DANA HOLDING CORP
Form 10-K
February 24, 2010

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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, 2009

Commission File Number: **1-1063**

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

Delaware (State or other jurisdiction of incorporation or organization)	26-1531856 (IRS Employer Identification Number)
3939 Technology Drive, Maumee, OH (Address of principal executive offices)	43537 (Zip Code)

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

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 whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o 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 incorporate 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, 2009, was approximately $128,000,000.

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

There were 139,421,053 shares of the registrant s common stock outstanding at February 12, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held on April 28, 2010 are incorporated by reference into Part III.

DANA HOLDING CORPORATION FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

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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 (Dana) based on our current information and assumptions. Forward-looking statements are inherently subject to risks and uncertainties. Our plans, actions and actual results could differ materially from our present expectations due to a number of factors, including those discussed below and elsewhere in this report (our 2009 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 Maumee, 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, 2009, we employed approximately 24,000 people in 23 countries and operated 106 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 (Chapter 11) 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, when us in this report with respect to the period prior to Dana Corporation s emergence from Chapter 11, 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 Chapter 11 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 from March 3, 2006 (the Filing Date) until emergence from Chapter 11 on January 31, 2008 pursuant to a plan of reorganization (the Plan). 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 the Effective Date, the Plan was consummated and we emerged from Chapter 11. As provided in the Plan, we issued and set aside approximately 28 million 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 23 million of the 28 million shares for allowed claims (valued in reorganization at $540), increasing the total shares issued to 94 million (valued in reorganization at $2,168) for unsecured claims of approximately $2,249. The corresponding decrease in the disputed claims reserve leaves 5 million shares (valued in reorganization at $102). The remaining disputed and unliquidated claims total approximately $96. 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.

Capitalization at Emergence 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.

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Pursuant to the Plan, we issued 2.5 million shares of 4.0% Series A Preferred Stock, par value $0.01 per share (the Series A Preferred) and 5.4 million shares of 4.0% Series B Preferred Stock, par value $0.01 per share (the Series B Preferred) on the Effective Date. See Note 7 to our consolidated financial statements in Item 8 for dividend and conversion terms, dividend payments and an explanation of registration rights with respect to our preferred stock.

We entered into an exit financing facility (the Exit Facility) on the Effective Date. The Exit Facility consisted of a Term Facility Credit and Guaranty Agreement in the amount of $1,430 (the Term Facility) and a $650 Revolving Credit and Guaranty Agreement (the Revolving Facility). In November, 2008 we repaid $150 of the Term Facility and amended the terms of the Exit Facility. See Note 12 for an explanation of our financing activities.

Fresh start accounting As required by accounting principles generally accepted in the United States (GAAP), we adopted fresh start accounting effective February 1, 2008. 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 21 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.

Overview of our Business

Markets

We serve three primary markets:

Light vehicle market In the 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, vans and passenger cars.

Medium/heavy market In the medium/heavy vehicle market, we design, manufacture and sell axles, driveshafts, chassis and side rails, 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 of Directors review our operations in six operating segments:

Four product-based operating segments sell primarily into the light vehicle market: Light Vehicle Driveline (LVD), Sealing Products (Sealing), Thermal Products (Thermal) and Structural Products (Structures). Sales in this market totaled $3,327 in 2009, with Ford Motor Company (Ford), Toyota Motor Corporation (Toyota), Nissan Motor Company (Nissan), General Motors Corp. (GM) and Hyundai Motor Company (Hyundai) among the largest customers. At December 31, 2009, these segments employed approximately 17,000 people and had 74 major facilities in 21 countries.

Two operating segments sell into their respective medium/heavy vehicle markets: Commercial Vehicle and Off-Highway. In 2009, these segments generated sales of $1,901. In 2009, the largest Commercial Vehicle customers were PACCAR Inc (PACCAR), Navistar International Corporation (Navistar), Daimler AG (Daimler) and Oshkosh Corporation. The largest Off-Highway customers included Deere & Company (Deere), AGCO Corporation, Fiat Group and

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Sandvik Ab. At December 31, 2009, these two segments employed approximately 6,000 people and had 28 major facilities in 14 countries.

In addition to the segments, two additional major facilities provide administrative services and two engineering facilities support multiple segments. At December 31, 2009, corporate and other support staff totaled approximately 1,000.

Our operating segments manufacture and market classes of similar products as shown below. See Note 19 to our consolidated financial statements in Item 8 for financial information on all of these operating segments.

Segment	Percent of Consolidated Sales	Products	Market
LVD	39%	Front and rear axles, driveshafts, differentials, torque couplings and modular assemblies	Light vehicle
Sealing	10	Gaskets, cover modules, heat shields and engine sealing systems	Light vehicle, medium/heavy vehicle and off-highway
Thermal	4	Cooling and heat transfer products	Light vehicle, medium/heavy vehicle and off-highway
Structures	11	Frames, cradles and side rails	Light and medium/heavy vehicle
Commercial Vehicle	20	Axles, driveshafts, steering shafts, suspensions and tire management systems	Medium/heavy vehicle
Off-Highway	16	Axles, transaxles, driveshafts and end-fittings, transmissions, torque converters and electronic controls	Off-highway

Divestitures

The Board of Directors of Prior Dana approved the divestiture of our engine hard parts, fluid products and pump products operations in 2005 and we reported these businesses as discontinued operations through their respective dates of divestiture. The trailer axle business and the assets of DCC were also approved for divestiture, but did not meet the requirements for treatment as discontinued operations, and their results were included in continuing operations. Substantially all of these operations were sold prior to 2008. See Note 22 to our consolidated financial statements in Item 8 for additional information on discontinued operations.

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, received cash proceeds of $98 and recorded an after-tax loss of $45. We incurred a loss of $5 in January 2008 for 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 after tax was recorded in the fourth quarter of 2006 and an additional charge of $2 after tax was recorded in the first quarter of 2007. In August 2007, we executed an agreement relating to our remaining joint ventures with GETRAG. This agreement included the grant of a call option to GETRAG to acquire our interests in these joint ventures for $75 and our payment of GETRAG claims of $11 under certain conditions. We recorded the $11 claim in liabilities subject to compromise and as an expense in other income, net in the second quarter of 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 liability. As a result of the reduced call price, we recorded an asset impairment charge of $15 in the third quarter of 2008 in equity in earnings of affiliates. We are now recognizing the equity in earnings of GETRAG beginning with the expiration of the call in September 2009.

In July and August 2007, we completed the sale of our fluid products hose and tubing business for aggregate cash proceeds of $84 and recorded an aggregate after-tax gain of $32. We recorded an expense of $3 in 2008 associated with a post-closing purchase price adjustment and settlement costs and related expenses. In September 2007, we completed the sale of our coupled fluid products business with the buyer assuming $18 of certain liabilities of the business at closing. We recorded an after-tax loss of $23 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. 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 $2.

During the latter part of 2008 and early 2009, we evaluated a number of strategic options in our non-driveline light vehicle businesses. We incurred costs of $18 and $10 during 2009 and 2008 in connection with the evaluation of these strategic options, primarily for professional fees, which we recorded in other income, net.

Structural Products business In December 2009, we entered into an agreement with Metalsa S.A. de C.V. (Metalsa) to sell substantially all of the assets of our Structural Products business to Metalsa. Dana will retain a facility of this business in Longview, Texas and will continue to produce products for a large customer at this facility. Accordingly, we have not reported the Structures segment as discontinued operations. The parties expect to complete the sale of all but the Venezuelan operations in March 2010, with Venezuela being completed as soon as the necessary governmental approvals are obtained.

As a result of this agreement, we recorded $150 as an impairment of the intangible and long-lived assets in December 2009 and we recorded strategic transaction expenses of $11 associated with the sale in other income, net. The impairment loss was based on expected proceeds of $150 less projected working capital adjustments. Under the terms of our amended Term Facility, we will be required to utilize the proceeds of the sale to pay down our Term Facility debt. For a description of the Term Facility, see Note 12 to our consolidated financial statements in Item 8.

Geographic

We maintain administrative and operational 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 with regional market, customer and product strategies, assistance with business plan execution, and management of affiliate relations. 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	United Kingdom	Venezuela	Japan
	Hungary			South Africa
				Taiwan
				Thailand

Our non-U.S. 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 risk factors in Item 1A.

Non-U.S. sales comprised $2,826 of our 2009 consolidated sales of $5,228. Our consolidated net loss of $436 included a non-U.S. net loss of $119 in 2009. A summary of sales and long-lived assets by geographic region can be found in Note 19 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 Manufacturer (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 2009. As a percentage of total sales from continuing operations, our sales to Ford were approximately 20% in 2009, 17% in 2008 and 23% in 2007, and our sales to Toyota, our second largest customer, were approximately 6% in 2009, 7% in 2008 and 10% in 2007.

PACCAR, GM and Navistar were our third, fourth and fifth largest customers. PACCAR, GM, Navistar, Chrysler Group LLC (Chrysler), Daimler, Hyundai, Nissan and Deere, collectively accounted for approximately 29% of our revenues in 2009.

Loss of all or a substantial portion of our sales to Ford 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. However, during the past few years, we successfully implemented pricing agreements with many of our customers providing adjustments for significant increases or decreases in steel and certain other raw materials costs. Where formal agreements are not in place, we have generally been successful in the past in implementing price adjustments to compensate for inflationary material cost increases. Adjustments may not result in full recovery of cost increases and there may be time lags in recovery of these costs.

Seasonality

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

Light vehicle market The principal LVD competitors include ZF Friedrichshafen AG (ZF Group), GKN plc, American Axle & Manufacturing (American Axle), Toyota, Magna International Inc. (Magna), Wanxiang Group Corporation (Wanxiang), Unisia Steering Systems (Unisia), IFA Group (acquired Rotarian GmbH), GETRAG and the captive operations of various truck and auto manufacturers (e.g., Chrysler and Ford).

