DANA CORP
Form 10-K/A
December 30, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K/A
(Amendment No. 1)
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2004
Commission file number 1-1063
Dana Corporation
(Exact name of registrant as specified in its charter)

Virginia	**34-4361040**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
4500 Dorr Street, Toledo, Ohio	**43615**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code
(419) 535-4500
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $1 par value	New York Stock Exchange The Pacific Exchange

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

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

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

Indicate by check mark if 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 o No þ

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes þ No o

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

The aggregate market value of the voting common stock held by non-affiliates of the registrant at February 28, 2005, was approximately $2,156,240,000.

There were 150,160,000 shares of registrant s common stock, $1 par value, outstanding at February 28, 2005.

DOCUMENTS INCORPORATED BY REFERENCE

Document	**Where Incorporated**
Proxy Statement for 2005 Annual Meeting of Shareholders	Part III

Explanatory Note

We are filing this Amendment No. 1 on Form 10-K/A to Dana Corporation s Annual Report on Form 10-K for the fiscal year ended December 31, 2004, which was originally filed with the Securities and Exchange Commission (the SEC) on March 9, 2005 (the Original Form 10-K), to reflect the restatement of our consolidated financial statements for each of the three years in the period ended December 31, 2004, and the Selected Financial Data for the years ended December 31, 2001 and 2000, in Item 6 of this Form 10-K/A.

We reported the decisions to restate this information in Current Reports on Form 8-K which were filed with the SEC on October 14 and November 16, 2005. The decisions to restate were based on the findings of internal investigations conducted by Dana s management and the Audit Committee of the Board of Directors. This Form 10-K/A contains more information about these restatements in Note 2. Restatement of Financial Statements and Financing Update, which accompanies the financial statements in Item 8, and more information about the internal investigations in Item 9A.

Although this Form 10-K/A contains the Original Form 10-K in its entirety, it amends and restates only Items 1, 6, 7, 8 and 9A and Exhibits 23, 31-A, 31-B and 32, as referred to in Item 15 of the Original Form 10-K, in each case solely as a result of and to reflect the restatements. Also reflected in this Form 10-K/A are the items described in the *Financing Update* in Note 2 to the consolidated financial statements included herein. No other information in the Original Form 10-K is amended hereby. In addition, this Form 10-K/A has been repaginated and references to Form 10-K have been revised to refer to Form 10-K/A.

Except for the foregoing amended information, this Form 10-K/A continues to speak as of March 9, 2005, and we have not updated or modified the disclosures herein for events that occurred at a later date. Events occurring after the date of the Original Form 10-K, and other disclosures necessary to reflect subsequent events, have been or will be addressed in our amended Quarterly Reports for the quarterly periods ended March 31 and June 30, 2005, which are being filed concurrently with this Form 10-K/A, and/or in other reports filed with the SEC subsequent to the date of the Original Form 10-K.

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DANA CORPORATION FORM 10-K/A
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

PART I
(Dollars in millions, except per share amounts)

Item 1 ***Business***

Dana Corporation is one of the world s largest independent suppliers of modules, systems and components for light, commercial and off-highway vehicle original equipment (OE) manufacturers globally and for related OE service customers. Dana is focused on being an essential partner to our customers. Our products are used in passenger cars and vans; sport-utility vehicles (SUVs); light, medium and heavy trucks; recreational vehicles and motor homes; and a wide range of off-highway vehicles. From our introduction of the automotive universal joint in 1904 to the development of high-performance products for the 21st century, we have been focused on technological innovation. We are also highly focused on product quality, delivery and service, as evidenced by our numerous supplier quality awards. As a result, we have developed successful long-standing business relationships with thousands of customers worldwide.

In addition, Dana has long served as one of the largest suppliers to the North American aftermarket. Nearly all of our automotive aftermarket operations were conducted through our Automotive Aftermarket Group (AAG). In December 2003, we announced our intention to sell substantially all of the AAG. That portion of the AAG has been presented in our financial statements as a discontinued operation. The sale was completed on November 30, 2004. The remaining portion of the AAG, which distributes engine hard parts, has become a part of our engine and fluid management operations, within our Automotive Systems Group (ASG).

