

DANA HOLDING CORP  
Form 10-Q  
April 27, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549  
Form 10-Q

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

For the quarterly period ended: March 31, 2011  
Commission File Number: 1-1063

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

Delaware  
(State of incorporation)

26-1531856  
(IRS Employer Identification Number)

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

43537  
(Zip Code)

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

(Do not check if a smaller reporting company) Smaller reporting company

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed

by a court. Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

There were 146,261,570 shares of the registrant's common stock outstanding at April 15, 2011.

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DANA HOLDING CORPORATION – FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2011

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## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

|   | Three Months Ended<br>March 31, |           |
|---|---------------------------------|-----------|
|   | 2011                            | 2010      |
| Net sales   | \$ 1,800                        | \$ 1,508  |
| Costs and expenses  |                                 |           |
| Cost of sales   | 1,585                           | 1,368     |
| Selling, general and administrative expenses                        | 99                              | 102       |
| Amortization of intangibles   | 17                              | 15        |
| Restructuring charges, net  | 30                              | 19        |
| Other expense, net  | 48                              | 13        |
| Income (loss) before interest and income taxes                      | 21                              | (9 )      |
| Interest expense  | 19                              | 26        |
| Income (loss) before income taxes                                   | 2                               | (35 )     |
| Income tax benefit (expense)  | (31 )                           | 3         |
| Equity in earnings of affiliates                                    | 4                               | 2         |
| Net loss  | (25 )                           | (30 )     |
| Less: Noncontrolling interests net income                           | 5                               | 1         |
| Net loss attributable to the parent company                         | (30 )                           | (31 )     |
| Preferred stock dividend requirements                               | 8                               | 8         |
| Net loss available to common stockholders                           | \$(38 )                         | \$(39 )   |
| Net loss per share available to parent company common stockholders: |                                 |           |
| Basic   | \$(0.26 )                       | \$(0.28 ) |
| Diluted   | \$(0.26 )                       | \$(0.28 ) |
| Weighted-average common shares outstanding                          |                                 |           |
| Basic   | 145                             | 140       |
| Diluted   | 145                             | 140       |

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

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

|  | March 31,<br>2011 | December 31,<br>2010 |
|--|-------------------|----------------------|
| <b>Assets</b>  |                   |                      |
| Current assets   |                   |                      |
| Cash and cash equivalents  | \$837             | \$ 1,134             |
| Accounts receivable  |                   |                      |
| Trade, less allowance for doubtful accounts of \$11 in 2011 and 2010                                   | 1,074             | 816                  |
| Other  | 169               | 184                  |
| Inventories  |                   |                      |
| Raw materials  | 348               | 327                  |
| Work in process and finished goods   | 416               | 381                  |
| Other current assets   | 113               | 91                   |
| Total current assets   | 2,957             | 2,933                |
| Goodwill   | 110               | 104                  |
| Intangibles  | 468               | 352                  |
| Investments and other assets   | 259               | 238                  |
| Investments in affiliates  | 127               | 121                  |
| Property, plant and equipment, net   | 1,377             | 1,351                |
| Total assets   | \$5,298           | \$ 5,099             |
| <b>Liabilities and equity</b>  |                   |                      |
| Current liabilities  |                   |                      |
| Notes payable, including current portion of long-term debt   | \$49              | \$ 167               |
| Accounts payable   | 985               | 779                  |
| Accrued payroll and employee benefits  | 140               | 144                  |
| Accrued restructuring costs  | 41                | 28                   |
| Taxes on income  | 50                | 38                   |
| Other accrued liabilities  | 252               | 251                  |
| Total current liabilities  | 1,517             | 1,407                |
| Long-term debt   | 834               | 780                  |
| Pension and postretirement obligations   | 751               | 740                  |
| Other noncurrent liabilities   | 384               | 388                  |
| Total liabilities  | 3,486             | 3,315                |
| Commitments and contingencies (Note 14)  |                   |                      |
| Parent company stockholders' equity  |                   |                      |
| Preferred stock, 50,000,000 shares authorized  |                   |                      |
| Series A, \$0.01 par value, 2,500,000 shares outstanding   | 242               | 242                  |
| Series B, \$0.01 par value, 5,221,199 and 5,311,298 shares outstanding                                 | 511               | 520                  |
| Common stock, \$0.01 par value, 450,000,000 shares authorized, 146,182,124 and 144,126,032 outstanding | 1                 | 1                    |
| Additional paid-in capital   | 2,630             | 2,613                |
| Accumulated deficit  | (1,229 )          | (1,191 )             |
| Treasury stock, at cost, 458,053 and 379,631 shares  | (6 )              | (4 )                 |
| Accumulated other comprehensive loss   | (439 )            | (496 )               |
| Total parent company stockholders' equity  | 1,710             | 1,685                |

|                              |         |          |
|------------------------------|---------|----------|
| Noncontrolling equity        | 102     | 99       |
| Total equity                 | 1,812   | 1,784    |
| Total liabilities and equity | \$5,298 | \$ 5,099 |

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

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

|  | Three Months Ended<br>March 31, |         |
|--|---------------------------------|---------|
|  | 2011                            | 2010    |
| <b>Cash flows – operating activities</b>                               |                                 |         |
| Net loss   | \$(25 )                         | \$(30 ) |
| Depreciation   | 55                              | 62      |
| Amortization of intangibles  | 21                              | 19      |
| Amortization of deferred financing charges and original issue discount | 3                               | 8       |
| Loss on sale of business   |                                 | 5       |
| Loss on extinguishment of debt   | 53                              | 4       |
| Deferred income taxes  | 5                               | (11 )   |
| Pension expense in excess of contributions                             | 4                               | 5       |
| Change in working capital  | (120 )                          | (21 )   |
| Other, net   | 2                               | 4       |
| Net cash flows provided by (used in) operating activities              | (2 )                            | 45      |
| <b>Cash flows – investing activities</b>                               |                                 |         |
| Purchases of property, plant and equipment                             | (33 )                           | (11 )   |
| Acquisition of business  | (150 )                          |         |
| Proceeds from sale of businesses                                       | 15                              | 113     |
| Other  | (9 )                            | 1       |
| Net cash flows provided by (used in) investing activities              | (177 )                          | 103     |
| <b>Cash flows – financing activities</b>                               |                                 |         |
| Net change in short-term debt  | 13                              | 9       |
| Proceeds from long-term debt   | 753                             | 1       |
| Repayment of long-term debt  | (870 )                          | (78 )   |
| Deferred financing payments  | (25 )                           |         |
| Dividends paid to noncontrolling interests                             | (2 )                            | (1 )    |
| Other  | 5                               | (1 )    |
| Net cash flows used in financing activities                            | (126 )                          | (70 )   |
| Net increase (decrease) in cash and cash equivalents                   | (305 )                          | 78      |
| Cash and cash equivalents – beginning of period                        | 1,134                           | 947     |
| Effect of exchange rate changes on cash balances                       | 8                               | 1       |
| Cash and cash equivalents – end of period                              | \$837                           | \$1,026 |

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

Dana Holding Corporation  
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Financial Statements

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

Note 1. Organization and Summary of Significant Accounting Policies

General

Dana Holding Corporation (Dana) is headquartered in Maumee, Ohio and was incorporated in Delaware in 2007. As a leading supplier of driveline products (axles, driveshafts and transmissions), power technologies (sealing and thermal management products) and genuine service parts for light and heavy vehicle manufacturers, our customer base includes virtually every major vehicle manufacturer in the global light vehicle, medium/heavy vehicle and off-highway markets.

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

Summary of Significant Accounting Policies

Basis of presentation — Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. These statements are unaudited, but in the opinion of management include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods. The results reported in these consolidated financial statements should not necessarily be taken as indicative of results that may be expected for the entire year. The financial information included herein should be read in conjunction with the consolidated financial statements in Item 8 of our 2010 Form 10-K.

Segments — The reporting of our operating segment results was reorganized in the first quarter of 2011 in line with changes in our management structure. Certain operations in South America were moved from the Light Vehicle Driveline (LVD) segment to the Commercial Vehicle segment as the activities of these operations have become more closely aligned with the commercial vehicle market. The results of these segments have been retroactively adjusted to conform to the current reporting structure. See Note 18 for segment results.

Note 2. Acquisitions and Divestitures

SIFCO — In February 2011, we entered into an agreement with SIFCO S.A. (SIFCO), a leading producer of steer axles and forged components in South America. In return for payment of \$150 to SIFCO, we acquired the distribution rights to SIFCO's commercial vehicle steer axle systems as well as an exclusive long-term supply agreement for key driveline components. Additionally, SIFCO will provide selected assets and assistance to Dana to establish assembly capabilities for these systems. We are now responsible for all customer relationships, including marketing, sales, engineering and assembly. The addition of truck and bus steer axles to our product offering in South America effectively positions us as South America's leading full-line supplier of commercial vehicle drivelines — including front and rear axles, driveshafts and suspension systems. At current production levels, this agreement is expected to generate annual sales of approximately \$350.

This agreement is being accounted for as a business combination. We engaged a third party business valuation appraiser to assist management in the valuation of the assets acquired. The valuation of the specific assets acquired has not been completed. We expect the aggregate fair value of the assets acquired to approximate the \$150 paid to SIFCO with approximately \$125 allocated to amortizable intangible assets and \$25 allocated to fixed assets. Amortizable intangible assets are expected to include the exclusive supply agreement, customer relationships

and other intangibles. We expect the lives of these assets to approximate 15 years.

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Operating results attributable to our agreement with SIFCO are reported in our Commercial Vehicle segment. We have included revenue of \$64 and pre-tax income of \$4 in our results of operations since February 1, 2011. Supplemental pro forma information for periods prior to the acquisition has not been provided for the SIFCO agreement. Based on the nature, scope and transitional provisions of the agreement with SIFCO, the preparation of supplemental pro forma information is not practicable.

**Dongfeng Dana Axle** — In June 2007, we purchased 4% of the registered capital of Dongfeng Dana Axle Co., Ltd. (DDAC), a commercial vehicle axle manufacturer in China formerly known as Dongfeng Axle Co., Ltd., from Dongfeng Motor Co., Ltd. and certain of its affiliates for \$5. In February 2011, we signed a definitive agreement to increase our equity investment in DDAC to 50%. We will make a payment approximating \$120 at closing following approval of the agreement by the Chinese government, which is expected in the second quarter of 2011.

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

**Axles India** — In March 2011, we entered into agreements to acquire the axle drive head and final assembly business of our Axles India Limited equity affiliate for \$13. We expect to complete the transaction during the second quarter of 2011. This business is expected to contribute approximately \$50 to our annual sales.