Our principal Structures competitors include Magna, Maxion Sistemas Automotivos Ltda., Metalsa, Tower Automotive Inc. and Martinrea International Inc.

Our principal Sealing competitors include ElringKlinger Ag, Federal-Mogul Corporation and Freudenberg NOK Group.

Thermal competitors include Behr GmbH & Co. KG, Modine Manufacturing Company, Valeo Group and Denso Corporation.

Medium/heavy vehicle market Our principal Commercial Vehicle competitors include ArvinMeritor, American Axle, Hendrickson (a subsidiary of the Boler Group), Klein Products Inc. and OEMs vertically integrated operations. Structures, Sealing and Thermal competitors in this market are the same as in the light vehicle market.

Off-highway market Our major competitors in the Off-Highway segment include Carraro Group, ZF Group, GKN, Kessler + Co. and certain OEMs vertically integrated operations. Sealing and Thermal competition in this market is similar to their competition in the other markets above.

Patents and Trademarks

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

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

Research and Development

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

We engage in ongoing engineering, 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, 2009, we had five major technical centers. Our engineering and research and development costs were $119 in 2009, $193 in 2008 and $189 in 2007. A substantial portion of these costs relates to existing products.

These developments continue to improve customer value. For all of our markets, this means drivelines with higher torque capacity, reduced weight and improved efficiency. End-use customers benefit by having vehicles with better fuel economy and reduced cost of ownership. We are also developing a number of sealing and thermal control products for vehicular and other applications that will assist fuel cell, battery and hybrid vehicle manufacturers in making their technologies commercially viable in mass production.

Employment

Our worldwide employment was approximately 24,000 at December 31, 2009.

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 2009.

In connection with our Chapter 11 reorganization, we settled certain pre-petition claims related to environmental matters. See Contingencies in Item 7 and the discussion of contingencies in Note 15 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 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 Conduct 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, Dana Holding Corporation, P.O. Box 1000, Maumee, Ohio 43537, or via telephone at (419) 887-5159 or e-mail at InvestorRelations@dana.com. The inclusion of our website address in this report is an inactive textual reference only and is not intended to include or incorporate by reference the information on our website into this report.

Item 1A. *Risk Factors*

We are impacted by events and conditions that affect the light vehicle, medium/heavy 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 Related to 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.

While we expect a modest economic recovery in 2010, negative economic conditions could continue to impact our business. The overall market for new vehicle sales in the United States declined significantly in 2009 and while we expect partial recovery in 2010, our customers could reduce their vehicle production in North America and, as a result, demand for our products would continue to be adversely affected.

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

Our customers and suppliers could experience severe economic constraints in the future, including bankruptcy. Adverse 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 ten largest customers accounted for 56% of our overall revenue in 2009. In the U.S., the light vehicle industry faces an uncertain future. GM and Chrysler have already required assistance through government loans and other companies in the light vehicle 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.

We operate in 23 countries around the world and we depend on significant foreign suppliers and vendors. Legislative and political activities within the countries where we conduct business, particularly in emerging markets and less developed 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. 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 other countries in which we do business.

Approximately 54% of our sales in 2009 were from operations located in countries other than the U.S. Currency variations can have an impact on our results (expressed in U.S. dollars). Currency variations can also adversely affect margins on sales of our products in countries outside of the U.S. and margins on sales of products that include components obtained from affiliates or other suppliers located outside of the U.S. While the U.S. dollar has generally weakened over the past year, strengthening of the U.S. dollar against the euro and many other currencies of countries in which we have operations could 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.

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 U.S., the Energy Independence and Security Act of 2007 requires significant increases in the Corporate Average Fuel Economy (CAFE) 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

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

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

Our amended Exit Facility contains 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 issuances of our common stock. 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 (Adjusted 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 our cost of borrowing.

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

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

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

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

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

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

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

Note 15 to our consolidated financial statements in Item 8), environmental costs related to our former and existing operations have not been

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material. However, there is no assurance that the costs of complying with current environmental laws and regulations, or those that may be adopted in the future will not increase and adversely impact us.

There is also no assurance that the costs of complying with current laws and regulations, or those that may be adopted in the future, that relate to health, safety and product liability matters will not adversely impact us. There is also a risk of warranty and product liability claims, as well as product recalls, in the commercial and automotive vehicle industry if our products fail to perform to specifications or cause property damage, injury or death. (See Note 16 of our consolidated financial statements in Item 8 for additional information on warranties.)

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

Net operating tax loss carryforwards (NOLs) approximating $1,600 were available at December 31, 2009 to reduce future U.S income tax liabilities. Our ability to utilize these NOLs may be limited as a result of certain change of control provisions of the U.S. Internal Revenue Code (IRC). We emerged from Chapter 11 with NOLs of approximately $580, which are limited to annual utilization of $85. The additional NOLs accumulated since emergence are not subject to limitation as of the end of 2009. However, there can be no assurance that trading in our shares will not effect another change in control under the IRC which would further limit our ability to utilize our available NOLs. Such limitations may cause us to pay income taxes earlier and in greater amounts than would be the case if the NOLs were not subject to limitation.

Risk Factors Related to our Securities

Volatility is possible in the market price of our common stock.

The market price of our common stock has been and may continue to be volatile. As the price of our common stock on the New York Stock Exchange constantly changes, it is impossible to predict whether the price of our common stock will rise or fall. Trading prices of our common stock will be influenced by our financial condition, operating results and prospects and by economic, financial and other factors, such as prevailing interest rates, interest rate volatility and changes in the automotive industry and competitors. In addition, general market conditions or our issuance of substantial amounts of common stock could affect the price of shares of our common stock.

Provisions in our Restated Certificate of Incorporation, Bylaws and Shareholders Agreement may discourage a takeover attempt.

Certain provisions of our Restated Certificate of Incorporation and Bylaws, as well as the General Corporation Law of the State of Delaware, may have the effect of delaying, deferring or preventing a change in control of Dana. Such provisions, including those regulating the nomination of directors, limiting who may call special stockholders meetings and eliminating stockholder action by written consent, together with the terms of our outstanding preferred stock, may make it more difficult for other persons, without the approval of our board of directors, to make a tender offer or otherwise acquire substantial amounts of common stock or to launch other takeover attempts that a stockholder might consider to be in such stockholder s best interest. In addition, our Shareholders Agreement with the current holders of our Series A Preferred Stock provides that such holders will have approval rights with respect to certain corporate transactions, including certain transactions involving a change of control of Dana. The existence of such approval rights could discourage a takeover attempt.

Holders of our Series A Preferred Stock have limited approval rights with respect to our business and may have conflicts of interest with holders of our common stock in the future.

Under the terms of our Shareholders Agreement, the current holders of our Series A Preferred Stock have limited approval rights with respect to certain corporate transactions, including an issuance of our common stock at a price below the current market price (as defined in the Shareholders

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Agreement). There can be no assurance that they will waive their rights or grant approvals in respect of future transactions that may be in the best interests of the holders of our common stock.

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 2009 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 interest and investment in our stock.

Item 1B. *Unresolved Staff Comments*

-None-

Item 2. *Properties*

Type of Facility	**North America**	**Europe**	**South America**	**Asia/ Pacific**	**Total**
Administrative Offices	2				2
Engineering Multiple Groups	1			1	2
LVD					
Manufacturing/Distribution	17	3	7	12	39
Sealing					
Manufacturing/Distribution	8	3		1	12
Engineering	2				2
Thermal					
Manufacturing/Distribution	6	2			8
Engineering	1				1
Structures					
Manufacturing/Distribution	5		4	2	11
Commercial Vehicle					
Manufacturing/Distribution	9	4	1	2	16
Engineering	1				1
Off-Highway					
Manufacturing/Distribution	3	7		2	12
Total Dana	55	19	12	20	106

As of December 31, 2009, we operated in 23 countries and had 106 major manufacturing/ distribution, engineering and office facilities worldwide. While we lease all of 38 and part of five of these 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 Chapter 11, there was significant excess capacity in our facilities based on our manufacturing and distribution needs, especially in the U.S. As part of our reorganization initiatives, we took significant steps to close facilities and we continued to evaluate capacity requirements in 2009 in light of market conditions.

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

Item 3. ***Legal Proceedings***

As discussed in Notes 20 and 21 to our consolidated financial statements in Item 8, we emerged from Chapter 11 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 Chapter 11.

As previously reported and as discussed in Note 15 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.

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 2009.

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.

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 and 2009.

High and Low Sales 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
First Quarter 2009	1.16	0.19
Second Quarter 2009	2.75	0.44
Third Quarter 2009	7.44	1.17
Fourth Quarter 2009	11.25	5.35

Holders of Common Stock The number of stockholders of record of our common stock on February 1, 2010 was approximately 5,600.

Stockholder Return The following graph shows the quarterly cumulative total stockholder return for our common stock during the period from February 1, 2008 to December 31, 2009. Five year historical data is not presented since we emerged from Chapter 11 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

Index

Date	2/1/08	3/31/08	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09
Dana Holding Corporation	$ 100.00	78.74	42.13	38.11	5.83	3.62	10.08	53.62	85.35
S&P 500	$ 100.00	94.79	91.73	83.58	64.73	57.18	65.88	75.75	79.91
Automotive Index (Dow Jones)	$ 100.00	95.13	83.58	80.69	50.83	40.54	61.09	69.46	75.84

Dividends We did not declare or pay any common stock dividends during 2008 or 2009. 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.

Issuer s Purchases of Equity Securities The following table presents information with respect to repurchases of common stock made by us during the quarter ended December 31, 2009. These shares were delivered to us by employees as payment for withholding taxes due upon the distribution or exercise of stock awards.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
10/1/09-10/31/09				
11/1/09-11/30/09	43,168	$ 5.67		
12/1/09-12/31/09	50,931	$ 9.26		

Annual Meeting We will hold an annual meeting of stockholders on April 28, 2010.