In the first quarter of 2004, we combined the ASG and the former Engine and Fluid Management Group (EFMG) into a single business unit which retained the ASG name. The combined operations produce components primarily for the light vehicle original equipment (OE) manufacturer market. The combination enables their global operations serving these markets to focus resources on their common customers. The consolidation of sales, marketing and similar functions makes it impractical to continue evaluating these units as separate operations. Accordingly, our continuing operations are now organized into the following market-focused business units:

ASG manufactures and sells drivetrain modules, systems and components, consisting of axles, driveshafts, structures, and chassis and steering products, for the automotive and light vehicle markets, as well as driveshafts for the commercial vehicle market and sealing, thermal management, fluid transfer, and engine power products for the automotive, light and commercial vehicle and leisure and outdoor power equipment markets. The group also provides systems assembly, management, and integration services and related service parts. In 2004, ASG generated sales (including inter-segment sales) of $6,845 and its largest customers were Ford Motor Company (Ford), DaimlerChrysler AG (DaimlerChrysler) and General Motors Corporation (General Motors). At December 31, 2004, ASG had 148 major facilities, operated in 25 countries and employed 36,200 people.

Heavy Vehicle Technologies and Systems Group (HVTSG) manufactures and sells axles, brakes, driveshafts, chassis and suspension modules, ride controls and related modules and systems for the commercial and off-highway vehicle markets and transaxles, transmissions and electronic controls for the off-highway market. In 2004, HVTSG generated sales (including inter-segment sales) of $2,304 and its largest customers were PACCAR Inc, Volvo Group, and International Truck & Engine Corp. At December 31, 2004, HVTSG had 20 major facilities, operated in 12 countries and employed 8,000 people.

For nearly two decades, we were a leading provider of lease financing services in selected markets through our wholly owned subsidiary, Dana Credit Corporation (DCC). However, in October 2001, we determined that the sale of DCC s businesses would enable us to more sharply focus on our core businesses. Over the last three years, we have sold significant portions of DCC, reducing the total portfolio assets of $2,200 at the end of 2001 to approximately $830 at the end of 2004. While certain assets of DCC will be retained within Dana, other assets remain for sale. During 2005, we will continue our effort to maximize the value of these assets to Dana and its shareholders.

You can find more information about the operating results of our business units in Note 23. Business Segments in Item 8 of this Form 10-K/A.

Strategy

Our overall strategic direction is set out in our *Vision 2010* plan for strategic growth. Our goals under this plan represent an increased emphasis on anticipating the needs of our markets and serving our customers.

Vision 2010 provides an over-arching direction for the key elements of our strategic business plan. These elements include:

Focus and Expand Core Businesses. We believe that our core businesses are the key to the long-term profitable growth of our company. These core businesses focus on the development, design and manufacture of our core products: axles, driveshafts, structures, fluid systems, and bearing and sealing products. These businesses have leading market positions and brand equity and provide our customers with value-added solutions and products.

Our OE customers continue to target improved asset utilization, speed to market, lower cost, lower investment risk, and greater flexibility and to look for outsourcing alternatives. We expect that our global presence and technological and engineering capabilities, as well as our experience, scale of operations and long-standing relationships with major OE customers, will enable us to continue to take advantage of this opportunity. We project net new business, based on our review of our customers production estimates, will add approximately $410 to our sales revenue in 2005 and approximately $960 for the period 2005-2007. The new business is not only with our traditional U.S.-based OE customers, but also with OE manufacturers such as BMW, Isuzu, Nissan and Toyota.

Focus on Capital and Operating Efficiency. In 2004, we continued to focus on opportunities to optimize our resources and reduce manufacturing costs and undertook initiatives to maximize our return on invested capital and to improve cash flow. As part of our effort to optimize resources, we have taken significant actions to leverage our global strategic sourcing efforts by eliminating duplication, driving commonality and achieving economies of scale in purchased goods and services. We are also standardizing operational processes, such as information technology, and manufacturing and quality initiatives to promote greater sharing of best practices and deliver consistently high performance across our enterprise.

Evaluate Strategic Alliances, Joint Ventures and Selected Divestiture and Acquisition Opportunities. Among the keys to our business plan is the concept of capitalizing on strategic alliances and joint ventures. Such relationships offer opportunities to expand our capabilities with a reduced level of investment and enhance our ability to provide the full scope of services required by our customers. We have a number of strategic alliances, including our Roadranger marketing program with Eaton Corporation and programs with GETRAG Cie, to strengthen our portfolio of advanced axle technologies; Motorola Inc., to integrate its electronic expertise into the development of advanced technology for traditionally mechanical components; Bühler Motor Inc., to provide advanced automotive motor-module technologies and manufacturing expertise to support our product applications, Emerson Electric Co. to develop a series of actuator products and related components for the global electronic steering market, and Bendix Commercial Vehicle Systems LLC, to combine complementary technologies for wheel-end braking systems.

