

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the Quarterly Period Ended March 31, 1999

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 Number)

4500 Dorr Street, Toledo, Ohio

43615

(Address of Principal Executive Offices)

(Zip Code)

(419) 535-4500

(Registrant's telephone number, including area code)

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 X No
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 1999
Common stock of \$1 par value	165,976,929

DANA CORPORATION AND CONSOLIDATED SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

ITEM 1. DANA CORPORATION

CONDENSED BALANCE SHEET (Unaudited)

(in Millions)

Assets	December 31, 1998	March 31, 1999
Current Assets		
Cash and Marketable Securities	\$ 230.2	\$ 207.8
Accounts Receivable		
Trade	1,616.9	2,089.0
Other	246.7	267.3
Inventories		
Raw Materials	470.6	493.8
Work in Process and Finished Goods	1,208.1	1,135.4
Other Current Assets	564.5	608.7
	-----	-----
Total Current Assets	4,337.0	4,802.0
Property, Plant and Equipment	5,765.3	5,736.9
Less: Accumulated Depreciation	2,461.5	2,479.4
Investments in Leases	851.9	830.2
Investments and Other Assets	1,644.8	1,596.4
	-----	-----
Total Assets	\$ 10,137.5	\$ 10,486.1
	=====	=====
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes Payable, Including Current		
Portion of Long-Term Debt	\$ 1,698.1	\$ 1,317.7
Accounts Payable	995.6	984.7
Accrued Payroll and Employee Benefits	355.5	366.4
Other Accrued Liabilities	782.8	721.0
Taxes on Income	154.6	230.1
	-----	-----
Total Current Liabilities	3,986.6	3,619.9
Long-Term Debt	1,717.9	2,520.1
Deferred Employee Benefits		
and Other Noncurrent Liabilities	1,337.5	1,346.9
Minority Interest	156.3	133.1
Shareholders' Equity	2,939.2	2,866.1
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 10,137.5	\$ 10,486.1
	=====	=====

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

ITEM 1. (Continued)

DANA CORPORATION

STATEMENT OF INCOME (Unaudited)

(in Millions Except Per Share Amounts)

	Three Months Ended	
	March 31	
	1998	1999
Net Sales	\$ 3,232.8	\$ 3,380.6
Revenue from Lease Financing and Other Income	58.0	38.9
	3,290.8	3,419.5
Costs and Expenses		
Cost of Sales	2,699.2	2,814.6
Selling, General and Administrative Expenses	299.1	296.4
Restructuring and Integration Charges	-	6.6
Interest Expense	70.7	70.0
	3,069.0	3,187.6
Income Before Income Taxes	221.8	231.9
Estimated Taxes on Income	(88.1)	(83.3)
Minority Interest	(2.7)	(2.1)
Equity in Earnings of Affiliates	9.6	15.0
Net Income	\$ 140.6	\$ 161.5
Net Income Per Common Share -		
Basic	\$.86	\$.97
Diluted	\$.84	\$.97
Dividends Declared and Paid per Common Share	\$.27	\$.31
Average Number of Shares Outstanding -		
For Basic	164.3	165.8
For Diluted	166.7	167.0

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

ITEM 1. (Continued)

DANA CORPORATION
 CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
 (in Millions)

	Three Months Ended March 31	
	1998	1999
	----	----
Net Income	\$ 140.6	\$ 161.5
Depreciation and Amortization	115.4	130.6
Working Capital Change and Other	(143.8)	(439.2)
	-----	-----
Net Cash Flows from Operating Activities	112.2	(147.1)
	-----	-----
Purchases of Property, Plant and Equipment	(118.3)	(193.1)
Purchases of Assets to be Leased	(117.5)	(26.0)
Payments Received on Leases and Loans	84.7	50.7
Acquisitions	(315.2)	-
Divestitures	25.0	-
Other	(18.3)	(84.1)
	-----	-----
Net Cash Flows-Investing Activities	(459.6)	(252.5)
	-----	-----
Net Change in Short-Term Debt	(57.0)	(502.8)
Proceeds from Long-Term Debt	379.3	1,043.3
Payments on Long-Term Debt	(124.2)	(116.0)
Dividends Paid	(42.7)	(51.4)
Other	18.2	4.1
	-----	-----
Net Cash Flows-Financing Activities	173.6	377.2
	-----	-----
Net Change in Cash and Cash Equivalents	(173.8)	(22.4)
Cash and Cash Equivalents-beginning of period	422.7	230.2
	-----	-----
Cash and Cash Equivalents-end of period	\$ 248.9	\$ 207.8
	=====	=====