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Item 6. ***Selected Financial Data***

	Dana		Prior Dana			
	Year Ended December 31, 2009	Eleven Months Ended December 31, 2008	One Month Ended January 31, 2008	Years Ended December 31, 2007	2006	2005
Net sales	$ 5,228	$ 7,344	$ 751	$ 8,721	$ 8,504	$ 8,611
Income (loss) from continuing operations before income taxes	$ (454)	$ (549)	$ 914	$ (387)	$ (571)	$ (285)
Income (loss) from continuing operations	$ (436)	$ (667)	$ 717	$ (423)	$ (611)	$ (1,169)
Loss from discontinued operations		(4)	(6)	(118)	(121)	(434)
Effect of change in accounting						4
Net income (loss)	(436)	(671)	711	(541)	(732)	(1,599)
Less: Noncontrolling interests net income (loss)	(5)	6	2	10	7	6
Net income (loss) attributable to the parent company	$ (431)	$ (677)	$ 709	$ (551)	$ (739)	$ (1,605)
Income (loss) per share from continuing operations available to parent company stockholders						
Basic	$ (4.19)	$ (7.02)	$ 4.77	$ (2.89)	$ (4.11)	$ (7.86)
Diluted	$ (4.19)	$ (7.02)	$ 4.75	$ (2.89)	$ (4.11)	$ (7.86)
Loss per share from discontinued operations attributable to parent company stockholders						
Basic	$	$ (0.04)	$ (0.04)	$ (0.79)	$ (0.81)	$ (2.90)
Diluted	$	$ (0.04)	$ (0.04)	$ (0.79)	$ (0.81)	$ (2.90)
Net income per share from effect of change in accounting attributable to parent company stockholders						
Basic						$ 0.03
Diluted						$ 0.03
Net income (loss) per share available to parent company stockholders						
Basic	$ (4.19)	$ (7.06)	$ 4.73	$ (3.68)	$ (4.92)	$ (10.73)
Diluted	$ (4.19)	$ (7.06)	$ 4.71	$ (3.68)	$ (4.92)	$ (10.73)
Cash dividends per common share	$	$	$	$	$	$ 0.37
Common Stock Data						
Average common shares outstanding (number in millions)						
Basic	110	100	150	150	150	150

Diluted	110	100	150	150	150	151
Stock price						
High	$ 11.25	$ 13.30		$ 2.51	$ 8.05	$ 17.56
Low	0.19	0.34		0.02	0.65	5.50

Note: Information for Prior Dana is not comparable to the information shown for Dana due to our emergence from Chapter 11 on January 31, 2008.

	As of December 31,				
	Dana		Prior Dana		
	2009	2008	2007	2006	2005
Summary of Financial Position					
Total assets	$ 5,064	$ 5,607	$ 6,425	$ 6,664	$ 7,358
Short-term debt	34	70	1,183	293	2,578
Long-term debt	969	1,181	19	722	67
Liabilities subject to compromise			3,511	4,175	
Preferred stock	771	771			
Common stock, additional paid-in-capital, accumulated deficit and accumulated other comprehensive loss	908	1,257	(782)	(834)	545
Total parent company stockholders equity (deficit)	$ 1,679	$ 2,028	$ (782)	$ (834)	$ 545
Book value per share	$ 15.24	$ 20.28	$ (5.22)	$ (5.55)	$ 3.63

Note: Information for Prior Dana is not comparable to the information shown for Dana due to our emergence from Chapter 11 on January 31, 2008.

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 (Dana) 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 light vehicle, commercial vehicle, and off-highway markets. Headquartered in Maumee, Ohio, Dana was incorporated in Delaware in 2007. As of December 31, 2009, we employed approximately 24,000 people and owned or leased 106 major facilities in 23 countries around the world.

We are committed to continuing to diversify our product offerings, customer base and geographic footprint and minimizing our exposure to individual market and segment declines. In 2009, North American operations accounted for 51% of our revenue, while our operations throughout the rest of the world accounted for 49%. Light vehicle products accounted for 64% of our global revenues, with commercial vehicle and off-highway products representing 36%.

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

We continue to evaluate the strategy for each of our operating segments and to focus on driving operational improvements and restructuring our operations to improve profitability. In 2008, we began implementing the Dana

Operating System an operational excellence system patterned after the Toyota production system in our manufacturing facilities. The lean operational standards and global metrics rolled out through this system were instrumental in helping us achieve the significant cost reductions in 2009 that enabled us to largely offset the effects of substantially lower production levels. Driving our cost structure down and improving our manufacturing efficiency will be critical to our future success as lower production levels will continue to be a major challenge affecting our business.

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Our business strategies will increasingly be directed at opportunities for profitably growing the business. Over the past two years, we ve worked with our customers to address program pricing. The improvements on this front, combined with reductions to our cost structure, have improved the underlying profitability of our major customer programs. These operational improvements, along with the actions we took in 2009 to reduce debt and strengthen our cash position through an equity offering, significantly improved our financial position. As a result, we are better positioned today to pursue attractive growth opportunities in a number of our businesses, particularly outside North America. Our growth strategies include reinvigorating our product portfolio and capitalizing on technology advancement opportunities. 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. Further, we recently announced the consolidation of our Heavy Vehicle products North American engineering centers in Kalamazoo, MI and Statesville, NC with our Light Vehicle engineering center in Maumee, OH. A principal reason for this move was the opportunity to better share technologies among our businesses.

As we drive additional operational improvements, restructure the businesses and pursue growth opportunities, we intend to do so with a discipline that ensures continued improvement in profitability and maintaining a strong balance sheet.

Sale of the Structural Products Business

In keeping with the strategy of continually evaluating our businesses, we announced in December 2009 that we had signed an agreement to sell substantially all of the assets of our Structural Products business to Metalsa, S.A. de C.V., the largest vehicle frame and structures supplier in Mexico. We will retain and continue to operate our Longview, TX Structural Products operation. The parties expect to complete the sale of all but the Venezuelan operations in March 2010, with Venezuela being completed as soon as the necessary governmental approvals are obtained. Our Structural Products business had 2009 external sales of $592 and Segment EBITDA of $35.

Segments

We manage our operations globally through six operating segments. Our products in the light vehicle market primarily support light vehicle original equipment manufacturers (OEMs) with products for light trucks, sport utility vehicles, crossover utility vehicles, vans and passenger cars. The operating segments in the light vehicle markets are: LVD, Structures, Sealing and Thermal. As of January 1, 2009, the Light Axle and Driveshaft segments were combined in line with our new management structure into the LVD segment with certain operations from these former segments moving to our Commercial Vehicle and Off-Highway segments.

Two operating segments, Commercial Vehicle and Off-Highway, 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).

We revised our definition of segment earnings before interest, taxes, depreciation and amortization (Segment EBITDA) in the first quarter of 2009. See Note 19 to our consolidated financial statements in Item 8.

Trends in Our Markets

Light Vehicle Markets

Rest of the world Markets outside of North America will take on increasing importance for us as they experience greater growth. During 2009, overall global economic weakness impacted light vehicle production in these markets, just as it has in North America. Light vehicle production outside of North America of around 48 million units in

2009, was about 8% lower than 2008. Outside of North America, the production decline was most significant in Europe where production levels were down about 20% from 2008. In South America production was down around 2% and Asia Pacific down about 1%. Signs of improving market conditions were evident in the fourth quarter of 2009. In each of these three regions, fourth quarter production levels were the strongest of any quarter during 2009. For 2010, our current outlook for light vehicle markets outside North America is unit production of around 51-54 million. We expect European production in 2010 to be flat to up around 4% as compared to 2009, with the other two regions being somewhat stronger South America up in the 7-12% range and Asia Pacific 9-16% higher than 2009. (*Source: Global Insight and CSM Worldwide).*

North America Production levels in the North American markets were negatively impacted by overall economic conditions beginning in the second half of 2008 and continuing through 2009. Adding to the market challenges were bankruptcy reorganizations by two of the major North American automakers GM and Chrysler. As a consequence, North American light vehicle production of about 8.5 million units in 2009 was about 32% lower than 2008. In the light truck segment of the market where more of our programs are focused, 2009 production was down about 29%. While down significantly year-over-year, production levels increased dramatically during the second half of 2009 as GM and Chrysler both emerged from relatively short bankruptcy reorganizations and improving market and overall economic conditions led to increased vehicle sales. Second half 2009 light vehicle unit production was around 5 million units, nearly 1.5 times first half 2009 production levels. (*Source: Global Insight and CSM Worldwide).*

North American light vehicle industry inventory levels have improved from the end of 2008. The days supply of total light vehicles in North America was 53 at December 31, 2009, down from 93 at the end of 2008. Light truck inventory was 49 days at December 31, 2009, down from 86 days at December 31, 2008. With the reduction that has occurred, inventory levels at the end of 2009 are more in line with historical norms. As such, near-term production levels are likely to be driven more directly by vehicle sales. *(Source: Ward s Automotive).*

While the overall economic environment continues to be somewhat fragile, we expect the improving conditions during the second half of 2009 to carry into 2010. We expect 2010 North American light vehicle production to be around 10.4 to 10.8 million units, an increase of 22-26% over 2009. We believe the strongest increases will be in passenger car production levels. As we look at our primary pick-up and SUV light truck programs, we are forecasting production level increases in the 11-22% range.

Rapid Technology Changes

On May 19, 2009, the U.S. government announced plans for a new national fuel economy policy. The program, which still requires U.S. Congressional approval, covers model years 2012-2016 and would increase Corporate Average Fuel Economy (CAFE) standards by five percent each year through 2016. The proposal requires that passenger vehicles achieve an industry standard of 35.5 miles per gallon by 2016, an average increase of eight miles per gallon per vehicle from the 2011 requirements. While providing the regulatory certainty and predictability of nationwide standards versus previously proposed state-by-state standards, this change will require a rapid response by automakers. It also represents an opportunity for suppliers that are able to produce highly engineered products that will help OEMs quickly meet these stricter carbon-emission and fuel-economy requirements.