**Divestiture of Structural Products business** — We sold substantially all of our Structural Products business in 2010. Approximately \$30 of the proceeds remained as a receivable at the end of 2010 including \$15 related to an earn-out provision, \$8 held in escrow and \$5 of deferred proceeds. In the first quarter of 2011, we received the earn-out payment of \$15. We expect payment of all but \$1 of the remaining \$15 before the fourth quarter of 2011.

### Note 3. Restructuring of Operations

We continue to focus on rationalizing our operating footprint — consolidating facilities, positioning operations in lower cost locations and reducing overhead costs. Restructuring expense includes costs associated with current and previously announced actions including various workforce reduction programs, manufacturing footprint optimization actions and other restructuring activities across our global businesses. In connection with our restructuring activities, we classify incremental depreciation as restructuring expense when a planned closure triggers accelerated depreciation. This amount is included in accelerated depreciation/impairment in the table below.

During 2010, we continued to execute strategic business restructuring and headcount reduction initiatives across our businesses. In the first quarter of 2010, we announced our plans to consolidate our Heavy Vehicle operations and close the Kalamazoo, Michigan and Statesville, North Carolina facilities. Certain costs associated with this consolidation had been accrued in 2009. We also announced the planned closure of the Yennora, Australia facility in our LVD business and the associated transfer of certain production activity to other global operations. Including costs associated with previously announced initiatives, we expensed \$19 for restructuring actions during the first quarter of 2010, including \$10 of severance and related benefit costs, \$6 of exit costs and \$3 of accelerated depreciation/impairment costs.



During the first quarter of 2011, we reached an agreement with the lessor to settle our LVD facility lease in Yennora, Australia. Under the terms of the agreement, we have recognized \$20 of lease termination costs during the first quarter. Additionally, during the first quarter of 2011, we announced the closure of our LVD manufacturing facility in Marion, Indiana and the consolidation of the associated manufacturing activity in other North American facilities. Including costs of these actions and of previously announced initiatives, we expensed \$30 during the first quarter of 2011, including \$1 of severance and related benefit costs, \$28 of exit costs and \$1 of accelerated depreciation/ impairment cost.

Restructuring charges and related payments and adjustments –

|                              | Employee<br>Termination<br>Benefits | Accelerated<br>Depreciation/<br>Impairment | Exit<br>Costs | Total |
|------------------------------|-------------------------------------|--|---------------|-------|
| Balance at December 31, 2010 | \$ 24                               | \$ -                                       | \$ 4          | \$ 28 |
| Activity during the period:  |                                     |  |               |       |
| Charges to restructuring     | 3                                   | 1  | 28            | 32    |
| Adjustments of accruals      | (2 )                                |  |               | (2 )  |
| Non-cash write-off           |                                     | (1 )                                       |               | (1 )  |
| Cash payments                | (7 )                                |  | (9 )          | (16 ) |
| Currency impact              |                                     |  |               |       |
| Balance at March 31, 2011    | \$ 18                               | \$ -                                       | \$ 23         | \$ 41 |

At March 31, 2011, \$41 of restructuring accruals remained in accrued liabilities, including \$18 for the reduction of approximately 400 employees to be completed over the next two years and \$23 for lease terminations and other exit costs. The estimated cash expenditures related to these liabilities are projected to approximate \$36 in 2011 and \$5 thereafter.

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

|                    | Expense Recognized |       | Total<br>to Date | Future<br>Cost to<br>Complete |
|--------------------|--------------------|-------|------------------|-------------------------------|
|                    | Prior to<br>2011   | 2011  |                  |                               |
| LVD                | \$ 46              | \$ 27 | \$ 73            | \$ 20                         |
| Power Technologies | 14                 |       | 14               | 3                             |
| Commercial Vehicle | 42                 | 3     | 45               | 15                            |
| Off-Highway        | 6                  |       | 6                | 2                             |
| Structures         |                    |       |                  | 5                             |
| Total              | \$ 108             | \$ 30 | \$ 138           | \$ 45                         |

The remaining cost to complete includes estimated contractual and noncontractual separation payments, lease continuation costs, equipment transfers and other costs which are required to be recognized as closures are finalized or as incurred during the closure.

#### Note 4. Goodwill and Other Intangible Assets

Changes in goodwill — Our goodwill balance of \$110 at March 31, 2011 is related to the Off-Highway segment. The euro-denominated asset increased by \$6 during the first quarter of 2011 as a result of foreign currency translation. In the first quarter of 2010, the weakening of the euro caused the goodwill balance to decrease by \$6.



## Components of other intangible assets —

|  | Weighted<br>Average<br>Useful<br>Life<br>(years) | Gross<br>Carrying<br>Amount | March 31, 2011<br>Accumulated<br>Impairment<br>and<br>Amortization | Net<br>Carrying<br>Amount | Gross<br>Carrying<br>Amount | December 31, 2010<br>Accumulated<br>Impairment<br>and<br>Amortization | Net<br>Carrying<br>Amount |
|--|--|-----------------------------|--|---------------------------|-----------------------------|---|---------------------------|
| <b>Amortizable intangible assets</b>     |  |                             |  |                           |                             |   |                           |
| Core technology                          | 7  | \$ 96                       | \$ (48 )   | \$ 48                     | \$ 94                       | \$ (43 )  | \$ 51                     |
| Trademarks and trade names               | 17   | 4                           | (1 )   | 3                         | 4                           | (1 )  | 3                         |
| Customer relationships                   | 8  | 423                         | (199 )   | 224                       | 412                         | (179 )  | 233                       |
| Other intangibles                        | 15   | 129                         | (1 )   | 128                       |                             |   |                           |
| <b>Non-amortizable intangible assets</b> |  |                             |  |                           |                             |   |                           |
| Trademarks and trade names               |  | 65                          |  | 65                        | 65                          |   | 65                        |
|  |  | \$ 717                      | \$ (249 )  | \$ 468                    | \$ 575                      | \$ (223 )   | \$ 352                    |

Other intangibles represent the preliminary valuation of intangible assets related to our agreement with SIFCO. The net carrying amounts of intangible assets, other than goodwill, attributable to each of our operating segments at March 31, 2011 were as follows: LVD — \$18, Power Technologies — \$44, Commercial Vehicle — \$273 and Off-Highway — \$133.

## Amortization expense related to the amortizable intangible assets —

|  | Three Months Ended<br>March 31, |       |
|--|---------------------------------|-------|
|  | 2011                            | 2010  |
| Charged to cost of sales               | \$ 4                            | \$ 4  |
| Charged to amortization of intangibles | 17                              | 15    |
| Total amortization                     | \$ 21                           | \$ 19 |

Estimated aggregate pre-tax amortization expense related to intangible assets for each of the next five years based on March 31, 2011 exchange rates are:

|                      | Remainder<br>of 2011 | 2012  | 2013  | 2014  | 2015  |
|----------------------|----------------------|-------|-------|-------|-------|
| Amortization expense | \$ 53                | \$ 71 | \$ 71 | \$ 68 | \$ 39 |

Actual amounts may differ from these estimates due to such factors as currency translation, customer turnover, impairments, additional intangible asset acquisitions and other events.

## Note 5. Capital Stock

Series A and Series B preferred stock — Dividends on our 4.0% Series A Convertible Preferred Stock and 4.0% Series B Convertible Preferred Stock (preferred stock) have been accrued from the issue date and are payable in cash as approved by the Board of Directors. Preferred dividends accrued at March 31, 2011 were \$15. A dividend payment

of \$8 was made in April 2011 for the quarter ended December 31, 2010.

During the first quarter of 2011, holders of 90,099 shares of Series B Preferred Stock elected to convert those preferred shares into 760,945 shares of common stock. The common stock issued included shares to satisfy the accrued dividends owed to the converting preferred stock holders. Based on the market price of Dana common stock on the date of conversion, the total fair value of the conversions was \$14.



## Note 6. Earnings per Share

The weighted-average number of shares used in the diluted earnings per share calculations is equal to the weighted-average number of shares used to compute basic earnings per share.

| (In millions)   | Three Months Ended |       |
|---|--------------------|-------|
|   | March 31,          |       |
|   | 2011               | 2010  |
| Weighted-average number of shares outstanding - basic and diluted | 145.2              | 139.5 |

Basic loss per share is calculated by dividing the net loss available to parent company stockholders, less preferred stock dividend requirements, by the weighted-average number of common shares outstanding. The outstanding common shares computation excludes any shares held in treasury.

The share count for diluted loss per share is computed on the basis of the weighted-average number of common shares outstanding plus the effects of dilutive common stock equivalents (CSEs) outstanding during the period. We excluded 0.6 million and 2.0 million CSEs from the calculations of diluted earnings per share for the quarters ended March 31, 2011 and 2010 as the effect of including them would have been anti-dilutive. In addition, we excluded CSEs that satisfied the definition of potentially dilutive shares of 4.1 million and 5.8 million for these same periods due to the dilutive effect of the loss for these periods.

We excluded 64.9 million and 66.2 million CSEs related to the assumed conversion of the preferred stock for the quarters ended March 31, 2011 and 2010. Conversion of the preferred stock is not included in the share count for diluted earnings per share for 2011 and 2010 as the effect of including them would be anti-dilutive.

## Note 7. Stock Compensation

Our Board of Directors approved the grant of stock options, stock appreciation rights (SARs) and restricted stock units (RSUs) shown in the table below during the first quarter of 2011 under the 2008 Omnibus Incentive Plan.

|               | Granted    | Weighted-average | Grant    |
|---------------|------------|------------------|----------|
|               | (millions) | Share            | Date     |
|               |            | Exercise         | Fair     |
|               |            | Price            | Value    |
| Stock Options | 0.5        | \$ 17.79         | \$ 9.99  |
| SARs          | 0.1        | \$ 17.80         | \$ 10.00 |
| RSUs          | 0.5        |                  | \$ 17.85 |

Stock options and SARs related to 1.2 million shares were exercised and less than 0.1 million shares were forfeited in the first quarter of 2011. We received \$6 of cash from the exercise of stock options and we paid \$1 of cash to settle SARs and performance shares during the first quarter of 2011. We also issued 0.2 million shares related to performance shares upon achievement of our 2010 performance goals.