In 2003, we expanded our existing partnership with GETRAG to encompass a joint venture with Volvo Car Corporation to produce all-wheel-drive and chassis systems and components for passenger cars and sport utility vehicles.

Our divestiture activities in 2004 are described elsewhere in this report. We will continue to evaluate non-core operations for divestiture in the future. We will also evaluate potential acquisition candidates that have product platforms complementary to our core OE businesses, strong operating potential and strong existing management teams. We believe that targeted acquisitions will help us achieve our long-term objectives.

Other elements of our *Vision 2010* plan are as follows:

Customers. We will be an essential partner with our customers by identifying and delivering innovative solutions within global, diversified customer, and product portfolios. We will focus on knowing our customers expectations, nurturing enduring relationships through trust and collaboration, and employing rigorous program management to produce flawless launches.

People. We will build a faster and more capable Dana with diverse, energized, and passionate people thriving on performance. We will cultivate a learning organization that values education and personal growth; create and build upon teamwork, shared ideas, and processes; and recognize and reward our people for results.

Financial Performance. We will deliver industry-leading shareholder value by consistently growing profits through world-class lean methods and supply chain excellence with fact-based decision making. We will deliver consistent top- and bottom-line growth, focus on sustainability of cash flow, and maintain a strong balance sheet.

2004 Overview

The sale of our automotive aftermarket business in November was a major development in 2004. The proceeds from the sale ($968), in combination with proceeds from a new issuance of debt ($450), were used in part to repurchase long-term debt having a face value of approximately $900 and to make an extra contribution of approximately $200 to our pension funds, improving the funding status of our pension plans. These actions significantly strengthened our financial position. Our ratio of net debt to capital, excluding Dana Credit Corporation, approximated 35% at December 31, 2004 down from 45% at the start of the year. By repurchasing the debt, we removed high yield covenants that limited certain actions thereby increasing our financial flexibility. Following these actions, two leading credit rating agencies returned us to investment grade in December 2004.

In terms of our 2004 results from operations, net income of $62 was negatively impacted by $151 of unusual net charges. The repurchase of debt discussed in the previous paragraph resulted in an after-tax charge of $96. The sale of the aftermarket business, net of gains from the sale of Dana Credit Corporation assets, produced a net loss of $14. And, we incurred an after-tax charge of $54 on additional realignment actions.

Exclusive of unusual net charges, these results compare favorably to our results in 2003, when net income totaled $228, but included $35 of net gains from unusual items. Contributing to the significant improvement in year-over-year net income exclusive of unusual items were margin from higher sales, benefits from cost reduction initiatives and favorable tax benefits. These items more than offset the impact of higher steel costs in 2004, which reduced net income by approximately $70 when compared to steel costs in 2003.

In summary, we improved our balance sheet and our operational performance in 2004 despite a challenging operating environment, positioning the company for future growth.

Geographic Areas

We maintain administrative organizations in four regions North America, Europe, South America and Asia Pacific to facilitate financial and statutory reporting and tax compliance on a worldwide basis and to support our business units.

Our operations are located in the following countries (shown by the regions in which we administer them):

North America	Europe		South America	Asia Pacific
Canada	Austria	Slovakia	Argentina	Australia
Mexico	Belgium	Spain	Brazil	China
United States	France	Sweden	Colombia	India
	Germany	Switzerland	South Africa	Indonesia
	Italy	Turkey	Uruguay	Japan
		United Kingdom	Venezuela	South Korea
				Taiwan
				Thailand

Our non-U.S. subsidiaries and affiliates manufacture and sell a number of products similar to those we produce in the U.S. In addition to normal business risks, operations outside the U.S. may be subject to a greater risk of changing political, economic and social environments, changing governmental laws and regulations, currency revaluations and market fluctuations.

Consolidated non-U.S. sales were $3,911, or 43% of our 2004 consolidated sales. Our non-U.S. net income was $280, as compared to consolidated net income of $62 in 2004. These amounts include $30 of equity in earnings of non-U.S. affiliates.

You can find more information about our regional operating results in Note 23. Business Segments in Item 8 of this Form 10-K/A.

Customer Dependence

We have thousands of customers around the world and have developed long-standing business relationships with many of them. Ford and General Motors were the only individual customers accounting for 10% or more of our consolidated sales in 2004. We have been supplying products to these companies and their subsidiaries for many years. As a percentage of total sales, sales to Ford were 25%, 27% and 26% in 2004, 2003 and 2002, and sales to General Motors were 11%, 9% and 9%. Loss of all or a substantial portion of our sales to Ford, General Motors or other large volume customers would have a significant adverse effect on our financial results until such lost sales volume could be replaced. There would be no assurance, in such event, that the lost volume would be replaced.