The National Academy of Sciences estimates that fuel economy could be increased by 50 percent without sacrificing vehicle size, performance, or safety. 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 such as Dana that are able to provide these new components and applications will fare best in this new environment. Our materials and process competencies, product enhancements and new product technologies can provide OEMs with needed vehicle weight reduction, friction management and improved engine performance, assisting them in their efforts to meet the new and more stringent CAFE requirements.

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Medium/heavy Vehicle Markets

Rest of the world Outside of North America, medium- and heavy-duty truck production has been severely impacted by the overall global economic weakness. After increasing to about 2.3 million units in 2008, commercial vehicle production levels outside North America for 2009 declined more than 30% to around 1.5 million units in 2009. Production levels in Europe, particularly, declined about 60% from the previous year. With improving economic conditions, we expect that commercial vehicle production levels outside North America will begin to rebound in 2010 mostly during the second half of the year. We currently expect production outside North America in 2010 to be around 1.6 to 1.8 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 approximately 70% of our sales in the commercial vehicle market. Production of heavy-duty (Class 8) vehicles during 2009 of approximately 116,000 units compares to 196,000 units produced in 2008, a decline of 41%. In the medium-duty (Class 5-7) market, 2009 production of around 97,000 units was down 38% from the prior year s production of 157,000 units.

The North American medium/heavy truck market is being impacted by many of the same overall economic conditions negatively impacting the light vehicle markets, as customers are being cautious about the economic outlook and, consequently, new vehicle purchases. We have begun to see signs of improving market conditions with new truck orders picking up in recent months, and we expect the strengthening market conditions to continue into 2010. We currently expect 2010 Class 8 production in North America to be around 122,000 to 145,000 units an increase of 5% to as much as 25% from 2009. On the medium duty Class 5-7 side, we expect 2010 production of about 106,000 to 129,000 units a slightly higher year-over-year increase than for Class 8 (*Source: Global Insight and ACT).*

Off-Highway Markets

Our off-highway business has become an increasingly more significant component of our total operations over the past few years. Unlike our on-highway businesses, our off-highway business is largely outside of North America, with more than 70% 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 agricultural equipment segments. After being relatively strong through the first half of 2008, customer demand in these markets began softening during the latter part of 2008. During 2009, the adverse effects of a weaker global economy significantly reduced demand levels in these markets. Demand in the construction market was down 70-75% from 2008 while demand in the agricultural market was down 35-40%. Unlike the light vehicle and commercial vehicle markets, we have not seen signs of improvement in this market, and we do not expect to see improving conditions until late 2010. We currently expect that this segment s primary construction and agriculture markets could be somewhat weaker in 2010 than 2009, or at the top end of our estimates, relatively flat year-on-year.

Sales, Earnings and Cash Flow Outlook

With the lower level of sales in 2009, we focused on aggressively right sizing our costs. We reduced the work force during 2008 by about 6,000 people and in 2009 we reduced our workforce by another 5,000 people. Additional reductions are expected in 2010 as we complete remaining restructuring actions and continue to identify opportunities to reduce our costs. Further, given the structural cost improvements that we have made, we are not expecting to bring back a large share of the salaried and indirect cost that was eliminated as sales levels improve in 2010. Partially offsetting these expected operational cost improvements will be some higher costs associated with pension benefits and restoration of certain additional compensation programs. We also completed several pricing and material recovery initiatives during the latter part of 2008 and into 2009 that benefited

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margins in these years. While certain of these actions will provide additional margin improvement in 2010, on balance we do not expect that pricing will be a significant factor in our 2010 year-over-year profitability.

During 2009, we generated free cash flow (defined as operating cash flow less bankruptcy-related claim payments and capital expenditures) of $109. Improved profitability, reduced working capital and disciplined capital expenditures all contributed to the free cash flow generated. Included in this amount is $138 that was used for right sizing and restructuring the business.

Based on the production outlook in our markets and the addition of some net new business, we currently expect our sales for 2010 to be higher by 5-10%, growing to approximately $5,500 to $5,750. In addition to the margin contribution from higher sales, as indicated above, cost reduction actions are expected to provide incremental profit improvement. Combined, we expect these factors to improve profitability by approximately $175. We expect to again generate positive free cash flow in 2010. These sales, earnings and cash flow projections are before considering the effects of the sale of substantially all of the Structural Products business. A number of factors, including the timing of the sale, the duration of transition services, and our ability to impact retained costs will have an impact on these projections.

Results of Operations Summary

	Dana		Prior Dana	
	Year Ended December 31, 2009	Eleven Months Ended December 31, 2008	One Month Ended January 31, 2008	Year Ended December 31, 2007
Net sales	$ 5,228	$ 7,344	$ 751	$ 8,721
Cost of sales(1)	4,985	7,113	702	8,231
Gross margin(1)	243	231	49	490
Selling, general and administrative expenses	313	303	34	365
Amortization of intangibles	71	66		
Restructuring charges, net	118	114	12	205
Impairment of goodwill		169		89
Impairment of intangible assets	156	14		
Other income, net	98	53	8	162
Income (loss) from continuing operations before interest, reorganization items and income taxes(1)	$ (317)	$ (382)	$ 11	$ (7)
Fresh start accounting adjustments	$	$	$ 1,009	$
Income (loss) from continuing operations(1)	$ (436)	$ (667)	$ 717	$ (423)
Loss from discontinued operations	$	$ (4)	$ (6)	$ (118)
Net income (loss) attributable to the parent company(1)	$ (431)	$ (677)	$ 709	$ (551)

(1)

In 2009, we changed our method of accounting for U.S. inventories from LIFO to FIFO and retroactively applied this inventory costing from the date of our emergence from Chapter 11. The effect of this change on the 2008 results above was a reduction of $14 in cost of sales and additional earnings of $14 in: gross margin; loss from continuing operations before interest, reorganization items and income taxes; loss from continuing operations and net loss attributable to the parent company.

As a consequence of our emergence from Chapter 11 on January 31, 2008, the results of operations for 2008 consist of the month of January pre-emergence results of Prior Dana and the eleven-month results of Dana. Fresh start accounting affects our post-emergence results, but not the pre-emergence January results. Adjustments to adopt fresh start accounting were recorded as of January 31, 2008.

Results of Operations (2009 versus 2008)

Geographic Sales, Segment Sales and Margin Analysis

The tables below show our sales by geographic region and by segment for the year ended December 31, 2009, eleven months ended December 31, 2008 and one month ended January 31, 2008. Certain reclassifications were made to conform 2008 to the 2009 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 Chapter 11 on January 31, 2008, the emergence and fresh start accounting effects had negligible impact on the comparability of sales between the periods. Accordingly, references in our analysis to 2008 sales information combine the two periods in order to enhance the comparability of such information for the annual periods.

Geographical Sales Analysis

	Dana		Prior Dana
		Eleven Months	One Month
	Year Ended December 31, 2009	Ended December 31, 2008	Ended January 31, 2008
North America	$ 2,659	$ 3,523	$ 396
Europe	1,190	2,169	224
South America	798	966	67
Asia Pacific	581	686	64
Total	$ 5,228	$ 7,344	$ 751

Sales in 2009 were $2,867 lower than sales for the combined periods in 2008, a reduction of 35%. Currency movements reduced sales by $190 as a number of currencies in international markets weakened against the U.S. dollar. Exclusive of currency, sales decreased $2,677 or 33%, primarily due to lower production levels in each of our markets. Partially offsetting the effects of lower production was improved pricing.

North American sales for 2009, adjusted for currency, declined approximately 32% due largely to the lower production levels in both the light vehicle and commercial vehicle markets. Light truck production was down about 29% compared to 2008 and medium/heavy truck production was down about 40%. The impact of lower vehicle production levels was partially offset by the impact of higher pricing.

Weaker international currencies decreased 2009 sales by $83 in Europe. Adjusted for currency effects, European sales were 47% lower than 2008. Light vehicle production levels were down about 20% while commercial vehicle sector production was about 60% lower. Our European region has a significant presence in off-highway vehicle markets which also experienced significant year-over-year production declines.

Weaker international currencies reduced 2009 sales by $62 in South America and $22 in Asia Pacific. Exclusive of currency effects, sales were down 17% and 20% in these regions, due largely to reduced production levels.

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Segment Sales Analysis

	Dana		Prior Dana
	Year Ended December 31, 2009	Eleven Months Ended December 31, 2008	One Month Ended January 31, 2008
LVD	$ 2,021	$ 2,603	$ 281
Sealing	535	641	64
Thermal	179	231	28
Structures	592	786	90
Commercial Vehicle	1,051	1,442	130
Off-Highway	850	1,637	157
Other Operations		4	1
Total	$ 5,228	$ 7,344	$ 751

Our LVD, Sealing, Thermal and Structures segments principally serve the light vehicle markets. Exclusive of currency effects, sales in 2009 declined 28% in LVD, 27% in Thermal and 30% in Structures as compared to the combined periods in 2008, all principally due to lower production levels. The sales decline in Sealing, exclusive of currency effects, was somewhat lower at 22%, in part due to this business having a larger proportionate share of sales to the aftermarket. Improved pricing in our LVD and Structures segments helped offset some of the reduction attributed to lower production.

Our Commercial Vehicle segment is heavily concentrated in the North American market where Class 8 commercial truck production was down about 41% and Class 5-7 commercial truck production was down about 38%. The sales decline in Commercial Vehicle, exclusive of currency effects, was 31% as the volume reduction associated with lower production levels was partially offset by higher pricing under material cost recovery arrangements.

