sales Analysis

	Prior Dana 2007	Prior Dana 2006	Increase/ (Decrease)	Amount of Change Due To: Currency Effects	Acquisitions/ Divestitures	Organic Change
Light Axle	$ 2,627	$ 2,230	$ 397	$ 92	$ 20	$ 285
Driveshaft	1,200	1,124	76	62	23	(9)
Sealing	728	684	44	30		14
Thermal	293	283	10	19		(9)
Structures	1,069	1,174	(105)	26		(131)
Commercial Vehicle	1,235	1,683	(448)	18	(152)	(314)
Off-Highway	1,549	1,231	318	101		217
Other Operations	20	95	(75)		(24)	(51)
Total	$ 8,721	$ 8,504	$ 217	$ 348	$ (133)	$ 2

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

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

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Margin Analysis

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

	Prior Dana As a Percentage of Sales 2007	2006	Increase/ (Decrease)
Gross margin:			
Light Axle	1.9%	0.3%	1.6%
Driveshaft	7.1	9.8	(2.7)
Sealing	12.7	13.1	(0.4)
Thermal	8.0	12.5	(4.5)
Structures	5.0	0.3	4.7
Commercial Vehicle	5.8	4.4	1.4
Off-Highway	10.9	10.9	
Consolidated	5.6%	4.0%	1.6%
Selling, general and administrative expenses:			
Light Axle	2.2%	2.6%	(0.4)%
Driveshaft	2.9	3.7	(0.8)
Sealing	6.5	6.4	0.1
Thermal	4.7	4.0	0.7
Structures	1.7	1.9	(0.2)
Commercial Vehicle	3.9	3.1	0.8
Off-Highway	2.4	2.6	(0.2)
Consolidated	4.2%	4.9%	(0.7)%

Consolidated gross margin Consolidated gross margin benefited from the reorganization initiatives implemented in connection with the bankruptcy process improved customer pricing, restructured wage and benefit programs, reduction and realignment of overhead costs and optimization of our manufacturing footprint. The customer pricing actions began contributing to gross margins in the first quarter of 2007. Also contributing to this margin improvement were the benefit plan reductions effectuated in 2007 which discontinued future service accruals under non-union employee pension plans and eliminated retiree postretirement benefits other than pension (OPEB) for non-union active employees and retirees. We did not begin benefiting from savings associated with the amended union agreements for similar plans until after emergence. Additionally, currency effects due to an overall weaker U.S. dollar as compared to major currencies in other global markets positively impact margins.

Segments gross margin Customer pricing improvements of approximately $150 were the principal factor increasing margins. Reductions to non-union benefit plans also contributed some additional margin. Partially offsetting these improvements were negative impacts from sales mix and expiration of higher margin programs. In the Light Axle segment, customer pricing actions increased margins by approximately $60, or 2.2% of sales. Non-union employee benefit plan reductions and lower material costs also contributed to margin improvement. Although Light Axle sales were up significantly in 2007, the sales mix was unfavorable with a significant portion of the higher sales coming from vehicle platforms with lower margins. The Driveshaft segment experienced a margin decline despite a year-over-year sales increase. Adverse sales mix was a major factor as the Driveshaft segment sells to customers in both the light-duty automotive market and the commercial vehicle market.

Lower production levels in the North American commercial vehicle market reduced Driveshaft sales by about $90. Margins on the commercial vehicle business are higher than the light-duty automotive programs, so the sales decline negatively impacted overall margins. Premium freight cost associated with operational

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inefficiencies reduced margins by about $10. Partially offsetting the negative margin effects of the adverse sales mix and some operational inefficiencies was margin improvement of approximately $27   2.2% of sales   due to customer pricing and lower material costs.

Margins in the Sealing segment were down primarily due to higher material costs of approximately $20, or 2.7% of sales. Stainless steel is a major material component for this business, and the average cost of stainless steel in 2007 was about 67% higher than in 2006. The higher raw material cost was partially offset by margin improvements from non-union benefit plan reductions and operational cost reduction actions. Our Thermal segment experienced a margin decline in 2007. Operational inefficiencies and warranty cost associated with our European operation reduced margins by about $5, and higher start up costs associated with our Hungary and China operations negatively impacted margins by $3. Additionally, the strengthening of the Canadian dollar against the U.S. dollar also negatively impacted our margin in this business as certain product manufactured in Canada is sold in U.S. dollars. In our Structures segment, margins increased with customer pricing actions contributing approximately $65, or 6.1% of sales. This margin improvement was partially offset by unfavorable margin effects associated with the lower sales in this unit, principally due to expiration of two significant customer programs.