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

ITEM 1. (Continued)

NOTES TO CONDENSED FINANCIAL STATEMENTS

(in Millions Except Per Share Amounts)

1. In our opinion, all normal recurring adjustments necessary to a fair presentation of results for the unaudited interim periods have been included. Where appropriate, we have reclassified certain amounts in 1998 to conform with the 1999 presentation.
2. In January 1998, we acquired both the heavy axle and brake business of Eaton Corporation and General Automotive Specialty Company, Inc., a manufacturer of motor vehicle switches and locks. These acquisitions have been accounted for as purchases and their results of operations have been included since the dates of acquisition. Goodwill relating to the acquisitions is included in Investments and Other Assets.
3. In February 1998, we completed the sale of our hydraulic brake hose facilities in Columbia City, Ind., and Garching, Germany, to CF Gomma, S.p.A.
4. Following is a reconciliation of average shares for purposes of calculating basic and diluted net income per share.

	Three Months Ended March 31	
	1998	1999
	----	----
Weighted average common shares outstanding	164.3	165.8
	-----	-----
Plus: Incremental shares from assumed conversion of -		
Deferred compensation units	.5	.5
Stock options	1.9	.7
	-----	-----
Total potentially dilutive securities	2.4	1.2
	-----	-----
Adjusted average common shares outstanding	166.7	167.0
	=====	=====

5. On an annual basis, disclosure of comprehensive income is incorporated into the Statement of Shareholders' Equity. This statement is not presented on a quarterly basis. Comprehensive income includes net income and components of other comprehensive income, such as foreign currency translation adjustments, unrealized investment gains or losses and minimum pension liability adjustments. The \$196 deferred translation loss in the first quarter of 1999 is primarily due to the devaluation of the Brazilian real and the strengthening of the U.S. dollar against several European currencies. Our total comprehensive income/(loss) is as follows:

	Three Months Ended March 31	
	1998	1999
	----	----
Net income	\$140.6	\$161.5
Other comprehensive loss		
Deferred translation loss	(23.2)	(196.0)
Other	.2	.1
	-----	-----
Total comprehensive income/(loss)	\$117.6	\$(34.4)
	=====	=====

NOTES TO CONDENSED FINANCIAL STATEMENTS

(in Millions Except Per Share Amounts)

6. We are organized into seven Strategic Business Units (SBUs) encompassing our key markets: Automotive Systems Group (ASG), Automotive Aftermarket Group (AAG), Engine Systems Group (ESG), Off-Highway Systems Group (OHSG), Industrial Group (IG), Heavy Truck Group (HTG) and Dana Commercial Credit (DCC). This structure allows our people in each of these areas to focus their resources to the benefit of Dana and our global customers. Management evaluates the operating segments and regions as if DCC were accounted for on the equity method of accounting rather than on the fully consolidated basis used for external reporting. With the exception of DCC, operating profit after tax (PAT) represents earnings before interest and taxes, tax effected at 41% (Dana's long-term effective rate), plus equity in earnings of affiliates. Information used to evaluate the SBUs and regions is as follows:

THREE MONTHS ENDED MARCH 31

	SALES		OPERATING PAT		NET PROFIT	
	1998	1999	1998	1999	1998	1999
ASG	\$1,100.8	\$1,176.1	\$ 84.0	\$ 93.1	\$ 66.6	\$ 69.4
AAG	646.3	696.1	24.7	40.6	16.1	28.8
ESG	505.6	642.9	22.9	35.8	15.7	24.5
OHSG	238.6	217.4	13.4	9.2	9.7	5.1
IG	189.8	180.7	12.0	9.5	9.3	6.4
HTG	414.8	446.0	21.4	26.6	15.7	18.9
DCC			8.0	8.9	8.0	8.9
Other	136.9	21.4	(48.2)	(56.5)	(2.9)	5.2
Total Operations	3,232.8	3,380.6	138.2	167.2	138.2	167.2
Restructuring and Nonrecurring items			2.4	(5.7)	2.4	(5.7)
Consolidated	\$3,232.8	\$3,380.6	\$ 140.6	\$ 161.5	\$ 140.6	\$ 161.5
North America	\$2,519.7	\$2,600.9	\$ 159.8	\$ 191.4	\$ 127.6	\$ 146.9
South America	177.3	131.4	4.7	1.4	.8	(1.8)
Europe	462.3	582.5	14.5	20.2	7.1	9.1
Asia Pacific	47.1	57.4	1.3	(0.1)	(1.9)	(3.1)
DCC			8.0	8.9	8.0	8.9
Other	26.4	8.4	(50.1)	(54.6)	(3.4)	7.2
Total Operations	3,232.8	3,380.6	138.2	167.2	138.2	167.2
Restructuring and nonrecurring items			2.4	(5.7)	2.4	(5.7)
Consolidated	\$3,232.8	\$3,380.6	\$ 140.6	\$ 161.5	\$ 140.6	\$ 161.5