Products

The following table presents the relative sales of our continuing operations by core product for the last three years:

	Percentage of Consolidated Sales		
	2004	**2003**	**2002**
Types of Products			
Axle	43%	43%	44%
Driveshaft	14	13	13
Structural	12	11	10
Bearings and sealing	10	10	9
Fluid systems	9	10	11
	88	87	87
Other	12	13	13
	100%	100%	100%

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None of our other products individually accounted for 10% of sales in these periods.

Sources and Availability of Raw Materials

We use a variety of raw materials in the production of our products, including steel and products containing steel, forgings, castings and bearings. Other commodity purchases include aluminum, brass, copper and plastics. Our operating units purchase most of the raw materials they require from suppliers located within their local geographic regions. Generally, these materials are available from multiple qualified sources in quantities sufficient for our needs. However, some of our operations are dependent on single sources for some raw materials as a result of the consolidations we have been making in our supply base in order to manage and reduce our production costs. While our suppliers have generally been able to support our needs, our operations may experience shortages and delays in the supply of raw material, from time to time, due to strong demand, capacity limitations and other problems experienced by the suppliers. A significant or prolonged shortage of critical components from any of our suppliers could adversely impact our ability to meet our production schedules and to deliver our products to our customers when they have requested them.

Increasing steel and other raw material costs, primarily resulting from limited capacity and high demand among steel suppliers, had a major adverse effect on our results of operations during 2004, as discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Form 10-K/A.

Seasonality

Our businesses are generally not seasonal. However, our sales are closely related to production schedules of our OE manufacturing customers and historically those schedules have been weakest in the third quarter of the year.

Backlog

Generally, our products are not on a backlog status. They are produced from materials that are generally available in ample quantities and have a relatively short manufacturing cycle. Each operating unit maintains its own inventories and production schedules and some of our products are available from more than one facility.

Competition

Within each of our continuing operating segments, we compete with a variety of independent suppliers and distributors, as well as the in-house operations of certain OE manufacturers. We compete primarily on the basis of price, product quality, technology, delivery and service.

A summary by operating segment is set forth below:

Automotive Systems Group We are one of the primary independent suppliers in torque and traction technologies (axles, driveshafts, and drivelines), structural solutions (frames) and system integration technologies (including advanced modularity concepts and systems). Our primary competitors include American Axle, in-house operations of DaimlerChrysler, GKN, Magna, Tower Automotive, ThyssenKrupp, Visteon and ZF Group. We are also one of the leading independent suppliers of sealing systems (gaskets and cam covers), thermal management (thermal acoustical shields, heat exchangers, and small radiators), fluid transfer (fuel rails, brake lines and HVAC routing) and power products (piston rings and engine bearings). On a global basis, our primary competitors in sealing systems are ElringKlinger, Federal Mogul and Freudenberg NOK. Competitors in thermal management include Behr, Delphi, Modine and Valeo. On the fluid transfer side of the business, we compete against companies such as Delphi, Eaton, Valeo and Visteon. Primary competitors on the power products side of the business include Federal Mogul and Mahle.

Heavy Vehicle Technologies and Systems Group We are one of the primary independent suppliers of axles, driveshafts and brakes for both the medium and heavy truck markets, as well as various off-highway segments. With regard to the off-highway markets specifically, we also specialize in the manufacturing of transmissions. Our primary competition in North America includes ArvinMeritor in the medium and heavy truck markets and Hendrickson in the trailer market. Other major competitors in Europe include OE manufacturers vertically integrated operations in the heavy truck markets, as well as Carraro, ZF Group and OE manufacturers vertically integrated operations in the off-highway markets.

Patents and Trademarks

Our proprietary drivetrain, engine parts, chassis, structural components, fluid power systems and industrial power transmission product lines have strong identities in the markets we serve. Throughout these product lines, we manufacture and sell our products under a number of patents which have been obtained over a period of years and expire at various times. We consider each of these patents to be of value and aggressively protect our rights throughout the world against infringement. Because we are involved with many product lines, the loss or expiration of any particular patent would not materially affect our sales and profits.

We own or have licensed numerous trademarks which are registered in many countries, enabling us to market our products worldwide. Our Spicer®, Victor Reinz®, Clevite®, Glacier® and Vandervell® trademarks, among others, are widely recognized in their respective industries.