We estimated fair values for options and SARs granted during 2011 using the following key assumptions as part of the Black-Scholes option pricing model. The expected term was estimated using the simplified method because the limited period of time our common stock has been publicly traded provides insufficient historical exercise data. The expected volatility was estimated using a combination of the historical volatility of similar entities and the implied volatility of our exchange-traded options. The dividend yield is assumed to be zero since there are no current plans to pay common stock dividends.

|                          | Options |   | SARs  |   |
|--------------------------|---------|---|-------|---|
| Expected term (in years) | 6.00    |   | 6.00  |   |
| Risk-free interest rate  | 2.67    | % | 2.67  | % |
| Expected volatility      | 58.20   | % | 58.20 | % |

We recognized stock compensation expense of \$3 during the first quarter of both 2011 and 2010. At March 31, 2011, the total unrecognized compensation cost related to the non-vested portions of all stock based awards granted and expected to vest over the next 0.3 to 3.0 years was \$24. This cost is expected to be recognized over a weighted-average period of 1.1 years.

#### Note 8. Pension and Postretirement Benefit Plans

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

Components of net periodic benefit costs —

| Three Months Ended March 31,                                 | Pension |          |       |          | OPEB - Non-U.S. |      |
|--|---------|----------|-------|----------|-----------------|------|
|  | 2011    |          | 2010  |          | 2011            | 2010 |
|  | U.S.    | Non-U.S. | U.S.  | Non-U.S. |                 |      |
| Interest cost  | \$ 24   | \$ 4     | \$ 26 | \$ 4     | \$ 2            | \$ 2 |
| Expected return on plan assets                               | (26 )   | (1 )     | (24 ) | (1 )     |                 |      |
| Service cost   |         | 1        |       | 1        |                 |      |
| Amortization of net actuarial loss                           | 5       |          | 3     |          |                 |      |
| Net periodic benefit cost                                    | 3       | 4        | 5     | 4        | 2               | 2    |
| Curtailement gain  |         |          |       |          |                 | (1 ) |
| Settlement loss  |         | 1        |       |          |                 |      |
| Net periodic benefit cost after curtailments and settlements | \$ 3    | \$ 5     | \$ 5  | \$ 4     | \$ 2            | \$ 1 |

## Note 9. Comprehensive Income (Loss)

The following table presents changes in consolidated equity attributable to parent and noncontrolling interests:

|   | Three Months Ended                |   |                         |                                   |   |                         |
|---|-----------------------------------|---|-------------------------|-----------------------------------|---|-------------------------|
|   | Attributable<br>to Parent<br>2011 | March 31, 2011<br>Attributable<br>to Non-<br>controlling<br>Interests<br>2011 | Total<br>Equity<br>2011 | Attributable<br>to Parent<br>2010 | March 31, 2010<br>Attributable<br>to Non-<br>controlling<br>Interests<br>2010 | Total<br>Equity<br>2010 |
| Balance, December 31  | \$ 1,685                          | \$ 99   | \$ 1,784                | \$ 1,679                          | \$ 100  | \$ 1,779                |
| Net income (loss)   | (30 )                             | 5   | (25 )                   | (31 )                             | 1   | (30 )                   |
| Currency translation adjustments  | 51                                |   | 51                      | (28 )                             | 1   | (27 )                   |
| Defined benefit plans   | 6                                 |   | 6                       | 2                                 |   | 2                       |
| Reclassification to net loss of<br>divestiture's cumulative<br>translation adjustment |                                   |   |                         | 10                                |   | 10                      |
| Unrealized investment losses<br>and other   |                                   |   |                         | (4 )                              |   | (4 )                    |
| Other comprehensive income<br>(loss)  | 57                                |   | 57                      | (20 )                             | 1   | (19 )                   |
| Total comprehensive income<br>(loss)  | 27                                | 5   | 32                      | (51 )                             | 2   | (49 )                   |
| Other changes in equity:  |                                   |   |                         |                                   |   |                         |
| Preferred stock dividends   | (8 )                              |   | (8 )                    | (8 )                              |   | (8 )                    |
| Stock compensation  | 6                                 |   | 6                       | 2                                 |   | 2                       |
| Dividends paid  |                                   | (2 )  | (2 )                    |                                   | (1 )  | (1 )                    |
| Ending Balance, March 31  | \$ 1,710                          | \$ 102  | \$ 1,812                | \$ 1,622                          | \$ 101  | \$ 1,723                |

The noncontrolling interests net income reported for the three months ended March 31, 2011 includes a \$3 charge to correct the amounts reported in 2010. This amount is not material to the current period or to the prior periods to which it relates.

## Note 10. Cash Deposits

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

|   | U.S.  | Non-U.S. | Total |
|---|-------|----------|-------|
| Cash and cash equivalents   | \$293 | \$424    | \$717 |
| Cash and cash equivalents held as deposits                            | 2     | 38       | 40    |
| Cash and cash equivalents held at less-than-wholly-owned subsidiaries | 2     | 78       | 80    |
| Balance at March 31, 2011   | \$297 | \$540    | \$837 |

A portion of the non-U.S. cash and cash equivalents is utilized for working capital and other operating purposes. Several countries have local regulatory requirements that significantly restrict the ability of our operations

to repatriate this cash. Beyond these restrictions, there are practical limitations on repatriation of cash from certain countries because of the resulting tax withholdings.

## Note 11. Financing Agreements

Senior notes — In January 2011, we completed the sale of \$400 in senior unsecured notes at 6.50%, due February 15, 2019 (the 2019 Notes) and \$350 in senior unsecured notes at 6.75%, due February 15, 2021 (the 2021 Notes) (collectively, the Senior Notes). Interest on the notes is payable on February 15 and August 15 of each year beginning on August 15, 2011. Net proceeds of the offerings totaled approximately \$733, net of the underwriting commission of \$15 and fees of \$2. The underwriting commission and debt issue costs were recorded as deferred costs and will be amortized to interest expense over the life of the Senior Notes. The net proceeds, plus current cash and cash equivalents of \$127 (net of amounts paid to a Dana subsidiary), were used to repay all amounts outstanding under our existing Term Facility. In connection with the sale of the Senior Notes, we wrote off \$51 of previously deferred financing costs and original issue discount (OID) to loss on extinguishment of debt.

At any time on or after February 15, 2015, we may redeem some or all of the Senior Notes at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest to the redemption date if redeemed during the 12-month period commencing on February 15 of the years set forth below:

| Year                | Redemption Price |            |
|---------------------|------------------|------------|
|                     | 2019 Notes       | 2021 Notes |
| 2015                | 103.250%         |            |
| 2016                | 101.625%         | 103.375%   |
| 2017                | 100.000%         | 102.250%   |
| 2018                | 100.000%         | 101.125%   |
| 2019 and thereafter | 100.000%         | 100.000%   |

Prior to February 15, 2015 for the 2019 Notes and prior to February 15, 2016 for the 2021 Notes, during any 12-month period, we may at our option redeem up to 10% of the aggregate principal amount of the notes at a redemption price equal to 103% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date. Prior to these dates, we may also redeem some or all of the notes at a redemption price equal to 100% of the aggregate principal amount, plus accrued and unpaid interest, if any, to the redemption date plus a "make-whole" premium. At any time prior to February 15, 2014 for the 2019 Notes and February 15, 2015 for the 2021 Notes, we may redeem up to 35% of the aggregate principal amount of the notes in an amount not to exceed the amount of proceeds of one or more equity offerings, at a price equal to 106.5% (2019 Notes) and 106.75% (2021 Notes) of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the original aggregate principal amount of the notes issued remains outstanding after the redemption.

Revolving facility — In order to complete the refinancing of our term debt in January 2011, we entered into a second amendment (the Amendment) to our Revolving Credit and Guaranty Agreement (the Revolving Facility). The Amendment permitted, among other things, repayment in full of all amounts outstanding under our then existing term debt using the net proceeds from the issuance of the Senior Notes and our current cash and cash equivalents. Following the issuance of the Senior Notes, we received commitments from new and existing lenders for a \$500 amended and extended revolving credit facility (the New Revolving Facility). The New Revolving Facility extends the maturity of the revolving facility to five years from the date of execution in February 2011 and reduces the aggregate principal amount of the facility from \$650 to \$500. In connection with the amended revolving facility, we paid fees of \$6 which were recorded in the first quarter of 2011 as deferred costs and we wrote off \$2 of previously deferred financing costs to loss on extinguishment of debt.

The New Revolving Facility is guaranteed by all of our domestic subsidiaries except for Dana Credit Corporation and Dana Companies, LLC and their respective subsidiaries (the guarantors) and grants a first priority lien on Dana's and the guarantors' accounts receivable and inventory and a second priority lien on substantially all of Dana's and the guarantors' remaining assets, including a pledge of 65% of the stock of our material foreign subsidiaries.

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

| Remaining Borrowing Availability                   | Base Rate | LIBOR Rate |
|--|-----------|------------|
| Greater than \$350                                 | 1.50%     | 2.50%      |
| Greater than \$150 but less than or equal to \$350 | 1.75%     | 2.75%      |
| \$150 or less                                      | 2.00%     | 3.00%      |

Commitment fees are applied based on the average daily unused portion of the available amounts under the New Revolving Facility. If the average daily use is less than 50%, the applicable fee will be 0.50% per annum. If the average daily unused portion of the New Revolving Facility is equal to or greater than 50%, the applicable fee will be 0.625% per annum. Up to \$300 of the New Revolving Facility may be applied to letters of credit, which reduces availability. We pay a fee for issued and undrawn letters of credit in an amount per annum equal to the applicable LIBOR margin based on a quarterly average availability under the New Revolving Facility and a per annum fronting fee of 0.25%, payable quarterly.

At March 31, 2011, we had \$750 principal amount of Senior Notes outstanding. There were no borrowings under the New Revolving Facility but we had utilized \$135 for letters of credit. The weighted-average interest rate on the Senior Notes was 6.62% at March 31, 2011. Based on our borrowing base collateral of \$413, we had potential availability at that date under the New Revolving Facility of \$278 after deducting the outstanding letters of credit.

European receivables loan facility — In March 2011, we terminated our previous European receivables loan agreements and established a new five-year €75 (\$106 at the March 31, 2011 exchange rate) receivables securitization program. As of March 31, 2011, we had obtained lending commitments of €50 (\$71) under the new program. We obtained an additional lending commitment of €25 (\$35) during April. Availability under the lending commitments is subject to the existence of adequate levels of supporting accounts receivable. Deferred fees of less than \$1 on the former agreement were charged to loss on extinguishment of debt and new fees of \$2 have been deferred and will be charged to interest expense over the term of the program.

Advances under the program will bear interest based on the London Interbank Offered Rate (LIBOR) applicable to the currency in which each advance is denominated or an Alternate Base Rate (as defined). All advances are to be repaid in full by March 2016. Dana will pay a fee on any unused amount of the program, in addition to other customary fees. The program is subject to customary representations and warranties, covenants and events of default. As of March 31, 2011, we had no borrowings under this program.