With its significant European presence, our Off-Highway segment was negatively impacted by weaker international currencies. Excluding this effect, sales were down 50% compared to 2008 as demand levels in construction markets were down 70-75% and in agriculture markets down 35-40%. Increased pricing provided a partial offset.

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Margin Analysis

The chart below shows our segment margin analysis for the year ended December 31, 2009, eleven months ended December 31, 2008 and one month ended January 31, 2008.

	As a Percentage of Sales		
	Dana		Prior Dana
	Year Ended December 31, 2009	Eleven Months Ended December 31, 2008	One Month Ended January 31, 2008
Gross margin:			
LVD	3.1%	1.0%	4.1%
Sealing	7.7	10.0	14.1
Thermal	3.6	0.7	9.6
Structures	(2.0)	1.6	1.2
Commercial Vehicle	9.1	5.7	7.3
Off-Highway	6.4	7.9	10.9
Consolidated	4.7%	3.1%	6.5%
Selling, general and administrative expenses:			
LVD	4.5%	3.2%	4.1%
Sealing	11.2	9.2	9.1
Thermal	8.9	7.4	4.7
Structures	3.2	2.6	2.6
Commercial Vehicle	6.4	4.2	5.3
Off-Highway	4.9	3.4	3.1
Consolidated	6.0%	4.1%	4.5%

Gross margin Consolidated gross margin for the year ended December 31, 2009 was $37 lower than the gross margin for the combined eleven months ended December 31, 2008 and the month of January in 2008. Significantly lower sales levels negatively impacted 2009 margins by more than $500 as compared to 2008, with improved pricing of approximately $200 along with reductions in material, conversion and warranty costs offsetting a substantial portion of the volume related reduction. Year-over-year consolidated gross margins were favorably impacted by reduced costs from the 2008 application of fresh start accounting at emergence from bankruptcy which resulted in a step-up in inventory values. This in turn increased cost of sales by $49 as the inventory was sold in the first half of 2008.

Margin in our LVD segment increased $26 from 2008 as pricing improvement of approximately $100 and margin improvement from cost reductions and other items (primarily conversion cost, material and warranty) more than offset the margin decline of about $150 attributed to lower sales volume. Lower sales-related margin declines drove the gross margin reduction of $33 in our Sealing business, however, margin improved as a percent of sales as cost reduction actions more than offset the effect of lower sales volume. Gross margin in our Thermal segment improved over 2008 as cost reduction efforts, lower warranty expense and other benefits more than offset the reduced sales impact. Our Structures business margin was down $26 from 2008. Lower sales volume resulted in reduced margin of approximately $65. Year-over-year margin was also negatively impacted by a pension settlement gain of $8 in 2008. Pricing improvements of approximately $38 combined with cost reductions provided some offset to these other factors.

In our Commercial Vehicle segment, margins improved as a percent of sales as margin reduction of approximately $75 resulting from lower sales volume was substantially offset by improved pricing and cost reductions. Our Off-Highway segment experienced a gross margin reduction of $93. Lower sales reduced margins by about $150 while pricing improvement of $25 and cost reductions provided a partial offset.

Selling, general and administrative expenses With the significant decline in sales, consolidated SG&A and the SG&A of each operating segment increased as a percent of sales. However, for 2009, SG&A was $24 lower than the combined periods in 2008, primarily as a result of the cost reduction actions taken during the last half of 2008 and the first part of 2009 in response to reduced sales levels. The fourth quarter of 2009 includes an expense of $13 for additional compensation to certain employees. No additional compensation expense was accrued for 2008.

Amortization of intangibles Amortization of customer relationship intangibles resulted from the application of fresh start accounting at the date of emergence from Chapter 11; consequently, there is no expense in the one-month period ended January 31, 2008.

Restructuring charges and impairments Restructuring charges are primarily costs associated with the workforce reduction actions and facility closures. Restructuring expense of $118 for 2009 represents a decrease from expense of $126 for the combined periods of 2008. Expense in both periods is primarily due to separation costs incurred in connection with workforce reductions.

In connection with the planned divestiture of substantially all of the assets of our Structural Products business, we recorded an impairment charge of $150 in the fourth quarter of 2009 against the definite-lived intangibles and long-lived assets of this segment. Charges for impairment of goodwill and indefinite-lived intangibles of $6 in 2009 and $183 in 2008 were recorded in connection with the new valuations triggered by revised economic outlooks. These charges are recorded as impairment of goodwill and impairment of long-lived assets.

Other income, net Other income of $98 for the year ended December 31, 2009 was $37 higher than the corresponding periods of 2008. We recognized a net gain on extinguishment of debt of $35 in 2009 whereas repayment of debt in 2008 resulted in a net loss on $10. Contract cancellation income in connection with the early termination of a customer program added $17 over 2008. Net currency transaction gains were $18 favorable to 2008 and interest income was lower by $28.

Interest expense Interest expense includes the costs associated with the Exit Facility and other debt agreements which are described in Note 12 to our consolidated financial statements in Item 8. Interest expense in 2009 includes $14 of amortized OID recorded in connection with the Exit Facility, $13 of amortized debt issuance costs and $6 for debt issuance costs resulting from extinguishment of debt. Also included is $8 of other non-cash interest expense associated primarily with the accretion of certain liabilities that were recorded at discounted values in connection with the adoption of fresh start accounting upon emergence from Chapter 11. For the eleven months ended December 31, 2008, interest expense includes $16 of amortized OID and $8 of amortized debt issuance costs. Non-cash interest expense relating to the accretion of certain liabilities in the eleven months ended December 31, 2008 was $8. In the month of January 2008, a substantial portion of our debt obligations was reported as liabilities subject to compromise. The interest expense not recognized on these obligations during the month of January 2008 was $9.

Reorganization items Reorganization items were directly attributable to our Chapter 11 reorganization process. See Note 20 to our consolidated financial statements in Item 8 for a summary of these costs. During the Chapter 11 process, there were ongoing advisory fees of professionals representing Dana and the other Chapter 11 constituents. 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 related to emergence from Chapter 11. Reorganization items in 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. During the second quarter of 2009, we reduced our vacation benefit liability by $5 to correct the amount accrued in 2008 as union agreements arising

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from our reorganization activities were being ratified. We recorded $3 as a reorganization item benefit consistent with the original expense recognition.

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 recognition of deferred tax assets. Consequently, there is no income tax benefit recognized on the pre-tax losses of these jurisdictions as valuation allowance adjustments offset the associated tax benefit or expense.

During 2009, we recorded a tax benefit of $22 to reduce liabilities previously accrued for expected repatriation of earnings from our non-U.S. subsidiaries. In the U.S., our projections of other comprehensive income (OCI) for 2009 caused us to record tax expense in OCI and recognize a U.S. tax benefit of $18 in continuing operations during the nine months ended September 30, 2009. Based on our final OCI at December 31, 2009, this amount was reversed in the fourth quarter of 2009. For 2009, the reduction in the liability associated with repatriation of non-U.S. subsidiary earnings and valuation allowance impacts are the primary factors which cause the tax benefit of $27 for the year ended December 31, 2009 to differ from an expected tax benefit of $159 at the U.S. federal statutory rate of 35%. For 2008, the valuation allowances, the fresh start adjustments and the impairment of goodwill are the primary factors which caused the tax expense of $107 for the eleven months ended December 31, 2008 and $199 for the month of January 2008 to differ from an expected tax benefit of $192 and tax expense of $320 at the U.S. federal statutory rate of 35%.

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 Chapter 11 on January 31, 2008, the 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	966	67	914
Asia Pacific	686	64	760
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 medium/heavy 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, $60 in South America and $11 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 $59 after excluding currency effects.

Segment Sales Analysis

	Dana	Prior Dana	
	Eleven Months Ended December 31, 2008	One Month Ended January 31, 2008	Year Ended December 31, 2007
LVD	$ 2,603	$ 281	$ 3,476
Sealing	641	64	728
Thermal	231	28	293
Structures	786	90	1,069
Commercial Vehicle	1,442	130	1,531
Off-Highway	1,637	157	1,609
Other Operations	4	1	15
Total	$ 7,344	$ 751	$ 8,721

LVD sales declined 17% due principally to lower light truck production levels in North America and Europe, with increased pricing and favorable currency effects providing a partial offset. Sales in the Sealing segment declined 3%. The Sealing business also supports the medium/heavy 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. Despite the drop in North American production levels discussed in the regional review above, sales in this segment increased 3% as stronger markets outside North America, pricing improvements and favorable currency effects more than 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 $105, Off-Highway sales increased 5% due to stronger production levels during the first half of 2008, sales from new programs and increased pricing.

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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:			
LVD	1.0%	4.1%	3.1%
Sealing	10.0	14.1	12.7
Thermal	0.7	9.6	7.9
Structures	1.6	1.2	5.0
Commercial Vehicle	5.7	7.3	7.3
Off-Highway	7.9	10.9	11.1
Consolidated	3.1%	6.5%	5.6%
Selling, general and administrative expenses:			
LVD	3.2%	4.1%	2.8%
Sealing	9.2	9.1	8.1
Thermal	7.4	4.7	6.2
Structures	2.6	2.6	2.0
Commercial Vehicle	4.2	5.3	3.0
Off-Highway	3.4	3.1	3.0
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 was 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. Higher steel costs reduced margin by approximately $140. Gross margins during the eleven-month period ended December 31, 2008 were also reduced by about $73 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.

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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. The fresh start step-up amortization of $49 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. The higher depreciation and amortization reduced margin for the eleven months ended December 31, 2008 by approximately $24.

In the LVD segment, reduced sales volume led to margin reduction of approximately $131, while higher steel costs resulted in lower margin of about $62. Partially offsetting these effects were customer pricing improvement and labor cost reductions which contributed approximately $128 to 2008 margin and other cost reductions and operational improvements.