Commercial Vehicle segment margins improved despite significantly lower sales on reduced production levels in the North American market. More than offsetting the unfavorable margin impact of the lower production levels was increased pricing which improved margins by about $23, or 1.9% of sales. In the Off-Highway segment, margins were flat. Higher sales relative to fixed costs and reduced material costs benefited margins. However, margins were negatively impacted by a stronger euro as we manufacture some product in Europe for sale in dollars to the U.S. Higher warranty costs of $7 also reduced our margins in this business.

Corporate and Other   gross margin   Certain corporate expenses and other costs are not allocated to the business units. This activity is largely related to recognizing full absorption inventory costing adjustments at the consolidated level. Inventoriable costs are reclassified to cost of sales from SG&A. Additionally, the operating segments report inventory and cost of sales on a FIFO basis, with adjustments made in consolidation to reflect the inventory and cost of sales of the U.S. operations on a LIFO basis.

Segments   selling, general and administrative expenses   The Light Axle, Driveshaft and Structures improvements reflect the labor and overhead cost reduction initiatives implemented in connection with the bankruptcy reorganization process. The Sealing and Thermal segments were not impacted as significantly by these initiatives.

The Commercial Vehicle and Off-Highway segments also benefited from the bankruptcy-related cost reduction actions. However, additional costs in the Commercial Vehicle segment resulted in an overall deterioration of 0.8% in the SG&A ratio.

Corporate and other   selling, general and administrative expenses   Reduced costs reflect our overall efforts to reduce overhead through headcount reduction, limited wage increases and cutbacks in discretionary spending.

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

In connection with our annual assessment of goodwill, we recorded $89 for impairment of goodwill related to our Thermal business during 2007. This business experienced significant margin erosion in recent years resulting from the higher cost of commodities, especially aluminum. The impairment charges in 2006 include charges of $176 to reduce lease and other assets in DCC to their fair value less cost to sell, a charge of $58 to adjust our equity investment in

GETRAG to fair value based on the March 2007 sale of this investment and a $46 charge to write off the goodwill in our Light Axle business. Each of these charges is described further in Notes 4 and 10 of the notes to our consolidated financial statements in Item 8.

Other income, net Foreign exchange gains increased other income, net by $31 over 2006. Certain cross-currency intercompany loan balances that were previously designated as invested indefinitely were identified for repayment through near-term repatriation actions. Foreign exchange gains and losses on loans that are not considered permanently invested are included in the income statement whereas movements on loans that are permanently invested are reported in OCI. As a consequence, exchange rate movements on these loans and others not permanently invested generated currency gains of $44 during 2007. Other currency losses netted to reduce other income in 2007 by $9. DCC income was lower by $7 in 2007 as we continued to sell the remaining portfolio assets in this operation. The 2007 other income, net, amount also includes an expense of $11 associated with settling a contractual matter with an investor in one of our equity investments. See Note 22 of the notes to our consolidated financial statements in Item 8 for additional components of other income, net.

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

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

Income tax benefit (expense) Our reported income tax expense for 2007 was $62 as compared to an expected benefit of $135 derived by applying the U.S. federal income tax rate of 35% to the reported loss before tax for continuing operations. Among the factors contributing to the higher tax expense are losses generated in countries such as the U.S. and U.K. where we determined that future taxable income was not likely to be sufficient to realize existing net deferred tax assets. As a consequence, until such time that it is determined that future taxable income will be sufficient to realize deferred tax assets, the tax benefits from losses in these countries are generally offset with a valuation allowance. During 2007, we incurred $136 of charges relating to the settlement of pension obligations in the U.K., and the tax benefit associated with these charges was offset with valuation allowances. Although we have a full valuation allowance against net deferred tax assets in the U.S., as discussed in Note 21 of the notes to our consolidated financial statements in Item 8, the level of other comprehensive income generated during 2007 in the U.S. enabled us to recognize $120 of tax benefits on U.S. losses before income taxes. The net effect on 2007 income tax expense of recording valuation allowances against deferred tax assets in the U.S., U.K. and other countries was $37.

Other factors resulting in the reported income tax expense being higher than the benefit expected at the U.S. rate of 35% were non-deductible expenses and recognition of costs associated with repatriation of undistributed earnings of operations outside the U.S. Income before taxes included goodwill impairment charges, certain reorganization costs and other items which are not deductible for income tax purposes. These items resulted in approximately $123 of the $197 of higher reported income tax than the $135 of benefit expected using the U.S. rate of 35%. The recognition of taxes associated with the planned repatriation of non-U.S. earnings (also described in Note 21 of the notes to our consolidated financial statements in Item 8) resulted in a charge of $37.