Research and Development

Our objective is to be a leader in offering superior quality, technologically advanced products to our customers at competitive prices. To enhance quality and reduce costs, we use statistical process control, cellular manufacturing, flexible regional production and assembly, global sourcing and extensive employee training.

In addition, we engage in ongoing engineering, research and development activities to improve the reliability, performance and cost-effectiveness of our existing products and to design and develop disruptive products for existing and new applications. We are integrating related operations to create a more innovative environment, speed product development, maximize efficiency and improve communication and information sharing among our research and development operations. One example of locations where these efforts are being integrated is our new ASG Technology Center that opened in late 2003. At December 31, 2004, ASG had 22 technical centers and HVTSG had 4. Our spending on engineering, research and development and quality control programs was $269 in 2004, $252 in 2003 and $248 in 2002.

Employment

Our worldwide employment (including consolidated subsidiaries) was approximately 45,900 at December 31, 2004. This represents a 35% reduction from the number of people reported at the end of 2001, which is attributable to our restructuring activities and divestitures.

Environmental Compliance

We make capital expenditures in the normal course of business as necessary to ensure that our facilities are in compliance with applicable environmental laws and regulations. The cost of environmental compliance was not a material part of our capital expenditures and did not have a material adverse effect on our earnings or competitive position in 2004. We do not anticipate that future environmental compliance costs will be material. You can find more information in Environmental Compliance and Remediation under Note 1. Summary of Significant Accounting Policies and under Note 19. Commitments and Contingencies of Item 8 of this Form 10-K/A.

Risk Factors

Among the risks that could materially adversely affect our business, financial condition or results of operations are the following:

Our business is affected by the cyclical nature of the OE markets that we serve. Our financial performance depends, in large part, on the varying conditions in the global automotive, commercial vehicle and off-highway OE markets that we serve. Demand in these markets fluctuates in response to overall economic conditions and is particularly sensitive to changes in interest rate levels and, in the vehicular markets, changes in fuel costs. Our sales of vehicular products are also impacted by OE manufacturer inventory levels and production schedules. In North America, our largest market, while light duty production levels have remained relatively stable for the past few years, the OE manufacturers have increasingly used incentives to stimulate and maintain demand levels. Whether these incentives and the demand levels can be maintained indefinitely is uncertain.

We are faced with increasing commodity costs that we may be unable to fully recover. Increasing steel and other raw material costs had a significant impact on our results and those of others in our industry in 2004. As a result of limited capacity and high demand, steel suppliers began assessing price surcharges and increasing base prices during the fourth quarter of 2003. The increased costs continued throughout 2004, impacting us most significantly during the second half of the year. Our purchases of steel were approximately $1,700 in 2004, with about 30% in the form of raw steel from mills and processors and the balance coming from components or products containing steel. Compared to our costs at the end of 2003, steel cost surcharges and price increases, net of recoveries from our customers, reduced our net income by $55 after tax in our continuing operations during 2004, and we expect to experience an additional adverse impact during 2005.

We could be adversely affected if we experience shortages of components from our suppliers. We spend approximately $4,500 annually for purchased goods and services. In an effort to manage and reduce these costs, we have been consolidating our supply base. As a result, we are dependent on single sources of supply for some components of our products. We select our suppliers based on total value (including price, delivery and quality), taking into consideration their production capacities and financial condition, and we expect that they will be able to support our needs. However, there can be no assurance that strong demand, capacity limitations or other problems experienced by our suppliers will not result in occasional shortages or delays in their supply of components to us. If we were to experience a significant or prolonged shortage of critical components from any of our suppliers, particularly those who are sole sources, and could not procure the components from other sources, we would be unable to meet our production schedules for some of our key products and to ship such products to our customers in timely fashion, which would adversely affect our revenues, margins and customer relations.

A few customers account for a significant share of our business. Sales to Ford, General Motors and DaimlerChrysler accounted for 44% of our sales in 2004 and sales to PACCAR, Navistar, Renault-Nissan, Volvo Truck and Toyota accounted for another 18%. Sales to these customers are made under various contracts with differing expiration dates, generally relating to particular vehicle models. The loss of any of these companies as a customer, the loss of business with respect to one or more of the vehicle models that use our products, or a significant decline in the production levels of such vehicles could have an adverse effect on our business, results of operations and financial condition.