Debt covenants — At March 31, 2011, we were in compliance with the financial covenants of our debt agreements. Under the New Revolving Facility and the Senior Notes, we are required to comply with certain incurrence-based financial covenants customary for facilities of these types.

The incurrence-based covenants in the New Revolving Facility permit Dana to, among other things, (i) issue foreign subsidiary indebtedness, (ii) incur general indebtedness, which can be secured by the assets that previously secured the Term Facility on a first priority basis and (iii) incur additional unsecured debt so long as the pro forma minimum fixed charge coverage ratio is at least 1.1:1.0. Dana may also make dividend payments in respect of its common stock as well as certain investments and acquisitions so long as there is (i) at least \$125 of pro forma excess borrowing availability or (ii) at least \$75 of pro forma excess borrowing availability and the pro forma minimum fixed charge coverage ratio is at least 1.1:1.0. The indenture governing the Senior Notes includes similar incurrence-based covenants that may subject Dana to additional specified limitations.

#### Note 12. Fair Value Measurements

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

Items measured at fair value on a recurring basis — Assets and liabilities that are carried in our balance sheet at the lower of contractual or fair value are as follows:

|  | Total  | Fair Value Measurements Using                         |   |  |
|--|--------|---|---|--|
|  |        | Quoted<br>Prices in<br>Markets<br>Active<br>(Level 1) | Significant<br>Other<br>Inputs<br>Observable<br>(Level 2) | Significant<br>Inputs<br>Unobservable<br>(Level 3) |
| <b>March 31, 2011</b>                          |        |   |   |  |
| Notes receivable - noncurrent asset            | \$ 106 | \$ -  | \$ -  | \$ 106   |
| Currency forward contracts - current asset     | 1      |   | 1   |  |
| Currency forward contracts - current liability | 3      |   | 3   |  |
| <b>December 31, 2010</b>                       |        |   |   |  |
| Notes receivable - noncurrent asset            | \$ 103 | \$ -  | \$ -  | \$ 103   |
| Currency forward contracts - current asset     | 1      |   | 1   |  |
| Currency forward contracts - current liability | 5      |   | 5   |  |

Changes in level 3 recurring fair value measurements —

|                                      | Three Months Ended<br>March 31, |       |
|--------------------------------------|---------------------------------|-------|
|                                      | 2011                            | 2010  |
| <b>Notes receivable</b>              |                                 |       |
| Beginning of period                  | \$ 103                          | \$ 94 |
| Accretion of value (interest income) | 3                               | 2     |
| Note sold in Structures sale         |                                 | (2 )  |
| End of period                        | \$ 106                          | \$ 94 |

Substantially all of the notes receivable balance consists of one note, due 2019, obtained in connection with a divestiture in 2004. Its carrying amount is adjusted each quarter to the lower of its contractual value or its fair value, which is based on the market value of publicly traded debt of the operating subsidiary of the obligor. The fair value of the note at March 31, 2011 and December 31, 2010 approximated the contractual value and we believe that the note

will be paid in full at the end of the term or sooner. Net changes in the values of the other notes receivable were less than \$1.



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

#### Note 13. Risk Management and Derivatives

Foreign currency derivatives — The total notional amounts of outstanding foreign currency derivatives as of March 31, 2011 and December 31, 2010 were \$90 and \$108 comprised of currency forward contracts involving the exchange of U.S. dollars, euros, British pounds, Canadian dollars, Swiss francs, Swedish krona, Japanese yen, Hungarian forints, South African rand and Indian rupees as well as a cross-currency swap involving the exchange of Australian dollars and South African rand. At March 31, 2011, currency forward contracts with notional amounts of \$42 were designated as cash flow hedges. The fair values of derivative instruments included within the consolidated balance sheet are included in Note 12 above.

Amounts to be reclassified to earnings — Deferred losses at March 31, 2011 and December 31, 2010 reported in OCI including amounts expected to be reclassified to earnings during the next twelve months were less than \$1. Amounts expected to be reclassified to earnings assume no change in the current hedge relationships or to March 31, 2011 market rates. Amounts reclassified from OCI to earnings for the quarter ended March 31, 2011 were de minimus. As of March 31, 2011 and December 31, 2010, a deferred loss of less than \$1 associated with cash flow hedges has been included in OCI.

#### Note 14. Commitments and Contingencies

Asbestos personal injury liabilities — We had approximately 29,000 active pending asbestos personal injury liability claims at March 31, 2011 versus 30,000 at December 31, 2010. In addition, approximately 10,000 mostly inactive claims have been settled and are awaiting final documentation and dismissal, with or without payment. We have accrued \$99 for indemnity and defense costs for settled, pending and future claims at March 31, 2011, compared to \$101 at December 31, 2010. We use a fifteen-year time horizon for our estimate of this liability.

At March 31, 2011, we had recorded \$51 as an asset for probable recovery from our insurers for the pending and projected asbestos personal injury liability claims, compared to \$52 recorded at December 31, 2010. The recorded asset represents our assessment of the capacity of our current insurance agreements to provide for the payment of anticipated defense and indemnity costs for pending claims and projected future demands. The recognition of these recoveries is based on our assessment of our right to recover under the respective contracts and on the financial strength of the insurers. We have coverage agreements in place with our insurers confirming substantially all of the related coverage and payments are being received on a timely basis. The financial strength of these insurers is reviewed at least annually with the assistance of a third party. The recorded asset does not represent the limits of our insurance coverage, but rather the amount we would expect to recover if we paid the accrued indemnity and defense costs. During the first quarter of 2010, we recorded \$3 of expense (before tax) to correct amounts primarily related to asbestos receivables at December 31, 2009 and a \$3 tax benefit to correct tax obligations. These adjustments were not considered material to the first quarter of 2010 or to the prior periods to which they relate.

Other product liabilities — We had accrued \$1 for non-asbestos product liability costs at March 31, 2011 and December 31, 2010, with no recovery expected from third parties at either date. We estimate these liabilities based on assumptions about the value of the claims and about the likelihood of recoveries against us derived from our historical experience and current information.



Environmental liabilities — Accrued environmental liabilities were \$13 at March 31, 2011 and December 31, 2010. We consider the most probable method of remediation, current laws and regulations and existing technology in determining the fair value of our environmental liabilities. Other accounts receivable included \$1 recoverable from an insurer at both dates.

Bankruptcy claims resolution — Dana and forty of its wholly-owned subsidiaries (collectively, the Debtors) reorganized under Chapter 11 of the U.S. Bankruptcy Code (Chapter 11) from March 3, 2006 until emergence on January 31, 2008 (the Effective Date). On the Effective Date, we consummated the Third Amended Joint Plan of Reorganization of Debtors and Debtors in Possession as modified (the Plan) and emerged from Chapter 11. 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. Since emergence, we have issued 24 million of the 28 million shares for allowed claims (valued in reorganization at \$545), increasing the total shares issued to 94 million (valued in reorganization at \$2,173) for unsecured claims of approximately \$2,268. The corresponding decrease in the disputed claims reserve leaves approximately 4 million shares (valued in reorganization at \$96). The remaining disputed and unliquidated claims total approximately \$32. To the extent that these remaining claims are settled for less than the 4 million remaining shares, additional incremental distributions will be made to the holders of the previously allowed general unsecured claims in Class 5B.

Although the allowed amount of certain disputed claims has not yet been determined, our liability associated with these disputed claims was discharged upon our emergence from Chapter 11. Therefore, the future resolution of these disputed claims will not have an impact on our results of operations or financial condition.

Other legal matters — We are subject to various pending or threatened legal proceedings arising out of the normal course of business or operations. In view of the inherent difficulty of predicting the outcome of such matters, we cannot state what the eventual outcome of these matters will be. However, based on current knowledge and after consultation with legal counsel, we 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.

#### Note 15. Warranty Obligations

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

|  | Three Months Ended<br>March 31, |      |
|--|---------------------------------|------|
|  | 2011                            | 2010 |
| Balance, beginning of period             | \$85                            | \$83 |
| Amounts accrued for current period sales | 10                              | 12   |
| Adjustments of prior accrual estimates   | 1                               | 1    |
| Settlements of warranty claims           | (13)                            | (13) |
| Foreign currency translation and other   | 2                               | (1)  |
| Balance, end of period                   | \$85                            | \$82 |

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



## Note 16. Income Taxes

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

We reported an income tax expense of \$31 and benefit of \$3 for the quarters ended March 31, 2011 and 2010. The income tax rate varies from the U.S. federal statutory rate of 35% due to valuation allowances in several countries, non-deductible expenses, different statutory rates outside of the U.S. and withholding taxes related to expected repatriations of international earnings to the U.S.

During the first quarter of 2010, we reversed accruals for uncertain tax positions of \$9 related to the 1999 through 2002 and 2003 through 2005 U.S. Internal Revenue Service audit cycles that were settled during the quarter.

We provide for U.S. federal income and non-U.S. withholding taxes on the earnings of our non-U.S. operations that are not considered to be permanently reinvested. Accordingly, we continue to analyze and adjust the estimated tax impact of the income and non-U.S. withholding liabilities based on the amount and source of these earnings. We recognized an expense of \$1 and \$2 for the three months ended March 31, 2011 and 2010.

We have generally not recognized tax benefits on losses generated in several countries, including the U.S., where the recent history of operating losses does not allow us to satisfy the "more likely than not" criterion for the recognition of deferred tax assets. Consequently, there is no income tax benefit recognized on the pre-tax losses in these jurisdictions as valuation allowances are established offsetting the associated tax benefit.

## Note 17. Other Expense, Net

|  | Three Months Ended<br>March 31, |          |
|--|---------------------------------|----------|
|  | 2011                            | 2010     |
| Interest income                              | \$ 7                            | \$ 6     |
| Foreign exchange loss                        | (3 )                            | (12 )    |
| Loss on extinguishment of debt               | (53 )                           | (4 )     |
| Loss on sale of Structural Products business |                                 | (5 )     |
| Other  | 1                               | 2        |
| Other expense, net                           | \$ (48 )                        | \$ (13 ) |

As discussed in Note 11 above, the losses on extinguishment of debt resulted primarily from repayment of our Term Facility debt. The losses represent the OID and deferred financing fees written off in connection with early payments of principal and modifications of our borrowing programs.

Foreign exchange gains and losses on cross-currency intercompany loan balances that are not considered permanently invested are reported above. Foreign exchange gains and losses on loans that are permanently invested are reported in OCI. Foreign exchange loss for first quarter of 2010 also includes a charge of \$3 for the devaluation of the Venezuelan bolivar.