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

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

Liquidity

As discussed in Part 1, Item 1A Risk Factors , there are several risks and uncertainties relating to the global economy and our industry that could materially affect our future financial performance and liquidity. Among the potential outcomes, these risks and uncertainties could result in decreased sales, limited access to credit, rising costs, increased global competition, customer or supplier bankruptcies, delays in customer payment terms and acceleration of supplier payments, growing inventories and failure to meet debt covenants.

During the second half of 2008, our production volumes decreased significantly. Whereas year-over-year sales for the first half of 2008 were higher, year-over-year sales in the third quarter and fourth quarter were down 9% and 30%. Our cash position declined from $1,191 at June 30, 2008 to $777 at the end of 2008. The repayment of principal and fees in connection with the amendment of the financial covenants and other provisions of our Exit Facility reduced cash by $174. The remaining $240 was used primarily for operating needs and capital expenditures.

Our current revenue forecast for 2009 is determined from specific platform volume projections consistent with a North American light vehicle production estimate of 10 million units, Class 8 commercial vehicle build of 160,000 units and Class 5-7 truck build of 135,000 units. Changes to the total North American light vehicle production levels may not materially affect our revenue assumptions because our primary exposure to this market is concentrated on specific vehicle platforms which do not necessarily move in the same manner as other platforms. Elsewhere in the world, we expect full year light vehicle production volumes to be down about 9% against 2008. In our Off-Highway business, our forecast contemplates that customer demand in our key agriculture and construction markets will be down 20% and 40% from 2008. In light of these volume estimates, we ve accelerated additional cost reduction and cash preservation initiatives.

We have taken significant actions in the last quarter of 2008 and early 2009 to reduce our cost base and improve profitability, including workforce reductions, reduced capital spending and pricing adjustments with our customers. Based on our current forecast for 2009, we expect to be able to meet the financial covenants of our existing debt agreements and have sufficient liquidity to finance our operations. While we believe that the above 2009 market demand assumptions underlying our current forecast are reasonable, we ve also considered the possibility of even weaker demand based generally on more pessimistic production level forecasts (e.g. North American light vehicle production of about 9 million units). In addition to the above external factors potentially impacting our sales, achieving our current forecast is dependent upon a number of internal factors such as our ability to execute our remaining cost reduction plans, to operate effectively within the reduced cost structure and to realize the projected pricing improvements.

We ve also considered the potential consequences of a bankruptcy filing by two of our major customers, General Motors (GM) and Chrysler. Sales to GM in 2008 were 6% of our consolidated sales, while Chrysler represented approximately 3%. In the event of a bankruptcy filing on the part of either of these customers, we believe it is likely that most of our programs would be continued following a bankruptcy filing. As such, we expect the adverse effects of these bankruptcies would be limited principally to recovering less than the full amount of the outstanding receivable from these customers at the time of any such filing. We would expect our exposure under this scenario to be in the range of $5 to $30 depending on a number of factors, including the age and level of receivables at the time of a bankruptcy filing and whether we are treated as a critical supplier.

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If the more pessimistic sales scenario described above and a GM and Chrysler bankruptcy filing occur or if our success in achieving price increases from our customers is less than anticipated we believe we could still satisfy our debt covenants and the liquidity needs of the business during 2009 through incremental cost reductions, including headcount actions, compensation and employee benefit modifications, and further reductions in plant and administrative overhead cost. Notwithstanding this assessment, there is a high degree of uncertainty in the current environment, and it is possible that certain scenarios would result in our not being able to comply with the financial covenants in our debt agreements or maintain sufficient liquidity.