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. Mitigating the effects of lower sales were improved pricing and labor savings which improved margin by about $20 and lower depreciation and amortization expense related to fresh start accounting which increased margin by $17.

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 $13 and $38. Offsetting some of the reduction due to these factors was additional pricing of approximately $34. In the Off-Highway segment, the gross margin decline was primarily due to higher material costs of about $34, increased warranty expense of $10 and increased depreciation and amortization expense of $8. The margin reduction from these and other factors was partially offset by improved pricing of $28.

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. prior to February 1, 2008 and full absorption inventory costing globally. Prior to February 1, 2008, corporate and other margin includes an adjustment to record the U.S. inventory on a LIFO basis. 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 generally 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 the fresh start step-up of our global inventories.

Selling, general and administrative expenses 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.

Restructuring charges and impairments Restructuring 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 3 to our consolidated financial statements in Item 8. Restructuring 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 6 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. Dana Credit Corporation (a former financing business of Dana) had asset sales and divestitures that 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 of $150 of our term debt in 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 Facility and other debt agreements which are described in detail in Note 12 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 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 Chapter 11. 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 20 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 Chapter 11. 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.

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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 $192, 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 22 to our consolidated financial statements in Item 8 for additional information relating to the discontinued operations.

Liquidity

Common stock offering and debt reduction In September 2009, we completed a common stock offering of 34 million shares at a price per share of $6.75, generating net proceeds of $217. The provisions of our Term Facility required that a minimum of 50% of the net proceeds of the equity offering be used to repay outstanding principal of our term loan. As a result of previous debt repurchases, approximately 10% of the outstanding principal amount of the term loan is held by a wholly-owned non-U.S. subsidiary of Dana. Accordingly, $11 of the $109 term loan repayment made to the lenders was received by this wholly-owned non-U.S. subsidiary and $98 was used to repay outstanding principal of our term loan held by third parties.

The September 2009 equity offering provided the underwriters with an over-allotment option to purchase an additional 5 million shares. The purchase of these additional shares was completed in October 2009, generating additional net proceeds of $33. Of these proceeds, $15 was used to repay third party debt principal.

Additional debt reduction occurred in the second and third quarters of 2009 when the combination of Dana repayments and purchases of debt by a wholly-owned non-U.S. subsidiary of Dana reduced our outstanding principal under our Term Facility by $129 (net of OID of $9) with a cash outlay of $86.

Covenants At December 31, 2009, we were in compliance with our debt covenants under the amended Term Facility with a Leverage Ratio of 3.09 compared to a maximum of 3.80 and an Interest Coverage Ratio of 4.64 compared to a minimum of 2.80. Based on our current forecast assumptions, which include cost reduction actions, and other initiatives, we expect to be able to maintain compliance for the next twelve months and we believe that our overall liquidity and operating cash flow will be sufficient to meet our anticipated cash requirements for capital expenditures, working capital, debt obligations and other commitments during this period. However, there is uncertainty in the current environment and it is possible that the factors affecting our business could result in our not being able to comply with the financial covenants in our debt agreements or to maintain sufficient liquidity.

Based on our financial covenants, we had additional borrowing capacity of $232 at December 31, 2009. The borrowing available from our credit facilities was $224 based on the borrowing base collateral of those lines.

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Global liquidity Our global liquidity at December 31, 2009 was as follows:

Cash and cash equivalents	$	947
Less: Deposits supporting obligations		(43)
Available cash		904
Additional cash availability from lines of credit in the U.S. and Europe		224
Total global liquidity	$	1,128

As of December 31, 2009, the consolidated cash balance totaled $947, with $524 of this amount located in the U.S. Approximately $43 of our cash balance is in cash deposits that support certain of our obligations, primarily workers compensation. In addition, $91 is held by less than wholly-owned subsidiaries where our access may be restricted. Our ability to efficiently access other cash balances in certain subsidiaries and foreign jurisdictions is subject to local regulatory, statutory or other requirements. Our current credit ratings are B and B3 from Standard and Poor s and Moody s.

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. Our future ability to borrow the full amount of availability under our revolving credit facilities could be effectively limited by our financial covenants.

At December 31, 2009, there were no borrowings under our European trade receivable securitization program and $63 of availability based on the borrowing base. At December 31, 2009, we had no borrowings under the Revolving Facility but we had utilized $183 for letters of credit. Based on our borrowing base collateral, we had availability at that date under the Revolving Facility of $161 after deducting the outstanding letters of credit.

Cash Flow

	Year Ended December 31, 2009	Eleven Months Ended December 31, 2008	One Month Ended January 31, 2008	Year Ended December 31, 2007
Cash used in reorganization activity	$ (2)	$ (882)	$ (74)	$ (148)
Cash provided by (used for) changes in working capital	94	18	(61)	83
Other cash provided by (used in) operations	116	(33)	13	13
Total cash provided by (used in) operating activities	208	(897)	(122)	(52)
Cash provided by (used in) investing activities	(98)	(221)	77	348
Cash provided by (used in) financing activities	32	(207)	912	166
Increase (decrease) in cash and cash equivalents	$ 142	$ (1,325)	$ 867	$ 462

Operating activities The table above summarizes our consolidated statement of cash flows. Exclusive of working capital and reorganization-related activity, other cash provided from operations was $116 during 2009, as compared to a use of $20 for the combined periods of 2008 and cash generation of $13 in 2007. An increased level of operating earnings was the primary factor for the higher level of cash provided in 2009 as compared to the prior periods. As our operational improvements continued, our workforce reduction and other restructuring activities consumed cash of $138 during 2009, an increase of $5 over the combined periods of 2008 and $81 more than was used for such activities in 2007.

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Working capital provided cash of $94 in 2009, whereas cash of $43 was used in 2008. In 2007, working capital provided cash of $83. The combination of focused operational initiatives and lower sales levels combined to generate cash of $299 in 2009 from reductions in inventory. During 2008 and 2007, cash of $34 and $5 was used to finance increased inventory. Bringing inventories in line with current requirements caused accounts payable to decrease, using cash of $184 in 2009. Lower sales levels during the latter part of 2008 led to a reduction in accounts payable cash use of $210, while in 2007 cash of $110 was provided from increased accounts payable. Reductions to receivables generated cash of $107 in 2009, $434 in 2008 again driven heavily by lower sales during the latter part of 2008, and $23 in 2007.

During 2008, cash was used to satisfy various obligations associated with our emergence from Chapter 11. 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. Payments of reorganization expenses totaled $46 and Chapter 11 emergence-related claim payments totaled $100 during the eleven months ended December 31, 2008.

Investing activities Expenditures for property, plant and equipment in 2009 of $99 are down from $250 for the combined periods of 2008 and $254 for 2007 as capital expenditures were closely managed and prioritized throughout the past year. DCC cash of $93 that was restricted during Chapter 11 by a forbearance agreement with DCC noteholders was released in January 2008 as payments were made to the noteholders. In 2007, divestitures of our engine hard parts, fluid products and trailer axle businesses, the sale of our investment in GETRAG, proceeds from DCC asset sales and other divestment related actions provided cash of $609.

Financing activities In September and October of 2009, we completed a common stock offering for 39 million shares at a price per share of $6.75, generating net proceeds of $250. Additional borrowing sources outside the U.S. were accessed to raise $26 of long-term debt, while cash of $214 was used in 2009 to reduce long-term debt and $36 was used to reduce short term borrowings. In 2008, cash was provided by financing activities as proceeds from our Exit Facility and the issuance of preferred stock at emergence exceeded the cash used for the repayment of other debt. During 2007, we borrowed additional amounts under our bankruptcy reorganization credit facility of $200 and utilized other short-term financing sources to raise cash of $98. Our DCC operation repaid $132 of their outstanding debt in 2007 with proceeds from their asset sales.

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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 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, 2009

		Payments Due by Period			
Contractual Cash Obligations	**Total**	**Less than 1 Year**	**2 - 3 Years**	**4 - 5 Years**	**After 5 Years**
Long-term debt (1)	$ 1,042	$ 17	$ 46	$ 786	$ 193
Interest payments (2)	217	49	92	75	1
Leases (3)	372	50	74	74	174
Unconditional purchase obligations (4)	116	104	5	7	
Pension contribution (5)	13	13			
Retiree healthcare benefits (6)	81	7	16	16	42
Uncertain income tax positions (7)					
Total contractual cash obligations	$ 1,841	$ 240	$ 233	$ 958	$ 410

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 December 31, 2009 interest rates.

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

(4) The unconditional purchase obligations presented are comprised principally of commitments for procurement of fixed assets and the purchase of raw materials.

(5) These amounts represent estimated 2010 contributions to our global defined benefit pension plans. We have not estimated pension contributions (other than the U.S.) beyond 2010 due to the significant impact that return on plan assets and changes in discount rates might have on such amounts. Our U.S. estimate for 2011 is a contribution of $75 which is not included in the table above.

(6) This amount represents estimated obligations under our non-U.S. retiree healthcare programs. Obligations under the retiree healthcare programs are not fixed commitments and will vary depending on various factors, including the level of participant utilization and inflation. Our estimates of the payments to be made in the future consider recent payment trends and certain of our actuarial assumptions.

(7) There are no expected payments in 2010 related to the uncertain tax positions as of December 31, 2009. We are not able to reasonably estimate the timing of the FIN 48 liability in individual years beyond 2010 due to uncertainties in the timing of the effective settlement of tax positions. As disclosed in Note 17 of the consolidated financial statements in Item 8, we expect to make a payment of approximately $75 during the first half of 2010 in

connection with finalizing the settlement of U.S. income tax audits from 1999 through 2005.