ITEM 1. (Continued)

NOTES TO CONDENSED FINANCIAL STATEMENTS

(in Millions Except Per Share Amounts)

7. In the fourth quarter of 1998, we recorded restructuring and integration charges of \$138 related to the integration of the former Echlin operations into our businesses. Of this amount, \$118 was charged to restructuring and \$20, for writing down inventory, was charged to cost of sales. In the first quarter of 1999, we charged \$7 to restructuring and integration expense.
- At March 31, 1999, \$98 of restructuring charges remained in accrued liabilities. This balance was comprised of \$88 for the reduction of approximately 1,800 employees to be completed in 1999 and \$10 for lease terminations and other exit costs. The estimated cash expenditures will be approximately \$76 in 1999, \$19 in 2000 and \$3 thereafter. Our liquidity and cash flows will not be materially impacted by these actions.
8. In the first quarter of 1999, we sold \$1,000 of new unsecured senior notes consisting of \$250 of 6.25% notes due March 1, 2004, \$350 of 6.5% notes due March 1, 2009 and \$400 of 7.0% notes due March 1, 2029. Proceeds from the issues were used to refinance the bridge financing arranged for the Glacier Vandervell bearings and AE Clevite aftermarket engine hard parts acquisitions, as well as to pay down other short-term debt.
9. In March 1999, we terminated our agreement with a financial institution to sell, without recourse, undivided fractional interests in designated pools of trade accounts receivable, up to a maximum of \$200. Accounts receivable amounting to \$200 had been sold under this agreement at December 31, 1998.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF

 FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

(in Millions)

Increases in net income and depreciation and amortization had a positive impact on cash provided by operating activities in the first quarter of 1999. However, termination of a \$200 accounts receivable factoring program, along with a seasonal increase in accounts receivable, contributed to a nearly \$440 increase in working capital for the quarter, resulting in a \$147 outflow of cash related to operating activities.

CASH FLOWS FROM OPERATIONS

FOR THREE MONTHS ENDED
 MARCH 31

1997	\$ 27
1998	112
1999	(147)

Net cash of \$253 used in investing activities was \$207 less than in the first quarter of 1998. In 1998, the acquisitions of Eaton Corporation's heavy axle and brake business, General Automotive Specialty, Inc. and the remaining 40% interest in Simesc, our Brazilian structural components manufacturing company, used cash of \$315.

CAPITAL EXPENDITURES

	YEAR ENDED DECEMBER 31	THREE MONTHS ENDED MARCH 31
--	------------------------------	-----------------------------------

1997	\$579	\$128
1998	661	118
1999	720 *	193

* Projected

Capital expenditures were \$75 higher than the first quarter of 1998. We currently anticipate capital spending for the full year of 1999 to be \$59 above the 1998 level.

Net purchases of leased assets (purchases less principal payments on leases and loans) provided cash of \$25 in 1999, an increase of \$58 over 1998.

Financing activities provided net cash of \$377. In the first quarter of 1999, we sold \$1,000 of new unsecured senior notes consisting of \$250 of 6.25% notes due March 1, 2004, \$350 of 6.5% notes due March 1, 2009 and \$400 of 7.0% notes due March 1, 2029. Proceeds from the issues were used to refinance the bridge financing arranged for the Glacier Vandervell bearings and AE Clevite aftermarket engine hard parts acquisitions, as well as to pay down other short-term debt.

Cash dividends paid in the first quarter of 1999 were \$51 compared to \$43 last year. This change is primarily due to increasing our quarterly dividend rate by \$.04 since the first quarter of 1998.

In April 1999, the Board of Directors authorized a stock buy-back plan under which we may repurchase up to \$350 of our common stock. The purchases may be made in the open market or in privately negotiated transactions from time to time during the next 12 to 18 months.