While we are confident of our ability to achieve the plan, there can be no assurance we will be successful. There are a number of factors that could potentially arise that could result in our not attaining the plan or otherwise creating liquidity issues. These factors include but are not limited to the following:

- Failure to achieve the price increases and cost reduction goals,
- Sustained weakness and/or combined deterioration in global conditions
- Failure of GM and Chrysler to meet the terms and conditions of U.S. government loans
- Bankruptcy of any significant customer resulting in delayed payments and/or non-payment of trade accounts receivable and customer tooling receivables.
- Bankruptcy of any significant supplier resulting in delayed shipment of production materials or actions to accelerate payments for goods or services.
- Loan covenant violations

Non-compliance with the covenants would provide our lenders with the ability to demand immediate repayment of all outstanding borrowings under the Term Facility and the Revolving Facility. We would not have sufficient cash on hand to satisfy this demand. Accordingly, the inability to comply with covenants, obtain waivers for non-compliance, or obtain alternative financing would have a material adverse effect on our financial position, results of operations and cash flows. In the event we were unable to meet our debt covenant requirements, however, we believe we would be able to obtain a waiver or amend the covenants. Obtaining such waivers or amendments would likely result in a significant incremental cost. Although we cannot provide assurance that we would be successful in obtaining the necessary waivers or in amending the covenants, we were able to do so in 2008 and are confident that we would be able to do so in 2009, if necessary.

Based on our current forecast and our assessment of reasonably possible scenarios, including the more pessimistic scenario described above, we do not believe that there is substantial doubt about our ability to continue as a going concern in 2009.

Our global liquidity at December 31, 2008 was as follows:

Cash	$ 777
Less:	
Deposits supporting obligations	(76)
Cash in less than wholly-owned subsidiaries	(69)
Available cash	632

Additional cash availability from:		
Lines of credit in the U.S. and Europe		212
Additional lines of credit supported by letters of credit from the Revolving Facility		22
Total global liquidity	$	866

As of December 31, 2008 consolidated cash balances totaled $777, approximately 43% of which is located in the United States. Approximately $76 of our cash balances relate to deposits that support other obligations, primarily guarantees for workers compensation. An additional $69 is held by less than wholly-owned subsidiaries where our access may be restricted. Our ability to efficiently access cash balances in certain foreign jurisdictions is subject to local regulatory and statutory requirements. Our current credit ratings (B and Caa1 by Standard and Poor s and Moody s, respectively) and the current state of the global financial markets would make it very difficult for us to raise capital in the debt markets.

The principal sources of liquidity for our future cash requirements are expected to be (i) cash flows from operations, (ii) cash and cash equivalents on hand, (iii) proceeds related to our trade receivable securitization and financing programs and (iv) borrowings from the Revolving Facility. At December 31, 2008, there were borrowings under our European trade receivable securitization program equivalent to $30 recorded as notes payable and $77 of remaining availability based on the borrowing base. At December 31, 2008, we had no borrowings under the Revolving Facility but we had utilized $146 for letters of credit. Based on our borrowing base collateral, we had availability at that date under the Revolving Facility of $284 after deducting the outstanding letters of credit. During the fourth quarter of 2008, one of our lenders failed to honor its 10% share of the funding obligation under the terms of our Revolving Facility and was a defaulting lender. If this lender does not honor its obligation in the future, our availability could be reduced by up to 10%. Additionally, our ability to borrow the full amount of availability under our revolving credit facility is effectively limited by the financial covenants. Based on the covenant requirements at December 31, 2008, our additional borrowings are limited to $212.

Based on our current forecast we believe that our overall liquidity and operating cash flow will be sufficient to meet our anticipated cash requirements for capital expenditures, working capital, debt obligations and other commitments throughout 2009. These projections do not include the additional liquidity that could be generated by sales of assets and divestitures of businesses. A bankruptcy filing by GM and Chrysler could impact our availability under the Revolving Facility. Removal of GM and Chrysler receivables from the borrowing base at December 31, 2008 would reduce availability by $48. However, since our availability is already limited by the debt covenants, removal of the GM and Chrysler receivables at December 31, 2008 would not limit our availability further.

At December 31, 2008 we were in compliance with the debt covenants under the amended Term Facility with a Leverage Ratio of 3.64 compared to a maximum of 4.25 and an Interest Coverage Ratio of 3.10 compared to a minimum of 2.50 and, as indicated above, we expect to be able to maintain compliance during 2009. Refer to note 17 to our consolidated financial statements for additional information relating to the covenants and other relevant provisions in our credit facilities. The amended Exit Facility and European Receivables Loan Facility include material adverse change provisions that, if exercised by our lenders, could adversely affect our financial condition by restricting future borrowing. We are not aware of any existing conditions that would limit our ability to obtain funding as a result of the material adverse change provisions. These credit facilities also include customary events of default for facilities of this type which could give our lenders the right, among other things, to restrict future borrowings, terminate their commitments, accelerate the repayment of obligations and foreclose on the collateral granted to them.