## Note 18. Segments

The components that management establishes for purposes of making decisions about an enterprise's operating matters are referred to as "operating segments." We manage our operations globally through a total of five operating segments. Three operating segments — LVD, Power Technologies and Structures — are focused on specific products for the light vehicle market and two operating segments — Commercial Vehicle and Off-Highway — are focused on specific medium-duty and heavy-duty vehicle markets. The reporting of our operating segment results was reorganized in the first quarter of 2011 in line with changes in our management structure. Certain operations in South America were moved from the LVD segment to the Commercial Vehicle segment as the activities of these operations have become more closely aligned with the commercial vehicle market. The results of these segments have been retroactively adjusted to conform to the current reporting.

We report the results of our operating segments and related disclosures about each of our segments on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to those segments. The primary measure of operating results is segment EBITDA. Management believes that adjusted EBITDA is an important measure since the financial covenants in our debt agreements are based, in part, on adjusted EBITDA. Our segments are charged for corporate and other shared administrative costs. Costs of \$37 and \$31 were allocated to the operating segments for the quarters ended March 31, 2011 and 2010.

We used the following information to evaluate our operating segments:

| Three Months Ended<br>March 31, | External<br>Sales | 2011<br>Inter-<br>Segment<br>Sales | Segment<br>EBITDA | External<br>Sales | 2010<br>Inter-<br>Segment<br>Sales | Segment<br>EBITDA |
|---------------------------------|-------------------|------------------------------------|-------------------|-------------------|------------------------------------|-------------------|
| LVD                             | \$ 673            | \$ 56                              | \$ 66             | \$ 548            | \$ 44                              | \$ 42             |
| Power Technologies              | 267               | 7                                  | 40                | 228               | 6                                  | 27                |
| Commercial Vehicle              | 475               | 29                                 | 43                | 331               | 22                                 | 24                |
| Off-Highway                     | 373               | 15                                 | 41                | 257               | 8                                  | 21                |
| Structures                      | 11                |                                    |                   | 144               | 2                                  | 11                |
| Eliminations and other          | 1                 | (107 )                             |                   |                   | (82 )                              |                   |
| Total                           | \$ 1,800          | \$ -                               | \$ 190            | \$ 1,508          | \$ -                               | \$ 125            |

The following table reconciles segment EBITDA to the consolidated income (loss) before income taxes:

| Three Months Ended<br>March 31,   | 2011   | 2010     |
|---|--------|----------|
| Segment EBITDA  | \$ 190 | \$ 125   |
| Corporate expense and other items, net  | (9 )   | (17 )    |
| Depreciation  | (55 )  | (62 )    |
| Amortization of intangibles   | (21 )  | (19 )    |
| Restructuring   | (30 )  | (19 )    |
| Loss on extinguishment of debt  | (53 )  | (4 )     |
| Other expenses  | (4 )   |          |
| Loss on sale of assets, net   | (1 )   | (5 )     |
| Stock compensation expense  | (2 )   | (2 )     |
| Foreign exchange on intercompany loans,<br>Venezuelan currency devaluation and market value adjustments on forwards | (1 )   | (12 )    |
| Interest expense  | (19 )  | (26 )    |
| Interest income   | 7      | 6        |
| Income (loss) before income taxes   | \$ 2   | \$ (35 ) |

#### Note 19. Equity Affiliates

Equity Affiliates — At March 31, 2011, we had a number of investments in entities that engage in the manufacture of vehicular parts — primarily axles, driveshafts, wheel-end braking systems and all-wheel drive systems - supplied to OEMs.

The principal components of our investments in equity affiliates at March 31, 2011 (with an investment balance exceeding \$5) were:

| Affiliates                                 | Investment | Dana<br>Ownership |
|--|------------|-------------------|
| GETRAG entities                            | \$ 74      | 25% to 49% (1)    |
| Bendix Spicer Foundation Brakes LLC (BSFB) | 28         | 20% (2)           |
| ROC Spicer entities                        | 7          | 14% to 25% (3)    |
| All others as a group                      | 7          | 20% to 50%        |
| Total (4)                                  | \$ 116     |                   |

(1) Dana owns 49% of GETRAG Corporation in the U.S. and 25% of GETRAG All Wheel Drive AB in Sweden.

(2) Dana owns 20% of BSFB, but under the terms of the joint venture agreement records 40% of the earnings of BSFB, declining periodically to 20% in 2018.

(3) ROC Spicer LTD (ROC) is 50.5% owned and consolidated by Dana. ROC records equity earnings for ROC-Keeper Industrial Ltd. (50% owned by ROC) and Taiway Ltd. (27.5% owned by ROC).

(4) An additional \$11 of investments in affiliates is carried at cost.

Summarized financial information for GETRAG Corporation is as follows:

|                                | Three Months Ended March |       |
|--------------------------------|--------------------------|-------|
|                                | 2011                     | 2010  |
| Sales                          | \$ 114                   | \$ 77 |
| Gross profit                   | \$ 12                    | \$ 9  |
| Pre-tax income                 | \$ 5                     | \$ 8  |
| Net income                     | \$ 3                     | \$ 5  |
| Parent company equity earnings | \$ 1                     | \$ 1  |

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions)

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

### Forward-looking Information

Statements in this report (or otherwise made by us or on our behalf) that are not entirely historical constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are indicated by words such as "anticipates," "expects," "believes," "intends," "plans," "estimates," "projects," "outlook" and similar expressions. These statements represent the present expectations of Dana Holding Corporation and its consolidated subsidiaries based on our current information and assumptions. Forward-looking statements are inherently subject to risks and uncertainties. Our plans, actions and actual results could differ materially from our present expectations due to a number of factors, including those discussed below and elsewhere in this report and in our other filings with the Securities and Exchange Commission (SEC). All forward-looking statements speak only as of the date made or the date of this filing and we undertake no obligation to publicly update or revise any forward-looking statement to reflect events or circumstances that may arise after the date of this report.

### Management Overview

Dana is headquartered in Maumee, Ohio and was incorporated in Delaware in 2007. As a leading supplier of driveline products (axles, driveshafts and transmissions), power technologies (sealing and thermal-management products) and genuine service parts for light and heavy vehicle manufacturers world-wide, our customer base includes virtually every major vehicle manufacturer in the global light vehicle, medium/heavy vehicle and off-highway markets. At March 31, 2011, we employed approximately 23,000 people, operated in 26 countries and had 92 major manufacturing/distribution, engineering and office facilities around the world.

In the first quarter of 2011, 45% of our sales came from North American operations and 55% from operations throughout the rest of the world. Light vehicle products (including Power Technologies and Structures) accounted for 53% of our global revenues, with commercial vehicle and off-highway products representing 47%.

Our internet address is [www.dana.com](http://www.dana.com). The inclusion of our website address in this report is an inactive textual reference only and is not intended to include or incorporate by reference the information on our website into this report.





## Business Strategy

During the past three years, we have significantly improved our financial condition — reducing debt, raising additional equity, improving the profitability of customer programs, eliminating structural costs and reducing working capital investment. We have also strengthened our leadership team and streamlined our operating segments to focus on our core light vehicle driveline and power technologies businesses and our heavy vehicle on-highway commercial and off-highway businesses. As a result, we believe that we are well-positioned to put increasing focus on profitable growth.

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

**Strengthening the competitiveness of our products** — Additional engineering and operational investment is being channeled into reinvigorating our product portfolio and capitalizing on technology advancement opportunities. In 2010, we combined our light and heavy vehicle products' North American engineering centers allowing us the opportunity to better share technologies among our businesses. We are constructing a new engineering facility in India that more than doubles our engineering presence in that country. This facility will house state-of-the-art design and test capabilities that globally support each of our businesses.

**Geographic expansion** — Although there are growth opportunities in each region, we have a primary focus in the Asia Pacific region, especially India and China. In addition to a new engineering facility in India, we are nearing completion of a new hypoid gear manufacturing facility which is scheduled to begin production in the second quarter of 2011. The additional investment in our China-based joint venture with Dongfeng will significantly increase our commercial vehicle driveline presence in the region. We have experienced considerable success in the China off-highway and industrial markets and we believe there is considerable opportunity for future growth in these markets. Additional investments in China include increased engineering capabilities which will support all of our businesses. In South America, our strategic agreement with SIFCO makes us the leading full driveline supplier in the South American commercial vehicle market.

**Aftermarket opportunities** — We have established a global group dedicated to identifying and developing aftermarket growth opportunities that leverage the capabilities within our existing businesses — targeting future aftermarket revenues of 20% of consolidated sales.

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

## Acquisitions

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

effectively positions us as the leading full-line supplier of commercial vehicle drivelines — including front and rear axles, driveshafts and suspension systems — in South America. At current production levels, this agreement is expected to generate annual sales of approximately \$350.

Dongfeng Dana Axle — In June 2007, we purchased 4% of the registered capital of Dongfeng Dana Axle Co., Ltd. (DDAC), a commercial vehicle axle manufacturer in China formerly known as Dongfeng Axle Co., Ltd., from Dongfeng Motor Co., Ltd. and certain of its affiliates for \$5. In February 2011, we signed a definitive agreement to increase our equity investment in DDAC to 50%. We will make a payment approximating \$120 at closing following approval of the agreement by the Chinese government, which is expected in the second quarter of 2011.

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

Axles India — In March 2011, we entered into agreements to acquire the axle drive head and final assembly business of our Axles India Limited equity affiliate for \$13. We expect to complete the transaction during the second quarter of 2011. This business is expected to contribute approximately \$50 to our annual sales.

#### Sale of the Structural Products Business

We sold substantially all of our Structural Products business in 2010. Approximately \$30 of the proceeds remained as a receivable at the end of 2010 including \$15 related to an earn-out provision, \$8 held in escrow and \$5 of deferred proceeds. In the first quarter of 2011, we received the earn-out payment of \$15. We expect payment of all but \$1 of the remaining \$15 before the fourth quarter of 2011.

#### Consequences of Recent Events in Japan

The effects of the earthquake and tsunami in Japan have not significantly impacted our results for the first quarter of 2011. Our sealing manufacturing operation in Yomamoto, Japan suffered minimal physical damage and was capable of operating at full production capability shortly thereafter. The minimal reduction from forecasted first quarter sales we did experience was primarily due to production disruptions at certain of our customers resulting from Japan-based supplier part shortages.

Given the lead time for many of the Japan-based suppliers' parts shortages to manifest themselves in the supply chain, we are anticipating some impact in this year's second and third quarters. However we expect a considerable portion of any reduced mid-year production to be recovered later in the year. We are working closely with our customers and suppliers to evaluate the potential effects and take whatever actions are possible to minimize the impact. At present, we do not believe that the disruptions caused by the events in Japan will have a significant impact on our full year results of operations.