We are faced with continued price reduction pressure from our customers. A challenge that we and other suppliers to the vehicular markets face is the effect of continued price reduction pressure from our customers. Our largest customers, the U.S.-based light vehicle OE manufacturers, in particular have experienced market share erosion to non-U.S.-based light vehicle manufacturers over the past few years, thereby putting pressure on their profitability. To the extent this trend continues, we expect the price reduction pressures that we face will be ongoing. Our realignment and outsourcing initiatives have helped position us for this situation. While ongoing cost reduction and lean manufacturing programs are important to sustaining and improving our margins, there is no assurance that we will be able to maintain or improve our historical levels of profitability.

The competitive environment in our OE automotive and commercial vehicle sectors is evolving. In recent years, the competitive environment among suppliers to the global OE manufacturers has changed significantly as these

manufacturers have sought to outsource more vehicular components, modules and systems. In addition, these sectors have experienced substantial consolidation. We expect to respond to these changes in our markets through strategic alliances, joint ventures, acquisitions and divestitures, as well as through other initiatives intended to maintain our competitiveness. However, there is no assurance that our efforts will be successful or that new or larger competitors will not significantly impact our business, results of operations and financial condition.

Sources of financing may become unavailable to us. We have a long-term credit facility in the amount of $400 which matures in March 2010. This facility requires us to attain specified financial ratios as of the end of each quarter, including the ratio of net senior debt to tangible net worth; the ratio of earnings before interest, taxes and depreciation and amortization (EBITDA) less capital spend to interest expense; and the ratio of net senior debt to EBITDA, as such terms are defined in the facility.

We have an accounts receivable securitization program that provides up to $200 to help meet our periodic demands for short-term financing. The amounts available under this program are subject to reduction based on adverse changes in our credit rating or those of our customers, customer concentration levels or certain characteristics of the underlying accounts receivable. This program is subject to termination by the lenders if our credit ratings are lowered below B1 by Moody s Investor Service and B+ by Standard and Poor s.

Because our financial performance is impacted by various economic, financial and industry factors, we cannot say with certainty whether we will satisfy the covenants under these facilities in the future. Noncompliance with these covenants would constitute an event of default, allowing the lenders to accelerate the repayment of any borrowings outstanding under the facilities. While no assurance can be given, we believe that we would be able to successfully negotiate amended covenants or obtain waivers if an event of default were imminent; however, we might be required to provide collateral to the lenders or make other financial concessions. Any default under our credit facilities or any of our significant note agreements may result in defaults under our other debt instruments. Our business, results of operations and financial condition could be adversely affected if we were unable to successfully negotiate amended covenants or obtain waivers on acceptable terms.

While we can give no assurances, we expect to be able to continue to secure short-term financing, but may be forced to adjust our programs if adequate funds are not available on acceptable terms or at all. In the event that we are unable to obtain short-term financing or such financing is not available on acceptable terms, our business, results of operations and financial condition may be adversely affected.

We may not realize the deferred tax assets carried on our balance sheet. We evaluate the carrying value of our deferred tax assets quarterly. Excluding a capital loss carryforward generated in 2002 in connection with the sale of one of our subsidiaries, the most significant portion of our deferred tax assets consists of tax benefits recorded for operations in the United States. Our net federal and state deferred tax assets in the U.S. totaled $756 at December 31, 2004. To ensure realization of these assets, we must generate approximately $1,600 of pre-tax income in future years, assuming a 35% federal statutory tax rate. Although we currently believe that it is more likely than not that we will generate sufficient U.S.-based taxable income to realize these deferred tax assets, the full realization of these assets is not assured. If, as a result of changes in our competitive, operating, economic or regulatory environments, we conclude that it is more likely than not that we will be unable to fully realize these assets, we would be required to provide a full or partial valuation allowance against these deferred tax assets at that time. Providing such a valuation allowance would have an adverse effect on net income and shareholders equity, the amount of which is likely to be material.

We could be adversely affected by product liability claims, including those related to asbestos exposure. Currently, product liability claims are not material to our financial condition. However, we have exposure to asbestos-related claims and litigation because, in the past, some of our automotive products contained asbestos. At the end of 2004, we had approximately 116,000 active pending asbestos-related product liability claims, including 10,000 that were settled and awaiting documentation and payment. We cannot estimate possible losses in excess of those for which we have accrued because we cannot predict how many additional claims may be brought against us in the future, the allegations in such claims or their probable outcomes. A substantial increase in the number of new claims or the costs to resolve them or changes in the amount of available insurance could adversely impact us, as could the enactment of currently proposed U.S. federal legislation relating to asbestos personal injury claims.