Cash Flow

	Dana	Prior Dana		
	Eleven Months Ended December 31, 2008	One Month Ended January 31, 2008	2007	2006
Cash used in reorganiziation activity	$ (882)	$ (101)	$ (148)	$ (91)
Cash provided by (used in) changes in working capital	66	(61)	83	199
Other items and adjustments providing or (using) cash	(81)	40	13	(56)

Total cash provided by (used in) operating activities	(897)	(122)	(52)	52
Cash provided by (used in) investing activities	(221)	77	348	(86)
Cash provided by (used in) financing activities	(207)	912	166	(49)
Increase (decrease) in cash and cash equivalents	$ (1,325)	$ 867	$ 462	$ (83)

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Operating Activities During 2008, cash was used to satisfy various obligations associated with our emergence from bankruptcy. Cash of $733 was used shortly after emergence to satisfy our payment obligation to VEBAs established to fund non-pension benefits of union retirees. We also made a payment of $53 at emergence to satisfy our obligation to a VEBA established to fund non-pension benefits relating to non-union retirees, with a payment of $2 being made under another union arrangement. Additional bankruptcy emergence-related claim payments during the eleven months ended December 31, 2008 totaled $100.

Working capital reductions generated $5 of cash ($66 from February to December offset by January usage of $61) to support operating activities during 2008, compared to $83 generated in 2007 and $199 in 2006. Collections of receivables and reductions in inventory levels provided more cash than the declines in accounts payable and other current liabilities used during 2008. In 2007 and 2006, cash from working capital was generated by increases in accounts payable and other liabilities. Operating cash flow in 2007 was also negatively impacted by payments of postretirement medical claims in excess of amounts expensed and by cash paid to settle U.K. pension obligations.

Investing Activities Various asset sales in 2008 generated $14 of cash in 2008. Divestitures of the engine hard parts, fluid products and trailer axle businesses, the sale of our investment in GETRAG, proceeds from DCC sales and other divestment-related actions provided cash of $609 in 2007. Expenditures for property, plant and equipment in 2008 of $250 are down $4 from last year. DCC cash that was restricted during bankruptcy by a forbearance agreement with DCC noteholders was released in January 2008 as payments were made to the noteholders.

Financing Activities At our emergence from bankruptcy, we obtained proceeds of $1,430 under a new Term Facility and obtained a $650 line of credit under a Revolving Facility. We also received $771 of proceeds through the issuance of Series A and Series B shares of preferred stock. All of these proceeds were used in part to repay the $900 outstanding under the DIP Credit Agreement, pay Exit Facility OID costs and fees of $154, and retire the remaining amount owed to DCC noteholders through settlement of DCC s bankruptcy claim against Prior Dana.

In October 2008, we borrowed $180 under the Revolving Facility. As discussed above, one of our lenders failed to honor its obligation of $20. The amounts outstanding under the Revolving Facility were repaid in December.

In November 2008, we amended the Term Facility. We incurred additional fees to the creditors of $24 which are being amortized over the remaining life of the debt. In connection with the amendment, we repaid $150 of the Term Facility. Our financial covenants were adjusted and the interest rate on this facility was increased by 50 basis points. During 2007, we had borrowed an additional $200 under the DIP Credit Agreement. See Note 17 of the notes to our consolidated financial statements in Item 8 for additional information relating to these financing agreements.

Contractual Obligations

We are obligated to make future cash payments in fixed amounts under various agreements. These include payments under our long-term debt agreements, rent payments under operating lease agreements

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and payments for equipment, other fixed assets and certain raw materials under purchase agreements. The following table summarizes our significant contractual obligations as of December 31, 2008:

		Payments Due by Period			
Contractual Cash Obligations	**Total**	**Less than 1 Year**	**1 - 3 Years**	**4 -5 Years**	**After 5 Years**
Long-term debt (1)	$ 1,287	$ 19	$ 36	$ 29	$ 1,203
Interest payments (2)	420	93	142	137	48
Leases (3)	253	43	67	46	97
Unconditional purchase obligations (4)	172	126	29	14	3
Pension benefits (5)	13	13			
Retiree healthcare benefits (6)	70	6	14	14	36
Uncertain income tax positions (7)	5	5			
Total contractual cash obligations	$ 2,220	$ 305	$ 288	$ 240	$ 1,387

Notes:

(1) Principal payments on long-term debt. Excludes OID and deferred fees which were prepaid.

(2) These amounts represent future interest payments based on the debt balances at December 31. Payments related to variable rate debt are based on March 6, 2009 interest rates.

(3) Capital and operating leases related to real estate, vehicles and other assets.

(4) The unconditional purchase obligations presented are