ITEM 2. (Continued)

Liquidity and Capital Resources

(in Millions)

The purchases will be funded through available cash flow, which could be supplemented by proceeds from asset sales currently under evaluation.

Committed and uncommitted bank lines enable us to issue commercial paper and make direct bank borrowings. Excluding DCC, we had committed and uncommitted borrowing lines of credit totaling approximately \$1,782 at the end of the first quarter of 1999, while DCC's credit lines totaled \$743. We expect that our strong cash flows from operations and from potential asset sales, together with worldwide credit facilities, will provide adequate liquidity to meet our debt service obligations, projected capital expenditures, working capital requirements, and potential acquisition and share repurchase obligations.

We have reviewed liabilities that may result from the legal proceedings (including those involving product liability claims and alleged violations of environmental laws) to which we were parties as of March 31, 1999 and we do not believe that these liabilities or the related cash flows are reasonably likely to have a material adverse effect on our liquidity, financial condition or results of operations. Contingent environmental and product liabilities were estimated based on the most probable method of remediation or outcome, current laws and regulations and existing technology. Estimates were made on an undiscounted basis and exclude the effects of inflation. When there was a range of equally probable remediation methods or outcomes, we accrued at the lower end of the range. At March 31, 1999:

- \$43 was accrued for contingent product liability costs and \$53 for contingent environmental liability costs, compared to \$38 and \$57 at December 31, 1998
- \$11 was recorded (as assets) for probable recoveries from insurance or third parties for product liability claims and \$1 for environmental liability claims, compared to \$17 and \$1 at December 31, 1998
- The difference between the minimum and maximum estimates for contingent liabilities, while not considered material, was \$16 for the product liability claims and \$2 for the environmental liability claims, compared to \$15 and \$2 at December 31, 1998

Restructuring and Integration Expenses

In the fourth quarter of 1998, we recorded restructuring and integration charges of \$138 related to the integration of the former Echlin operations into our businesses. Of this amount \$118 was charged to restructuring and \$20, for writing down inventory, was charged to cost of sales. At that time we anticipated that an additional \$51 would be charged to restructuring and integration expense in 1999 for facility closures and rationalization programs that had not yet been announced, as well as for training, relocation and other costs relating to the consolidation of operations. In the first quarter of 1999, we charged \$7 to restructuring and integration expense. We expect the remaining \$44 to be expensed evenly over the next three quarters of 1999.

ITEM 2. (Continued)

Liquidity and Capital Resources

(in Millions)

The following summarizes the restructuring activity recorded in the first quarter of 1999 and the change in the accrual:

	ACCRUED AT DECEMBER 31, 1998 -----	ACTIVITY CHARGES -----	PAYMENTS -----	ACCRUED AT MARCH 31, 1999 -----
Employee termination benefits	\$116	\$ -	\$ (28)	\$88
Other	11 ----	7 ---	(8) ----	10 ---
Total	\$127 =====	\$7 ====	\$ (36) =====	\$98 =====

At March 31, 1999, \$98 of restructuring charges remained in accrued liabilities. This balance was comprised of \$88 for the reduction of approximately 1,800 employees to be completed in 1999 and \$10 for lease terminations and other exit costs. The estimated cash expenditures will be approximately \$76 in 1999, \$19 in 2000 and \$3 thereafter. Our liquidity and cash flows will not be materially impacted by these actions.

Impact of the Year 2000

We have a Year 2000 readiness program, which is under the leadership of our Global Year 2000 Readiness Team. The Team includes Year 2000 Project Managers for each Strategic Business Unit and geographic region. PricewaterhouseCoopers LLP has been assisting the Team with methodology, training and data collection tools. In large part, we are using assessment tools developed by the Automotive Industry Action Group, an industry trade association. The Glacier Vandervell and AE Clevite operations that we acquired in December 1998 have been incorporated into this program.

To date, we have conducted a global product review and have not found any significant readiness problems with respect to our products. We have also assessed our internal information technology (IT) and non-IT systems (business, operating and factory floor systems) and have upgraded, repaired or replaced over 90% of the systems for which remediation is appropriate.

We expect to complete all remediation activities and post-remediation testing for our internal systems during the second quarter of 1999. If contingency plans are needed for these systems, we will develop them during the second half of the year. We are also continuing to assess the Year 2000 readiness of our critical production and non-production suppliers and major customers by means of surveys, visits and audits. We expect to complete these assessments during the second quarter and will prepare any necessary contingency plans before the end of the year.