Dividend obligations of approximately $8 per quarter are accrued while all shares of our preferred stock are outstanding. The payment of preferred dividends was suspended in November 2008 under the terms of our amended Exit Facility. We are permitted under the terms of our amended Exit Facility to resume a dividend when our total leverage ratio as of the most recently completed fiscal quarter is less than or equal to 3.25:1.00. At December 31, 2009 our ratio was 3.09:1.00. Payment of the

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dividends accrued but not paid at December 31, 2009 of $42 is at the discretion of the Board of Directors.

At December 31, 2009, we maintained cash balances of $43 on deposit with financial institutions to support surety bonds, letters of credit and bank guarantees and to provide credit enhancements for certain lease agreements. These surety bonds enable us to self-insure our workers compensation obligations. We accrue the estimated liability for workers compensation claims, including incurred but not reported claims. Accordingly, no significant impact on our financial condition would result if the surety bonds were called.

We have agreed, subject to certain conditions, to increase our equity interest in Dongfeng Dana Axle Co., Ltd. from 4% to 50%. Under the agreement, our additional interest is based on a valuation of the business which would result in an additional investment of $54 to $77. The actual investment could vary significantly from this range in the event that the parties mutually agree that the operating results and prospects of the venture at the expected closing date of June 30, 2010 support a higher valuation of the business.

Contingencies

For a summary of litigation and other contingencies, see Note 15 to our consolidated financial statements in Item 8. We do not believe that any liabilities that may result from these contingencies are reasonably likely to have a material adverse effect on our liquidity or financial condition.

Critical Accounting Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Considerable judgment is often involved in making these determinations. Critical estimates are those that require the most difficult, subjective or complex judgments in the preparation of the financial statements and the accompanying notes. We evaluate these estimates and judgments on a regular basis. We believe our assumptions and estimates are reasonable and appropriate. However, the use of different assumptions could result in significantly different results and actual results could differ from those estimates. The following discussion of accounting estimates is intended to supplement the Summary of Significant Accounting Policies presented as Note 1 to our consolidated financial statements in Item 8.

Income taxes Accounting for income taxes is complex, in part, because we conduct business globally and therefore file income tax returns in numerous tax jurisdictions. Significant judgment is required in determining the income tax provision, uncertain tax positions, deferred tax assets and liabilities and the valuation allowance recorded against our net deferred tax assets. In assessing the recoverability of deferred tax assets, we consider whether it is more likely than not that some or a portion of the deferred tax assets will not be realized. A valuation allowance is provided when, in our judgment, based upon available information; it is more likely than not that a portion of such deferred tax assets will not be realized. To make this assessment, we consider the historical and projected future taxable income or loss in different tax jurisdictions and we review our tax planning strategies. We have recorded valuation allowances against deferred tax assets in the U.S. and other foreign jurisdictions where realization has been determined to be uncertain. Since future financial results may differ from previous estimates, periodic adjustments to our valuation allowance may be necessary.

In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is less than certain. We are regularly under audit by the various applicable tax authorities. Although the outcome of tax audits is always uncertain, we believe that we have appropriate support for the positions taken on our tax returns and that our annual tax provisions include amounts sufficient to pay assessments, if any, which may be proposed by the taxing

authorities. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. See additional discussion of our deferred tax assets and liabilities in Note 17 to our consolidated financial statements in Item 8.

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

The inflation assumption is based on an evaluation of external market indicators. Retirement, turnover and mortality rates are based primarily on actual plan experience. Health care cost trend rates are developed based on our actual historical claims experience, the near-term outlook and an assessment of likely long-term trends. For our largest plans, discount rates are based upon the construction of a theoretical bond portfolio, adjusted according to the timing of expected cash flows for the future obligations. A yield curve is developed based on a subset of these high-quality fixed-income investments (those with yields between the 40th and 90th percentiles). The projected cash flows are matched to this yield curve and a present value developed which is then calibrated to develop a single equivalent discount rate. Pension benefits are funded through deposits with trustees that satisfy, at a minimum, the applicable funding regulations. For our largest defined benefit pension plans, expected investment rates of return are based upon input from the plan s investment advisors and actuary regarding our expected investment portfolio mix, historical rates of return on those assets, projected future asset class returns, the impact of active management and long-term market conditions and inflation expectations. We believe that the long-term asset allocation on average will approximate the targeted allocation and we regularly review the actual asset allocation to periodically rebalance the investments to the targeted allocation when appropriate. OPEB benefits are funded as they become due.

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

In 2009 we experienced significant differences between the expected and actual return on plan assets. The most significant of our funded plans exist in the U.S. and Canada. Our U.S. and Canadian pension plans were heavily invested in government securities at the end of 2008. These securities were in great demand at that time due to the global financial crisis. As the global crisis began to ease in 2009, investors started to sell these securities as their appetite for risk and higher yields began to increase. This shift in demand resulted in a declining market value for these securities. A decrease in the fair value of plan assets will increase next year s pension cost because of the lower expected return on plan assets. Our financial position is also sensitive to changes in the high quality bond yield rates used to determine an appropriate discount rate. Over the later part of 2009 and into 2010, the credit markets have stabilized resulting in a general decline in the yields on high quality corporate bonds of all maturities. A decrease in the discount rate increases the benefit obligation.

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As a result, at the end of 2009, we have significant unrecognized net losses in accumulated other comprehensive income, principally in the U.S. The amortization of these unrecognized losses is resulting in increased domestic net periodic pension cost. Our normal net periodic pension cost will change from a benefit of $7 in 2009 (before any curtailment impacts) to a charge of $22 in 2010. No cash contributions are required in 2010. However, we estimate a contribution approximating $75 to our U.S. plans will be required in 2011.

A change in the pension discount rate of 25 basis points would result in a change in our pension obligations of approximately $45 and a change in pension expense of approximately $2. A 25 basis point change in the rate of return would change pension expense by approximately $3.

Restructuring actions involving facility closures and employee downsizing and divestitures frequently give rise to adjustments to employee benefit plan obligations, including the recognition of curtailment or settlement gains and losses. Upon the occurrence of these events, the obligations of the employee benefit plans affected by the action are also re-measured based on updated assumptions as of the re-measurement date. See additional discussion of our pension and OPEB obligations in Note 10 to our consolidated financial statements in Item 8.

Long-lived asset impairment We perform periodic impairment analyses on our long-lived amortizable assets whenever events and circumstances indicate that the carrying amount of such assets may not be recoverable. When indications are present, we compare the estimated future undiscounted net cash flows of the operations to which the assets relate to their carrying amount. If the operations are determined to be unable to recover the carrying amount of their assets, the long-lived assets are written down to their estimated fair value. Fair value is determined based on discounted cash flows, third party appraisals or other methods that provide appropriate estimates of value. A considerable amount of management judgment and assumptions are required in performing the impairment tests, principally in determining whether an adverse event or circumstance has triggered the need for an impairment review of the fair value of the operations. In Structures we have impaired the long-lived assets based on the expected proceeds from the sale of substantially all of the assets of this segment. In all of our other segments, a 50% reduction in either the projected cash flows or the peer multiples would not result in impairment of long-lived assets including the definite lived intangible assets. While we believe our judgments and assumptions were reasonable, changes in assumptions underlying these estimates could result in a material impact to our consolidated financial statements in any given period.

Goodwill and indefinite-lived intangible assets We test goodwill and other indefinite-lived intangible assets for impairment as of October 31 of each year for all of our reporting units, or more frequently if events occur or circumstances change that would warrant such a review. We make significant assumptions and estimates about the extent and timing of future cash flows, growth rates and discount rates. The cash flows are estimated over a significant future period of time, which makes those estimates and assumptions subject to a high degree of uncertainty. We also utilize market valuation models which require us to make certain assumptions and estimates regarding the applicability of those models to our assets and businesses. We believe that the assumptions and estimates used to determine the estimated fair value of our Off-Highway reporting unit and our intangible assets were reasonable. In addition, a 65% reduction in either the projected cash flows or the peer multiples in the Off-Highway segment would not result in additional impairment in this segment. However, different assumptions could materially affect the results. As described in Note 6 to our consolidated financial statements in Item 8, we recorded goodwill impairment of $169 in 2008 related to our Driveshaft business segment.

Indefinite-lived intangible asset valuations are generally based on revenue streams. We impaired indefinite-lived intangible assets by $35 in 2009 and $14 in the eleven months ended December 31, 2008. Additional reductions in forecasted revenue could result in additional impairment.

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

Contingency reserves We have numerous other loss exposures, such as environmental claims, product liability and litigation. Establishing loss reserves for these matters requires the use of estimates and judgment in regards to risk exposure and ultimate liability. We estimate losses under the programs using consistent and appropriate methods; however, changes to our assumptions could materially affect our recorded liabilities for loss.

Fresh start accounting As required by GAAP, in connection with emergence from Chapter 11, we adopted fresh start accounting effective February 1, 2008. Accordingly, the reorganization value represents the fair value of the entity before considering liabilities and approximates the amount a willing buyer would pay for the assets of Dana immediately after restructuring. The reorganization value is allocated to the respective fair value of assets. The excess reorganization value over the fair value of identified tangible and intangible assets is recorded as goodwill. Liabilities, other than deferred taxes, are stated at present values of amounts expected to be paid.

Fair values of assets and liabilities represent our best estimates based on our appraisals and valuations. Where the foregoing were not available, industry data and trends or references to relevant market rates and transactions were used. These estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond our reasonable control. Moreover, the market value of our common stock may differ materially from the fresh start equity valuation.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

We are exposed to various types of market risks including the effects of fluctuations in foreign currency exchange rates, adverse movements in commodity prices for products we use in our manufacturing and adverse changes in interest rates. To reduce our exposure to these risks, we maintain risk management controls to monitor these risks and take appropriate actions to attempt to mitigate such forms of market risks.