#### Other Significant Developments

In March 2011, we reached new three-year labor agreements, effective June 1, 2011, with the United Auto Workers and United Steel Workers that represent approximately 4,000 Dana employees at twenty facilities in the United States.

## Segments

We manage our operations globally through five operating segments. Our operations serving 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, Power Technologies and Structures. Substantially all of the Structures business was sold in the first quarter of 2010. The Commercial Vehicle and Off-Highway operating segments support the OEMs of on-highway commercial vehicles (primarily trucks and buses) and off-highway vehicles (primarily wheeled vehicles used in construction and agricultural applications).

The reporting of our operating segment results was reorganized in the first quarter of 2011 in line with changes in our management structure. Certain operations in South America were moved from the Light Vehicle Driveline (LVD) segment to the Commercial Vehicle segment as the activities of these operations has become more closely aligned with the commercial vehicle market. The results of these segments have been retroactively adjusted to conform to the current reporting structure.

## Trends in Our Markets

## Global Vehicle Production (Full Year)

| (Units in thousands)                         | Dana 2011 Outlook |           | 2010         | Actual |  | 2009       |   |
|--|-------------------|-----------|--------------|--------|--|------------|---|
| <b>North America</b>                         |                   |           |              |        |  |            |   |
| Light Vehicle (Total)                        | 12,600            | to 13,000 | 11,912       |        |  | 8,550      |   |
| Light Truck (excl. CUV/Minivan)              | 3,500             | to 3,700  | 3,520        |        |  | 2,330      |   |
| Medium Truck (Class 5-7)                     | 120               | to 150    | 116          |        |  | 97         |   |
| Heavy Truck (Class 8)                        | 240               | to 250    | 152          |        |  | 116        |   |
| <b>Europe (including E. Europe)</b>          |                   |           |              |        |  |            |   |
| Light Vehicle                                | 18,300            | to 18,800 | 18,732       |        |  | 16,300     |   |
| Medium/Heavy Truck                           | 330               | to 350    | 325          |        |  | 298        |   |
| <b>South America</b>                         |                   |           |              |        |  |            |   |
| Light Vehicle                                | 4,200             | to 4,400  | 4,140        |        |  | 3,650      |   |
| Medium/Heavy Truck                           | 215               | to 230    | 191          |        |  | 115        |   |
| <b>Asia Pacific</b>                          |                   |           |              |        |  |            |   |
| Light Vehicle                                | 34,000            | to 36,000 | 34,662       |        |  | 28,500     |   |
| Medium/Heavy Truck                           | 1,400             | to 1,550  | 1,437        |        |  | 1,089      |   |
| <b>Off-Highway – Global (year-over-year)</b> |                   |           |              |        |  |            |   |
| Agricultural Equipment                       | +15               | to +20    | % +2 to +5   | %      |  | -35 to -40 | % |
| Construction Equipment                       | +25               | to +30    | % +20 to +25 | %      |  | -70 to -75 | % |

## North America

Light vehicle markets — With gradually improving economic conditions since the second half of 2009 production levels of light vehicles in North America have strengthened. First quarter 2011 production of around 3.3 million units is 14% higher than last year's first quarter. In the light truck pickup, van and sport utility vehicle (SUV) segment where more of our programs are focused, production increased 9% over the first quarter of 2010. First quarter 2011 production levels are reflective in part of the higher unit sales – with both the overall light vehicle segment and the light truck pickup, van and SUV segment posting sales increases of around 17% over the first quarter of 2010. Light vehicle inventory levels have remained relatively constant with days supply of light vehicles being 53 and 54 for March 31, 2010 and 2011. Inventory levels in the light truck pickup, van and SUV segment have increased from 70

days supply at March 31, 2010 to 80 days at March 31, 2011.

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Repercussions from the recent events in Japan and lingering economic concerns pose some risk to our full year outlook for North American production levels. Just how quickly Japan-based parts suppliers can return to adequate production levels and whether alternative sourcing of parts can prevent significant parts shortages are uncertain. On the economic front, a continued weak housing market, recent declines in consumer sentiment and increased fuel prices pose risks to vehicle production levels for the remainder of this year. At present, we believe an overall improving economy will minimize these risks and our outlook for full year 2011 light vehicle production levels increasing 6 to 9% over 2010 remains unchanged from our February 2011 outlook. Also unchanged is our outlook for the light truck pickup, van and SUV segment, where we are forecasting production to be in a range of relatively flat to up 5% over 2010.

Medium/heavy vehicle markets — As with the light vehicle market, medium/heavy truck production has steadily increased since 2009. Heavy-duty Class 8 truck production of about 52,000 units for the first quarter of 2011 is 48% higher than in the first quarter of 2010, while medium-duty Classes 5-7 production of around 37,000 vehicles in 2011 is up 32%.

Order levels for Class 8 trucks have been especially strong in the first quarter of 2011 and we are not expecting Japan-related events to have a significant impact on our commercial vehicle business. As a result of higher demand and the continued overall improvement in the economy, we have revised our 2011 outlook for the heavy-duty segment to expected production of 240,000 to 250,000 units versus our previous outlook of 235,000 to 245,000 units, while our medium-duty production outlook for 2011 remains unchanged at 120,000 to 150,000 vehicles.

#### Markets Outside of North America

Light vehicle markets — An improving global economic environment has favorably impacted production levels in 2010 and 2011 in many of our major markets outside North America. On an aggregate basis, first quarter 2011 light vehicle production outside North America increased about 3% from the first quarter of 2010. Production levels in Europe increased about 6% over last year's first quarter, while South America and Asia Pacific production levels were each up modestly at around 1%. For 2011, our outlook for Europe and South America is unchanged from February 2011. We expect the light vehicle markets in South America to show continued strength with production levels being 1 to 7% higher than 2010 levels while in Europe we expect production levels to be relatively comparable to 2010. As a consequence of the recent events in Japan, we have lowered our full year forecast for Asia Pacific by one million units which results in expected vehicle production that would be down slightly to up 4% over 2010.

Medium/heavy vehicle markets — Outside of North America, improved economic conditions have contributed to stronger medium- and heavy-duty truck production since 2009. European medium/heavy production levels in this year's first quarter rebounded significantly – more than 90% higher than first quarter 2010. South America production continued to strengthen – up 7%, while production levels in Asia Pacific were about 10% lower. For the full year of 2011, our outlook is unchanged from February 2011. We expect to see continued strengthening in our markets in Europe, with production levels up 2 to 8%, and in South America, with production levels up 13 to 20%. In Asia Pacific, we expect the relatively strong 2010 markets to continue with 2011 production levels ranging from relatively flat to 8% higher than those experienced last year.

## Off-Highway Markets

Our off-highway business has become an increasingly significant component of our total operations. Unlike our on-highway businesses, our off-highway business is largely concentrated outside of North America, with about two-thirds of its sales coming from Europe and 10% from South America and Asia Pacific combined. We serve several segments of the diverse off-highway market, including construction, agriculture, mining and material handling. Our largest markets are the European and North American construction and agricultural equipment segments — both of which experienced increased demand in 2010 and are experiencing continued strong demand in 2011. As with our on-highway commercial vehicle business, we do not expect the events in Japan to significantly affect our off-highway business. Based on the strengthening of demand in this market, we now expect 2011 demand levels to be up 15 to 20% in the agriculture segment and 25 to 30% in the construction segment, an improvement over our February 2011 outlook for increased demand of 8 to 12% in agriculture and 15 to 20% in construction.

## Sales, Earnings and Cash Flow Outlook

|                   | 2011<br>Outlook | 2010     | 2009     |
|-------------------|-----------------|----------|----------|
| Sales             | \$ 7,300+       | \$ 6,109 | \$ 5,228 |
| Adjusted EBITDA * | \$ 755 to 775   | \$ 553   | \$ 326   |
| Free Cash Flow ** | \$ 175+         | \$ 242   | \$ 109   |

\* Adjusted EBITDA is a non-GAAP financial measure discussed under Segment EBITDA below. See item 7 of our 2010 Form 10-K for a reconciliation of 2010 and 2009 adjusted EBITDA to income (loss) before income taxes.

\*\* Free cash flow is a non-GAAP financial measure, which we have defined as cash provided by (used in) operating activities excluding any bankruptcy claim-related payments, less purchase of property, plant and equipment. We believe this measure is useful to investors in evaluating the operational cash flow of the company inclusive of the spending required to maintain the operations. Free cash flow is neither intended to represent nor be an alternative to the measure of net cash provided by (used in) operating activities reported under GAAP. Free cash flow may not be comparable to similarly titled measures reported by other companies. See item 7 of our 2010 Form 10-K for a reconciliation of 2010 and 2009 free cash flow to net cash flows provided by operating activities.

With lower sales in 2009 and gradual improvement in 2010, we focused on aggressively right-sizing our costs and improving the profitability of our customer programs. We also tightened our capital spending and reduced working capital levels. As sales began improving in 2010, we resisted bringing back much of the cost structure that was eliminated in 2008 and 2009. The combination of stronger sales levels, cost reductions and improved pricing led to improved profitability and cash flow in 2010. While we are continuing to make additional cost improvements and restructure the operations in 2011, we are also pursuing the growth initiatives described in the Business Strategy section above.

With increased demand levels in certain of our markets and stronger international currencies, we currently expect full year sales to exceed \$7,300 – up from our February 2011 outlook of more than \$7,100, and we now expect adjusted EBITDA to be \$755 to \$775, as compared to our previous outlook of \$740 to \$760. Our February outlook included increased sales and earnings resulting from our strategic agreement with SIFCO that was completed in February 2011. Japan-related events are expected to apply near-term pressure on sales, but we believe the near-term sales reduction will be substantially offset by increased sales later in the year. There is also some uncertainty associated with fuel prices and light truck mix; however, at present, we do not expect significant impact on many of the key



vehicles we supply. On the cost front, we are closely monitoring the effects of rising steel and other commodity prices. A substantial portion of increased commodity cost is recoverable through contractual relationships with customers or pricing actions, although there is a time lag associated with such recoveries. At present, we expect that our cost reduction and recovery initiatives will more than offset the cost pressures of higher commodity prices.

A significant element of this year's cash flow outlook is expected capital spending of \$200 to \$250 in 2011 as compared to \$120 in 2010. Our capital spending and restructuring cash requirements continue to be in line with earlier expectations; however, with the improved earnings outlook, we now expect free cash flow of more than \$175 – up from the more than \$150 outlook provided in February 2011.