We have spent approximately \$53 on Year 2000 activities to date, of which \$37 has been charged to expense and \$16 has been capitalized. Based on the work performed to date and current information and plans, we expect to incur additional costs of \$47, of which \$31 will be charged to expense and \$16 will be capitalized. In addition to completion of our internal remediation activities and the associated equipment purchases, these projected future costs cover systems testing, completion of our supplier and customer assessments, contingency planning, and monitoring and

ITEM 2. (Continued)

Liquidity and Capital Resources

(in Millions)

follow-up activities for crucial dates in 2000, including January 1 and February 29 (leap year).

The most reasonably likely worst case scenario that we currently anticipate with respect to Year 2000 is the failure of some of our suppliers, including utilities and governmental agencies, to be ready. This could cause a temporary interruption of materials or services that we need to make our products, which could result in delayed shipments to our customers and lost sales and profits to us. As our critical supplier assessments are completed, we will develop contingency plans to address any risks and uncertainties which are identified. These plans may include resourcing materials or building inventory banks.

The outcome of our Year 2000 program is subject to a number of risks and uncertainties, some of which are beyond our control (such as the Year 2000 responses of third parties). Consequently, we cannot be sure that we will not incur material remediation costs beyond the above anticipated future costs, or that our business, financial condition or results of operations will not be significantly impacted if Year 2000 problems with our systems, or with the products or systems of other parties with whom we do business, are not resolved in a timely manner.

Impact of Euro Conversion

We have a Euro currency program for our European facilities, under the leadership of our Euro Steering Committee, and have established guidelines and timetables for compliance with the requirements of the Euro conversion. The Committee is monitoring progress at all locations. While various operations are at different stages of readiness, we believe that all of our facilities are capable of complying with the Euro conversion timetable and with customer requirements for quoting and billing in Euro currency. Preliminary indications are that the cost to convert to the Euro will not be material.

Results of Operations (Three Months 1999 vs Three Months 1998)

(in Millions)

Worldwide sales of \$3,381 in the first quarter surpassed the record first quarter of 1998 by \$148 or 5%. Sales of companies acquired, net of divestitures, amounted to \$17 of the increase. Excluding such activities, sales increased \$131 or 4% during the quarter with price changes having a minimal effect. Our U.S. sales increased \$41 or 2% over 1998 (\$74 or 3% excluding the effect of acquisitions and divestitures). Sales from our international operations increased \$107 or 12% over 1998, with the impact of acquisitions and divestitures adding \$50 or 6% to the total. The impact of changes in foreign currency exchange rates since the first quarter of 1998 served to reduce first quarter 1999 sales by approximately \$76 or 2%.

ITEM 2. (Continued)

Results of Operations (Three Months 1999 vs Three Months 1998)

(in Millions)

Sales by segment for the quarter are shown in the following table. The "Other" category represents closed and sold facilities or locations where the operating responsibility has not been assigned to a specific SBU.

	1998	1999	% CHANGE	% CHANGE EXCLUDING ACQUISITIONS & DIVESTITURES
Automotive systems group (ASG)	\$1,101	\$1,176	7	6
Automotive aftermarket group (AAG)	646	696	8	5
Engine systems group (ESG)	506	643	27	6
Off-highway systems group (OHSG)	239	217	(9)	(1)
Industrial group (IG)	190	181	(5)	(5)
Heavy truck group (HTG)	415	446	8	8
Other	137	22	(84)	(8)

- ASG serves the world's passenger car and light-truck markets with axles, driveshafts, structural components, modules and chassis systems. Its 7% increase in sales over the 1998 first quarter was due to a continuing strong demand in North America for light trucks and sport utility vehicles (SUVs). Worldwide light axle sales increased 13% over 1998 driven by the demand for pickups and SUVs in North America which was partially offset by decreases in South America due to economic difficulties. Driveshaft shipments displayed strength in North America but not enough to offset the very weak sales in South America. Total ASG North American sales, which are 80% of this segment's sales, increased 6% over 1998 with no acquisition/divestiture impact.
- AAG is primarily responsible for the distribution side of the automotive business. Its sales were 8% higher this quarter than in 1998. North American aftermarket sales, which are 81% of this segment's sales, were up 5% over 1998 (4% excluding acquisitions/divestitures). Excluding acquisitions/divestitures, European sales were 26% higher than in 1998.
- ESG sells engine parts, fluid systems and sealing products. Excluding acquisitions/divestitures, its sales were 6% higher than the comparable period in 1998. Sales of fluid systems products increased 15%, excluding acquisitions/divestitures, due to strong passenger car and SUV sales in North America. Sales of engine and sealing products were both flat compared to this period last year.
- OHSG sells off-highway axles, powershift transmissions, transaxles, torque converters and electronic controls. Its first-quarter sales were 9% below 1998 levels (1% below last year on a comparable basis) due to softness in the worldwide agricultural business.