Foreign currency exchange rate risks We have global operations and thus make investments and enter into transactions denominated in various foreign currencies. Our operating results are impacted by buying, selling and financing in currencies other than the functional currency of our operating companies. Wherever possible, we mitigate the impact by focusing on natural hedging techniques which include the following: (i) structuring foreign subsidiary balance sheets with appropriate levels of debt to reduce subsidiary net investments and subsidiary cash flow subject to conversion risk; (ii) avoidance of risk by denominating contracts in the appropriate functional currency and (iii) managing cash flows on a net basis (both in timing and currency) to minimize the exposure to foreign currency exchange rates.

After considering natural hedging techniques, some portions of remaining exposure, especially for anticipated inter-company and third party commercial transaction exposure in the short term, may be hedged using financial derivatives, such as foreign currency exchange rate forwards. Some of our foreign entities were party to foreign currency contracts for anticipated transactions in U.S. dollars, British pounds, Swedish krona, euros, South African rand, Indian rupees and Australian dollars at the end of 2009.

In addition to the transactional exposure discussed above, our operating results are impacted by the translation of our foreign operating income into U.S. dollars (translation exposure). We do not enter into foreign exchange contracts to mitigate translation exposure.

Risk from adverse movements in commodity prices We purchase certain raw materials, including steel and other metals, which are subject to price volatility caused by fluctuations in supply and

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demand as well as other factors. To mitigate the impact of higher commodity prices we have consolidated our supply base and negotiated fixed price supply contracts with many of our commodity suppliers. In addition, we continue to negotiate with our customers to provide for the sharing of increased raw material costs. No assurances can be given that the magnitude and duration of increased commodity costs will not have a material impact on our future operating results. We had no derivatives in place at December 31, 2009 to hedge commodity price movements.

Interest rate risk Our interest rate risk relates primarily to our floating rate exposure on borrowing under the amended Exit Facility. Under the terms of the Exit Facility we were required to enter into interest rate hedge agreements and to maintain agreements covering a notional amount of not less than 50% of the aggregate loans outstanding under the Term Facility until January 2011. We have hedged interest on $702 of the $1,003 outstanding at December 31, 2009 with an interest rate cap on the London Interbank Borrowing Rate (LIBOR) portion of the interest rate.

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Item 8. ***Financial Statements and Supplementary Data***

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Dana Holding Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Dana Holding Corporation (Dana) and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for the year ended December 31, 2009 and the period from February 1, 2008 through December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(3) for the year ended December 31, 2009 and the period from February 1, 2008 through December 31, 2008 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it reports noncontrolling interests in consolidated subsidiaries in 2009. As discussed in Note 4 to the consolidated financial statements, the Company changed the manner in which it accounts for inventory in 2009.

As discussed in Note 21 to the consolidated financial statements, the Company filed a petition on March 3, 2006 with the U.S. Bankruptcy Court for the Southern District of New York for reorganization under the provisions of Chapter 11 of the Bankruptcy Code. The Company s Third Amended Joint Plan of Reorganization of Debtors and Debtors in Possession (as modified, the Plan) was confirmed on December 26, 2007. Confirmation of the Plan resulted in the discharge of certain claims against the Company that arose before March 3, 2006 and substantially alters rights and interests of equity security holders as provided for in the Plan. The Plan was substantially consummated on January 31, 2008 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting on January 31, 2008.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal

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control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Toledo, Ohio
February 24, 2010

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Dana Holding Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Dana Corporation (Prior Dana) and its subsidiaries at December 31, 2007, and the results of their operations and their cash flows for the period from January 1, 2008 through January 31, 2008 and for the year ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(3) for the year ended December 31, 2007 and the period from January 1, 2008 through January 31, 2008 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. The Company s management is responsible for these financial statements and financial statement schedule. Our responsibility is to express opinions on these financial statements and on the financial statement schedule based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 17 to the consolidated financial statement, the Company changed the manner in which it accounts for uncertain tax positions in 2007.

As discussed in Note 21 to the consolidated financial statements, the Company filed a petition on March 3, 2006 with the U.S. Bankruptcy Court for the Southern District of New York for reorganization under the provisions of Chapter 11 of the Bankruptcy Code. The Company s Third Amended Joint Plan of Reorganization of Debtors and Debtors in Possession (as modified, the Plan) was confirmed on December 26, 2007. Confirmation of the Plan resulted in the discharge of certain claims against the Company that arose before March 3, 2006 and substantially alters rights and interests of equity security holders as provided for in the Plan. The Plan was substantially consummated on January 31, 2008 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting.

/s/ PricewaterhouseCoopers LLP
Toledo, Ohio
March 16, 2009

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Dana Holding Corporation
Consolidated Statement of Operations
(In millions except per share amounts)

	Dana		Prior Dana	
	Year Ended December 31, 2009	Eleven Months Ended December 31, 2008	One Month Ended January 31, 2008	Year Ended December 31, 2007
Net sales	$ 5,228	$ 7,344	$ 751	$ 8,721
Costs and expenses				
Cost of sales	4,985	7,113	702	8,231
Selling, general and administrative expenses	313	303	34	365
Amortization of intangibles	71	66		
Restructuring charges, net	118	114	12	205
Impairment of goodwill		169		89
Impairment of long-lived assets	156	14		
Other income, net	98	53	8	162
Income (loss) from continuing operations before interest, reorganization items and income taxes	(317)	(382)	11	(7)
Interest expense	139	142	8	105
Reorganization items	(2)	25	98	275
Fresh start accounting adjustments			1,009	
Income (loss) from continuing operations before income taxes	(454)	(549)	914	(387)
Income tax benefit (expense)	27	(107)	(199)	(62)
Equity in earnings of affiliates	(9)	(11)	2	26
Income (loss) from continuing operations	(436)	(667)	717	(423)
Loss from discontinued operations		(4)	(6)	(118)
Net income (loss)	(436)	(671)	711	(541)
Less: Noncontrolling interests net income (loss)	(5)	6	2	10
Net income (loss) attributable to the parent company	(431)	(677)	709	(551)
Preferred stock dividend requirements	32	29		
Net income (loss) available to common stockholders	$ (463)	$ (706)	$ 709	$ (551)
Income (loss) per share from continuing operations available to parent company				

stockholders:								
Basic	$	(4.19)	$	(7.02)	$	4.77	$	(2.89)
Diluted	$	(4.19)	$	(7.02)	$	4.75	$	(2.89)
Loss per share from discontinued operations attributable to parent company stockholders:								
Basic	$		$	(0.04)	$	(0.04)	$	(0.79)
Diluted	$		$	(0.04)	$	(0.04)	$	(0.79)
Net income (loss) per share available to parent company stockholders:								
Basic	$	(4.19)	$	(7.06)	$	4.73	$	(3.68)
Diluted	$	(4.19)	$	(7.06)	$	4.71	$	(3.68)
Average common shares outstanding								
Basic		110		100		150		150
Diluted		110		100		150		150

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

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Dana Holding Corporation
Consolidated Balance Sheet
(In millions)

	December 31, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 947	$ 777
Accounts receivable		
Trade, less allowance for doubtful accounts of $18 in 2009 and $23 in 2008	728	764
Other	141	164
Inventories	608	869
Other current assets	59	52
Current assets held for sale	99	121
Total current assets	2,582	2,747
Goodwill	111	108
Intangibles	438	515
Investments and other assets	233	200
Investments in affiliates	112	119
Property, plant and equipment, net	1,484	1,636
Non-current assets held for sale	104	282
Total assets	$ 5,064	$ 5,607
Liabilities and equity		
Current liabilities		
Notes payable, including current portion of long-term debt	$ 34	$ 70
Accounts payable	601	759
Accrued payroll and employee benefits	103	112
Accrued restructuring costs	29	65
Taxes on income	40	93
Other accrued liabilities	270	258
Current liabilities held for sale	79	89
Total current liabilities	1,156	1,446
Long-term debt	969	1,181
Deferred employee benefits and other non-current liabilities	1,160	845
Commitments and contingencies (Note 15)		
Total liabilities	3,285	3,472
Parent company stockholders equity		
Preferred stock, 50,000,000 shares authorized		
Series A, $0.01 par value, 2,500,000 issued and outstanding	242	242
Series B, $0.01 par value, 5,400,000 issued and outstanding	529	529
Common stock, $0.01 par value, 450,000,000 authorized, 139,414,149 issued and outstanding	1	1

Additional paid-in capital	2,580	2,321
Accumulated deficit	(1,169)	(706)
Accumulated other comprehensive loss	(504)	(359)
Total parent company stockholders equity	1,679	2,028
Noncontrolling interests	100	107
Total equity	1,779	2,135
Total liabilities and equity	$ 5,064	$ 5,607

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

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

	Dana		Prior Dana	
	Year Ended December 31, 2009	Eleven Months Ended December 31, 2008	One Month Ended January 31, 2008	Year Ended December 31, 2007
Net income (loss)	$ (436)	$ (671)	$ 711	$ (541)
Depreciation	311	269	23	279
Amortization of intangibles	86	81		
Amortization of inventory valuation		49		
Amortization of deferred financing charges and original issue discount	34	27		
Impairment of goodwill, intangibles, investments and other assets	156	183		131
Deferred income taxes	(20)	22	191	(29)
(Gain) loss on extinguishment of debt	(35)	10		
Non-cash portion of U.K. pension charge				60
Unremitted earnings of affiliates, net of dividends received	11	21	(4)	(26)
Reorganization:				
Reorganization items net of cash payments	(4)	(24)	79	154
Payment of claims		(100)		
Payments to VEBAs		(733)	(55)	(27)
Gain on settlement of liabilities subject to compromise			(27)	
Fresh start adjustments			(1,009)	
Pension contributions in excess of expense	(5)	(36)	(2)	
OPEB payments made in excess of expense	(1)		(2)	(71)
Loss on sale of assets	9	6	7	
Change in accounts receivable	107	512	(78)	(23)
Change in inventories	299	(6)		