



October 26, 2012

Dear colleague:

Today we announced earnings for the third quarter of 2012, and I want to thank all of you for your hard work in achieving solid results. We have seen volatility throughout the entire year, but in the third quarter we saw a rapid softening of demand in some of our key markets. Most significant was the decline in our North American commercial vehicle market, where production rates are now below those of last year.

Looking forward we see opportunity, and also continued headwinds. The uncertain global economic environment continues to put pressure on production in Europe, China, and Brazil. In North America, as evidenced not only by our earnings release, but by many other companies as well, there is a looming concern in the economy. The threats of a fiscal cliff, along with increasing taxes on small businesses, are holding down job creation and optimism for growth in the United States. These economic factors affect Dana in that we must always be sure that we are keeping our costs in line with our revenue changes.

We must also offset increased costs that are placed on us through new laws and regulations. For example, the Patient Protection and Affordable Care Act, also known as "Obamacare," is expected to cost Dana approximately \$24 million over the next six years in additional U.S. health care expenses. This is a cost that our customers are not willing to cover, mandating that we reduce our overhead expenses to cover them. On a positive note, we have made the decision to increase the investment in our global engineering spending to facilitate our growth plan. And we are committed to not allowing this increase to become an excuse for the earnings performance of our company. These challenges require all of us to be innovative and focused to meet the increased cost burdens with creative ways to accomplish our current performance expectations and future growth objectives.

To counter some of the challenges ahead, we have and are taking aggressive steps to manage costs in each and every aspect of the business. These actions include reducing material costs, taking the complexity out of our products and processes, and reducing our conversion and overhead costs. It is most difficult when our colleagues are affected, but we must take action now, with the outlook as we see it, to ensure that we are competitive in the future.

When I joined Dana 18 months ago, I saw the great potential of this company to move from a survival mode story to a profitable growth trajectory. We have made great strides in our vision to become the global technology leader in efficient power conveyance and energy management solutions. We are on our way to this vision, with a solid plan in place to get there. Working together as One Dana, we are becoming a lean, efficient, results-driven organization with a renewed sense of urgency. We are also investing in technology that supports our growth strategy.

This new Dana requires all of our ongoing diligence in reducing cost and complexity, which is essential to fueling our growth and mitigating mandated costs. Even amid volatile market conditions and increased cost mandates that are placed on our business, I am confident that continued discipline and flexibility will help Dana to remain strong. Consistent with our culture and operating model, I encourage each of you to bring forward your ideas to improve efficiency, eliminate waste, and move us forward.

Thank you for your cooperation, and I look forward to working with you as we meet these challenges together.

Sincerely,

Roger J. Wood  
President and CEO