We could be adversely impacted by environmental laws and regulations. Our operations are subject to U.S. and non-U.S. environmental laws and regulations governing emissions to air; discharges to water; the generation, handling, storage, transportation, treatment and disposal of waste materials; and the cleanup of contaminated properties. Currently, environmental costs with respect to our former, existing or subsequently acquired operations are not material, but there is no assurance that we will not be adversely impacted by such costs, liabilities or claims in the future either under present laws and regulations or those that may be adopted or imposed in the future.

Available Information

We make available free of charge on or through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our Internet address is http://www.dana.com.

Executive Officers

The following table contains information about our current executive officers and their positions. All positions are with Dana unless otherwise indicated. The first five of these individuals are currently members of Dana s Executive Committee, which is responsible for our corporate strategies and partnership relations, as well as the development of our people, policies and philosophies.

Name	Age	Title
Michael J. Burns	52	Chairman of the Board, Chief Executive Officer, President and Chief Operating Officer
Bernard N. Cole	62	President Heavy Vehicle Technologies and Systems Group
Charles F. Heine	52	President Technology Development and Diversified Products
James M. Laisure	53	President Automotive Systems Group
Robert C. Richter	53	Vice President and Chief Financial Officer of Dana and Chairman Dana Credit Corporation
Richard J. Dyer	49	Chief Accounting Officer

Mr. Burns has been Chief Executive Officer, President and a director of Dana since March 2004, and Chairman of the Board and Chief Operating Officer since April 2004. He was previously President of General Motors Europe from 1998 to 2004.

Mr. Cole has been President Heavy Vehicle Technologies and Systems Group since 2002. He was previously President Commercial Vehicle Systems during 2002 and President Off-Highway Systems Group from 1997 to 2002. He has been Chairman of Dana India Pvt. Ltd., a wholly-owned Dana subsidiary, since 2001.

Mr. Heine has been President Technology Development and Diversified Products since 2001. He was previously President Engine Systems Group from 1998 to 2001.

Mr. Laisure has been President Automotive Systems Group since March 2004. He was previously President Engine and Fluid Management Group from 2001 to 2004, President Fluid Systems Group from 2000 to 2001, and Group Vice President Fluid Systems Group from 1999 to 2000.

Mr. Richter has been Vice President and Chief Financial Officer of Dana since 1999 and Chairman of Dana Credit Corporation since 2002.

Mr. Dyer has been Chief Accounting Officer since March 2005. He was previously Director-Corporate Accounting from 2002 to 2005 and Manager-Corporate Accounting from 1997 to 2002.

Some of the above officers are appointed by the Board annually at its organizational meeting, as provided in our By-Laws, and hold office until their successors are appointed or their earlier death, retirement, resignation or removal. Others are appointed by the Board or designated by the Chief Executive Officer from time to time and serve, as applicable, at the pleasure of the Board or the Chief Executive Officer.

Item 2 ***Properties***

As shown in the following table, at December 31, 2004, our continuing operations had 254 manufacturing, distribution, sales branches and office facilities worldwide. We own the majority of our manufacturing and larger distribution facilities. We lease certain manufacturing facilities and most of our smaller distribution outlets, sales branches and offices.

Dana Facilities by Geographic Region

Type of Facility	North America	Europe	South America	Asia/ Pacific	Total
Manufacturing	90	39	29	11	169
Distribution	18	1	14		33
Sales branches and offices	34	9	3	6	52
Total	142	49	46	17	254

Item 3 ***Legal Proceedings***

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

Environmental Proceedings We previously reported an environmental proceeding involving our plant on Sanford Street in Muskegon, Michigan. In 2002, that facility received a notice of an enforcement action and proposed consent order from the Michigan Department of Environmental Quality (MDEQ), alleging various air permit and rule violations. Negotiations with the MDEQ resulted in a final consent order with a fine of $0.12. That consent order has been finalized and this matter is now closed.

We have also reported an environmental matter in which the U.S. Department of Justice (DOJ) proposed a consent decree and a fine in connection with alleged violations of the U.S. Clean Water Act at our facility on Harvey Street in Muskegon, Michigan. We submitted a proposal to the DOJ to undertake certain supplemental environmental projects to reduce or offset the amount of the proposed fine. The DOJ reviewed our proposal and reduced the proposed fine to $0.15, taking into account some of these projects and other mitigating factors. Discussions are continuing with the DOJ to finalize the consent order for this matter.