### Consolidated Results of Operations

#### Summary Consolidated Results of Operations (First Quarter, 2011 versus 2010)

|  | Three Months Ended |                   | Increase<br>(Decrease) |
|--|--------------------|-------------------|------------------------|
|  | 2011               | March 31,<br>2010 |                        |
| Net sales                                      | \$ 1,800           | \$ 1,508          | \$ 292                 |
| Cost of sales                                  | 1,585              | 1,368             | 217                    |
| Gross margin                                   | 215                | 140               | 75                     |
| Selling, general and administrative expenses   | 99                 | 102               | (3 )                   |
| Amortization of intangibles                    | 17                 | 15                | 2                      |
| Restructuring charges, net                     | 30                 | 19                | 11                     |
| Other expense, net                             | 48                 | 13                | 35                     |
| Income (loss) before interest and income taxes | \$ 21              | \$ (9 )           | \$ 30                  |
| Net loss attributable to the parent company    | \$ (30 )           | \$ (31 )          | \$ 1                   |

Sales — The following table shows changes in our sales by geographic region for the quarters ended March 31, 2011 and 2010.

|               | Three Months Ended |                   | Increase<br>(Decrease) | Amount of Change Due To |                                  |                   |
|---------------|--------------------|-------------------|------------------------|-------------------------|----------------------------------|-------------------|
|               | 2011               | March 31,<br>2010 |                        | Currency<br>Effects     | Acquisitions and<br>Divestitures | Organic<br>Change |
| North America | \$807              | \$756             | \$51                   | \$4                     | \$ (83 )                         | \$130             |
| Europe        | 524                | 369               | 155                    | 5                       |                                  | 150               |
| South America | 276                | 212               | 64                     | 12                      | 21                               | 31                |
| Asia Pacific  | 193                | 171               | 22                     | 11                      | (8 )                             | 19                |
| Total         | \$1,800            | \$1,508           | \$292                  | \$32                    | \$ (70 )                         | \$330             |

First quarter sales increased \$292 in 2011 as compared to 2010. The overall strengthening of several international currencies against the U.S. dollar accounted for \$32 of the increase. Year-over-year sales were reduced \$134 as a result of the sale of our Structural Products business in March 2010, while sales were increased \$64 by the strategic agreement with SIFCO that was completed in February 2011. The \$330 of organic growth — the change in sales attributable primarily to market volume, pricing and mix, is an increase of 26% over our 2010 sales after adjusting for the effects of the Structural Products divestiture and the SIFCO agreement.

Increased sales in North America during 2011, adjusted for the effects of currency and divestitures, totaled \$130 — a 20% increase on 2010 sales adjusted for divestitures. The increase was largely due to the increased OEM production levels in the light vehicle and medium/heavy truck markets. Light duty production levels were 14% higher in 2011 with production in the light pickup, van and SUV segment — the sector most important to us — being up around 9%. In the medium/heavy truck markets production was up more than 40%. In the off-highway sector, improvement in 2011 demand levels contributed to increase in sales of around 19%.



Excluding currency effects, our first quarter 2011 sales in Europe were 41% higher than in 2010. Our businesses in Europe benefited from medium/heavy vehicle production levels, which were more than 90% higher than last year's first quarter, and stronger light vehicle production. Higher demand levels in the off-highway markets drove a sales increase of more than 50%.

In South America, sales benefitted by \$64 from the SIFCO agreement, more than offsetting the \$43 reported in 2010 by the divested Structural Products business. Exclusive of these effects and currency movement, 2011 sales in South America were up 12% versus the first quarter of 2010, primarily as a result of stronger production levels. The organic growth in sales of 11% in Asia Pacific is due principally to higher first quarter 2011 production levels.

Cost of sales and gross margin — Cost of sales decreased to 88.1% of sales in 2011 from 90.7% of sales in 2010. Higher production levels contributed to improved absorption of fixed costs. Additionally, manufacturing costs benefited from our restructuring initiatives and continued cost reduction efforts. Higher material commodity prices increased 2011 cost of sales. However, a significant portion of this increase was offset by reductions in other material costs. Higher sales levels, net cost reductions and pricing improvement combined to improve gross margin to \$215 (11.9% of sales) in 2011 from \$140 (9.3% of sales) in 2010.

Selling, general and administrative expenses (SG&A) — SG&A expenses in 2011 were \$99 (5.5% of sales) as compared to \$102 (6.8% of sales) in 2010. The reduced level of expenses is primarily attributable to lower discretionary spending, reduced pension expense and the divestiture of our Structural Products business.

Restructuring charges — Restructuring charges in both 2011 and 2010 were primarily employee separation costs and exit costs associated with workforce reduction actions and facility closures. In last year's first quarter, we recognized separation costs associated with the planned closure of our Kalamazoo, Michigan and Yennora, Australia operations along with ongoing costs associated with previously initiated actions. During March 2011, we entered into an agreement settling the lease obligation associated with our Yennora facility. The cost associated with this settlement approximated \$20 and was recognized in the first quarter of 2011.

Other expense, net — Other expense was \$48 for the quarter ended March 31, 2011 and \$13 for the corresponding 2010 period. First quarter 2011 results include a charge of \$53 for write-off of unamortized original issue discount and debt issuance costs associated with the refinancing and restructuring of certain debt facilities, as more fully described in Note 11 of the consolidated financial statements in Item 1 of Part I. Partially offsetting this charge was interest income of \$7. Other expense in 2010 was due principally to net foreign exchange losses of \$12, a net loss on extinguishment of debt of \$4 and a loss on the divestiture of the Structural Products business of \$5, with interest income of \$6 and other items providing a partial offset.

Interest expense — Interest expense in 2011 was \$7 less than in 2010, primarily as a result of debt repurchases and repayments over the past year.

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 results in these jurisdictions as a valuation allowance adjustments offset the associated tax benefit or expense. The income tax provision was expense of \$31 for the three months ended March 31, 2011 and a benefit of \$3 for the three months ended March 31, 2010. The income tax varies from the expected tax expense of \$1 and benefit of \$12 for the three months ended March 31, 2011 and 2010 at the U.S. federal statutory rate of 35% primarily due to the effects of valuation allowances in several countries (including the U.S.), nondeductible expenses, different statutory rates outside the U.S. and withholding taxes as discussed in Note 16 to the financial statements in Item 1 of Part I. During the first quarter of 2010, we reversed accruals for uncertain tax positions of \$9 related to the 1999 through 2003 and 2003 through 2005 U.S. Internal Revenue Service audit cycles

that were settled during the quarter.

## Segment Results of Operations

## Segment Sales

| Three Months Ended<br>March 31, | Amount of Change Due To |         |                        |                     |                                  |                   |
|---------------------------------|-------------------------|---------|------------------------|---------------------|----------------------------------|-------------------|
|                                 | 2011                    | 2010    | Increase<br>(Decrease) | Currency<br>Effects | Acquisitions and<br>Divestitures | Organic<br>Change |
| LVD                             | \$673                   | \$548   | \$125                  | \$14                | \$                               | \$111             |
| Power Technologies              | 267                     | 228     | 39                     | 5                   |                                  | 34                |
| Commercial Vehicle              | 475                     | 331     | 144                    | 11                  | 64                               | 69                |
| Off-Highway                     | 373                     | 257     | 116                    | 2                   |                                  | 114               |
| Structures                      | 11                      | 144     | (133 )                 |                     | (134 )                           | 1                 |
| Other                           | 1                       |         | 1                      |                     |                                  | 1                 |
| Total                           | \$1,800                 | \$1,508 | \$292                  | \$32                | \$ (70 )                         | \$330             |

Our LVD and Power Technologies segments principally serve the light vehicle markets. Exclusive of currency effects, 2011 sales increases over 2010 in LVD and Power Technologies were 20% and 15%. The higher sales were due primarily to increased light vehicle unit production levels in 2011 across all regions.

Commercial Vehicle sales in 2011 benefited from the inclusion of sales associated with the strategic agreement with SIFCO completed at the beginning of February 2011. After adjusting for SIFCO and the effects of currency movements, sales in this segment were up 21% over 2010. This segment is heavily concentrated in the North American market where first quarter 2011 medium/heavy truck production levels were about 40% higher than the same period of last year. Globally, medium/heavy truck market production was up about 10%.

First quarter 2011 sales in our Off-Highway segment were 45% higher than 2010, principally due to stronger 2011 demand in the construction, agriculture and other segments of this market.

We completed the sale of a substantial portion of the Structural Products business in the first quarter of 2010 which accounts for the reduced sales in this segment. First quarter 2011 sales relate to the retained Longview, Texas operation where the existing customer program is scheduled to expire in mid-2012.

## Segment EBITDA

| Three Months Ended<br>March 31,        | 2011  | 2010     | Increase<br>(Decrease) |
|--|-------|----------|------------------------|
| Segment EBITDA *                       |       |          |                        |
| Light Vehicle Driveline                | \$ 66 | \$ 42    | \$ 24                  |
| Power Technologies                     | 40    | 27       | 13                     |
| Commercial Vehicle                     | 43    | 24       | 19                     |
| Off-Highway<br>Structures              | 41    | 21       | 20                     |
|  |       | 11       | (11 )                  |
| Total Segment EBITDA                   | 190   | 125      | 65                     |
| Corporate expense and other items, net | (9 )  | (17 )    | 8                      |
| Adjusted EBITDA *                      | 181   | 108      | 73                     |
| Depreciation and amortization          | (76 ) | (81 )    | 5                      |
| Restructuring                          | (30 ) | (19 )    | (11 )                  |
| Interest expense, net                  | (12 ) | (20 )    | 8                      |
| Other **                               | (61 ) | (23 )    | (38 )                  |
| Income (loss) before income taxes      | \$ 2  | \$ (35 ) | \$ 37                  |

\* See discussion of non-GAAP financial measures below.

\*\*Other includes loss on extinguishment of debt, strategic transaction expenses, stock compensation expense, loss on sales of assets and foreign exchange costs and benefits. See Note 18 to the consolidated financial statements in Item 1 of Part I for additional details.

Non-GAAP financial measures — The table above refers to adjusted EBITDA, a non-GAAP financial measure which we have defined as earnings before interest, taxes, depreciation, amortization, non-cash equity grant expense, restructuring expense and other nonrecurring items (gain/loss on debt extinguishment or divestitures, impairment, etc.). The most significant impact on Dana's ongoing results of operations as a result of applying fresh start accounting following our emergence from bankruptcy was higher depreciation and amortization. By using adjusted EBITDA, a performance measure which excludes depreciation and amortization, the comparability of results is enhanced. Management also believes that adjusted EBITDA is an important measure since the financial covenants in our debt agreements are based, in part, on adjusted EBITDA. Adjusted EBITDA should not be considered a substitute for income (loss) before income taxes, net income (loss) or other results reported in accordance with GAAP. Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies. (For a detailed reconciliation of adjusted EBITDA to income (loss) before income taxes see Note 18 to the consolidated financial statements in Item 1 of Part I.)

LVD segment EBITDA of \$66 in the first three months of 2011 improved \$24 from the same period of 2010 with EBITDA as a percent of sales improving to 9.8% of sales in 2011 from 7.7% in 2010. Higher sales volumes, the result of stronger market production levels, increased earnings by about \$21. The remaining improvement in earnings was due principally to cost reductions which more than offset higher material cost of \$4.

In Power Technologies, segment EBITDA of \$40 in the first quarter of 2011 improved \$13 from 2010, pushing EBITDA as a percent of sales from 11.8% in 2010 to 15.0% in 2011. Higher sales volumes from increased production levels contributed about \$11 of the increase, along with continued cost reduction efforts.





Commercial Vehicle segment EBITDA in this year's first quarter was \$43, an increase of \$19 over the first quarter of 2010. Stronger production levels in this segment's markets added about \$8 to segment EBITDA with the SIFCO transaction adding another \$6. Increased material commodity costs were more than offset by material cost recoveries and other cost reductions. EBITDA as a percent of sales in 2011 was 9.1%, up from 7.3% in 2010.

In our Off-Highway segment, first quarter 2011 EBITDA of \$41 was up \$20 from the corresponding period in 2010. Improving market conditions in this business drove stronger sales volume which increased segment EBITDA by about \$17. These stronger sales volumes also benefited EBITDA margin which improved to 11.0% in this year's first quarter from 8.2% last year.

The reduction in Structures segment EBITDA was due principally to the sale of substantially all of this business in the first quarter 2010.

### Liquidity

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

The Revolving Facility was amended in February (the New Revolving Facility), extending the maturity to five years and reducing the aggregate principal amount of the facility from \$650 to \$500. With the issuance of the Senior Notes and the New Revolving Facility, we have additional flexibility to make acquisitions and other investments, incur additional indebtedness and pay dividends and distributions as long as certain terms and conditions are met. The maintenance-based financial covenants in our prior agreements were replaced with incurrence-based financial covenants. With these actions, we have reduced our overall debt, secured fixed interest rates over the next eight to ten years and increased our financial flexibility by freeing up debt capacity for growth. See Note 11 of our consolidated financial statements in Item 1 of Part I for additional details.

During March 2011, we replaced our existing European receivables loan agreements and established a new five-year receivables securitization program. As of March 31, 2011, we have obtained lending commitments of €50 (\$71 at the March 31, 2011 exchange rate) under the new program. An additional €25 (\$35) of commitments was received in April 2011.

Covenants — At March 31, 2011, we were in compliance with the debt covenants under our agreements.

Global liquidity — Our global liquidity at March 31, 2011 was as follows:

|  |         |
|--|---------|
| Cash and cash equivalents  | \$837   |
| Less: Deposits supporting obligations                                    | (40 )   |
| Available cash   | 797     |
| Additional cash availability from lines of credit in the U.S. and Europe | 349     |
| Total global liquidity   | \$1,146 |

Cash commitments are expected to reduce March 31, 2011 global liquidity during the second quarter of this year. The additional investment in DDAC, our China joint venture with Dongfeng Motors, is expected to close during the second quarter of 2011 and utilize cash of approximately \$120 and acquiring the axle drive head and assembly

business from our Axles India equity affiliate is expected to use \$13.

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As of March 31, 2011, the consolidated cash balance includes \$297 located in the U.S. In addition, our cash balance at March 31, 2011 includes \$80 held by less-than-wholly-owned subsidiaries where our access may be restricted. Our ability to efficiently access cash balances in certain subsidiaries and foreign jurisdictions is subject to local regulatory, statutory or other requirements, as well as the business needs of the operations.

Following our issuance of the Senior Notes in January of 2011, the principal sources of liquidity available for our future cash requirements are expected to be (i) cash flows from operations, (ii) cash and cash equivalents on hand, (iii) proceeds related to our trade receivable securitization and financing programs and (iv) borrowings from the Revolving Facility. We believe that our overall liquidity and operating cash flow will be sufficient to meet our anticipated cash requirements for capital expenditures, working capital, debt obligations and other commitments during the next twelve months. While uncertainty surrounding the current economic environment could adversely impact our business, based on our current financial position, we believe it is unlikely that any such effects would preclude us from maintaining sufficient liquidity.

At March 31, 2011, there was \$71 of availability, but no borrowings, under our new European trade receivable securitization program based on the effective borrowing base. At March 31, 2011, we had no borrowings under the Revolving Facility but we had utilized \$135 for letters of credit. Based on our borrowing base collateral, we had availability at that date under the Revolving Facility of \$278 after deducting the outstanding letters of credit. As a result, we had aggregate additional borrowing availability of \$349 under these credit facilities.

#### Cash Flow

|   | Three Months Ended |          |
|---|--------------------|----------|
|   | March 31,          |          |
|   | 2011               | 2010     |
| Cash used for changes in working capital                  | \$ (120 )          | \$ (21 ) |
| Other cash provided by operations                         | 118                | 66       |
| Net cash flows provided by (used in) operating activities | (2 )               | 45       |
| Net cash provided by (used in) investing activities       | (177 )             | 103      |
| Net cash flows used in financing activities               | (126 )             | (70 )    |
| Net increase (decrease) in cash and cash equivalents      | \$ (305 )          | \$ 78    |

Operating activities — The table above summarizes our consolidated statement of cash flows. Exclusive of working capital, other cash provided by operations was \$118 in the first three months of 2011 compared with \$66 provided during the first three months of 2010 due primarily to an increased level of operating earnings.

Working capital used cash of \$120 in the first three months of 2011, and \$21 in last year's first three months. Higher sales levels in 2011 as compared to 2010 resulted in increased levels of receivables and inventory. Cash of \$238 was used in 2011 to finance increased receivables, while cash of \$123 was required to fund increased receivables in the first three months of 2010. We used cash of \$42 to fund increased inventory levels in the first quarter of 2011, compared to a use of \$27 in last year's first quarter. Partially offsetting the cash use for higher receivables and inventory in the first three months of both 2011 and 2010 was cash provided by increases in accounts payable and other net liabilities of \$160 in 2011 and \$129 in 2010. Partially offsetting the increased accounts payable and other liabilities associated with higher sales in the first quarter of 2011 was a payment of \$25 for satisfaction of an accrued warranty settlement and payments of liabilities accrued at the end of 2010 under our incentive compensation programs.



Investing activities — We used cash of \$150 in the first quarter of 2011 in connection with our strategic agreement with SIFCO. Proceeds from the sale of the Structural Products business provided cash of \$113 in the first quarter of 2010, with \$15 of additional proceeds being received in the first quarter of 2011 under the earn out provisions of the sale agreement. Expenditures for property, plant and equipment in this year's first three months were \$33, as compared to \$11 in 2010.

Financing activities — A cash use of \$867 was incurred in the first quarter 2011 in connection with the refinancing of term debt. In connection with the refinancing, we received proceeds from the issuance of new Senior Notes of \$750. Cash of \$25 was used for issuance costs associated with the 2011 term debt refinancing and restructuring of other financing arrangements. The \$70 use of cash in 2010 for financing activities was principally due to repaying term debt with proceeds from the sale of the Structures business.

#### Contractual Obligations

Preferred dividends accrued but not paid were \$15 and \$8 at March 31, 2011 and December 31, 2010. In February 2011, the Board of Directors authorized an \$8 payment of dividends which was made in April 2011.

In March 2011, we entered into an agreement to settle the remaining lease obligations relating to our Yennora Australia facility which is scheduled to close in 2011. In connection with the settlement, we have recognized \$20 of lease termination costs during the first quarter of 2011. The agreement reduces future lease obligations of \$46 that were included in our 2010 Form 10-K.

There have been no other material changes at March 31, 2011 in our contractual obligations from those reported or estimated in the disclosures in Item 7 of our 2010 Form 10-K.

#### Contingencies

For a summary of litigation and other contingencies, see Note 14 to our consolidated financial statements in Item 1 of Part I. We believe that any liabilities beyond the amounts already accrued that may result from these contingencies will not have a material adverse effect on our liquidity, financial condition or results of operations.

#### Critical Accounting Estimates

The preparation of our consolidated financial statements in accordance with U.S. GAAP requires us to use estimates and make judgments and assumptions about future events that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. There have been no material changes in the application of our significant accounting policies or critical accounting estimates as discussed in Note 1 to our consolidated financial statements in Item 7 of our 2010 Form 10-K and Item 1 of Part I of this Form 10-Q.

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

There have been no material changes to the market risk exposures related to changes in interest rates, commodity and foreign currency exchange risk as discussed in Item 7A of our 2010 Form 10-K.

#### Item 4. Controls and Procedures

Disclosure controls and procedures — We maintain disclosure controls and procedures that are designed to ensure that the information disclosed in the reports we file with the SEC under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules

and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.

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

Changes in internal control over financial reporting — There was no change in our internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

CEO and CFO certifications — The Certifications of our CEO and CFO that are attached to this report as Exhibits 31.1 and 31.2 include information about our disclosure controls and procedures and internal control over financial reporting. These Certifications should be read in conjunction with the information contained in this Item 4 and in Item 9A of our 2010 Form 10-K for a more complete understanding of the matters covered by the Certifications.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

As discussed in Note 14 to our consolidated financial statements in Item 1 of Part I, we are a party to various pending judicial and administrative proceedings that arose in the ordinary course of business.

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

### Item 1A. Risk Factors

There have been no material changes in our risk factors disclosed in Item 1A of our 2010 Form 10-K.

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

The following table presents information with respect to repurchases of common stock made by us during the quarter ended March 31, 2011. These shares were delivered to us by employees as payment for withholding taxes due upon the distribution of stock awards.

| Period           | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs |
|------------------|----------------------------------|------------------------------|--|--|
| 1/1/11 - 1/31/11 | 2,660                            | \$ 18.08                     |  |  |
| 2/1/11 - 2/28/11 |                                  |                              |  |  |
| 3/1/11 - 3/31/11 | 75,762                           | 18.86                        |  |  |

### Item 6. Exhibits

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





SIGNATURES

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

DANA HOLDING CORPORATION

Date: April 27, 2011

By: /s/ James A. Yost  
James A. Yost  
Executive Vice President and  
Chief Financial Officer

EXHIBIT INDEX

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

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