Litigation We have previously reported various lawsuits that were filed in connection with the $15.00 per share cash tender offer for all of the outstanding shares of our common stock that was commenced by Delta Acquisition Corp., a subsidiary of ArvinMeritor, Inc. (ArvinMeritor), on July 9, 2003, raised to $18.00 per share on November 17, 2003 and withdrawn on November 23, 2003 (the Offer). Of these lawsuits, two purported shareholder derivative actions filed against Dana and its directors in 2003 remain pending. There have been no court filings or actions in either case since September 2003. In the first case, *In re Dana Corporation Shareholder Litigation,* filed in the Circuit Court for the City of Buena Vista, Virginia, the plaintiffs allege that Dana s director-defendants breached their fiduciary duties in connection with ArvinMeritor s private proposal in June 2003 and that the Offer and the disclosures in Dana s Schedule 14D-9 omitted certain material information. In the second case, *Kincheloe v. Dana Corp., et al.*, filed in the U.S. District Court for the Western District of Virginia, the plaintiffs alleged that Dana s director-defendants breached their fiduciary duties to Dana s shareholders in connection with the Offer. Dana and the director-defendants believe the allegations in both lawsuits are without merit.

You can find more information about our legal proceedings under Note 19. Commitments and Contingencies in Item 8 and Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Form 10-K/A.

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

-None-

PART II

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

Our common stock is listed on the New York Stock Exchange and The Pacific Exchange. On February 28, 2005, there were approximately 37,400 shareholders of record.

We have paid quarterly cash dividends on our common stock since 1942. Information regarding the quarterly ranges of our stock price and dividends declared and paid during 2004 and 2003 is presented in the following table.

	Stock Price						Cash Dividends Declared and Paid	
	2004			2003				
Quarter Ended	**High**	**Low**	**Close**	**High**	**Low**	**Close**	**2004**	**2003**
March 31	**$ 23.20**	**$ 17.65**	**$ 19.86**	$ 12.58	$ 6.15	$ 7.06	**$ 0.12**	$ 0.01
June 30	**22.00**	**17.32**	**19.60**	11.94	6.99	11.56	**0.12**	0.01
September 30	**19.75**	**16.50**	**17.69**	17.19	11.14	15.43	**0.12**	0.01
December 31	**18.59**	**13.86**	**17.33**	18.40	14.60	18.35	**0.12**	0.06

The following table provides information about our purchases of equity securities that are registered pursuant to Section 12 of the Exchange Act during the quarter ended December 31, 2004:

Month	**Total Number of Shares Purchased**	**Average Price Paid Per Share**
October 2004	277	$ 20.81
December 2004	4,108	17.08
	4,385	$ 17.31

Item 6 ***Selected Financial Data***

The following tables set forth selected financial information for our company. The financial information for the years ended December 31, 2004, 2003 and 2002 and as of December 31, 2004 and 2003 has been derived from our restated consolidated financial statements included elsewhere in this report. The financial information for the years ended 2001 and 2000 and as of December 31, 2002, 2001, and 2000, has also been restated, primarily for the matters described in Note 2 to the consolidated financial statements. The historical selected financial information may not be representative of our future performance and should be read in conjunction with the information contained in Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included in Items 7 and 8, respectively, of this Form 10-K/A.

	Year Ended December 31,						
(Dollars in millions, except per share amounts)	**2004(a)**	**2003(a)**	**2002(a)**	**2001(b)**		**2000(b)**	
	Restated-See Note 2	**Restated-See Note 2**	**Restated-See Note 2**	**As Reported**	**As Restated**	**As Reported**	**As Restated**
Summary of Operations:							
Net Sales	**$ 9,048**	$ 7,918	$ 7,507	$ 7,480	$ 7,476	$ 9,282	$ 9,279
Cost of Sales	**8,372**	7,249	6,826	6,844	6,822	8,121	8,108
Pre-Tax Income (Loss) of Continuing Operations	**(180)**	80	(118)	(348)	(338)	385	399
Income (Loss) from Continuing Operations	**66**	171	18	(205)	(197)	280	289
Income (Loss) from Discontinued Operations	**(4)**	57	49	(93)	(64)	54	28
Effect of Change of Accounting			(220)				
Net Income (Loss)	**62**	228	(153)	(298)	(261)(c)	334	317(d)
Income (Loss) per Common Share Basic							
Continuing Operations	**0.44**	1.15	0.12	(1.38)	(1.34)	1.84	1.90
Discontinued Operations	**(0.03)**	0.39	0.32	(0.63)	(0.43)	.36	0.18
Effect of Change in Accounting			(1.48)				