ITEM 2. (Continued)

Results of Operations (Three Months 1999 vs Three Months 1998)

(in Millions)

- IG sells components and systems for industrial machinery, motor vehicles, business machines and other equipment. Its first-quarter sales fell 5% from 1998 due to soft North American and European markets.
- HTG sells heavy axles and brakes, drivetrain components, power take-offs, trailer products and heavy systems modular assemblies. Its sales for the period showed an 8% increase over 1998. North American sales, which are 93% of this segment's sales, were up 11% over 1998 due to strong heavy truck build levels.
- Other sales were down compared to 1998 primarily due to the sale of our brake hose business in the first quarter of 1998 and the Midland-Grau divestiture which occurred in the second quarter of 1998.

Sales by region for the quarter are shown in the following table:

	1998	1999	% CHANGE	% CHANGE EXCLUDING ACQUISITIONS & DIVESTITURES
North America	\$2,520	\$2,601	3	5
South America	177	131	(26)	(34)
Europe	462	583	26	19
Asia Pacific	47	57	22	22
Other	27	9	(67)	(67)

- North American sales were up \$81 (3% over 1998) despite a \$35 decrease from divestitures, net of acquisitions. Continued demand for light trucks and sport utility vehicles, as well as strength in the medium and heavy truck markets, helped fuel the increase. This was partially offset by weakness in agricultural and industrial sales.
- Sales in Europe increased \$121 (26% over 1998). Sales increases in ASG and AAG complemented sales from newly acquired businesses in ESG and AAG.
- Economic turmoil in South America continued into 1999 resulting in a 26% decline in sales. The sales increase of 22% in the Asia Pacific region was primarily due to the new modular product sales in the ASG.

Revenue from lease financing and other income decreased \$19 in the first quarter of 1999. The sale of DCC's Technology Leasing Group portfolio at the end of 1998 accounted for \$22 of the change.

Gross margin for the first quarter was 16.7%, compared to 16.5% in 1998. ASG margins were higher due to margin increases in driveshaft, structural and brake products, which were partially offset by decreases in margins for axle and modular products. The increases were due to margins

ITEM 2. (Continued)

Results of Operations (Three Months 1999 vs Three Months 1998)

(in Millions)

on higher North American truck shipments (driveshaft) and production of new business that was in the launch stage in 1998 (structural and brake). Axle margins were down due to depressed markets in both South America and Europe and continuing startup costs in Thailand. Modular margins were down due to South American economic conditions and startup costs in Australia.

AAG and, to a lesser extent HTG, reported improvements in gross margin due to the extensive restructuring/synergy programs now underway. The acquisition of Glacier Vandervell in 1998 helped to improve ESG's gross margin in the first quarter of 1999. The IG and OHSG reported depressed margins corresponding with soft sales when compared to last year.

Selling, general and administrative expenses (SG&A) decreased \$3 in 1999. The net impact of acquisitions and divestitures decreased SG&A expenses \$4 in the first quarter. The ratio of SG&A expense to sales improved from 9.3% in 1998 to 8.8% in 1999. Savings from our restructuring/synergy programs and ongoing cost control initiatives are continuing to show positive results.

Operating margin for the first quarter of 1999 was 8.0% compared to 7.3% in 1998 for the above reasons.

Interest expense was \$1 lower than last year due to the impact of the sale of DCC's Technology Leasing Group portfolio, which was offset by higher average debt levels in 1999 at Dana, excluding DCC.

The effective tax rate in the first quarter of 1999 was 36% compared to 40% in 1998. The effective rate was lower primarily due to state tax credits related to business development and favorable settlement of state tax issues.

Equity in earnings of affiliates was higher in 1999 by \$5, primarily due to increased earnings at our affiliates in Mexico and Brazil and DCC's leasing affiliates.

Minority interest in net income of consolidated subsidiaries decreased \$1, primarily due to the lower earnings of Albarus S.A. and its majority-owned subsidiaries.

We reported record first quarter earnings in 1999 of \$162 compared to \$141 in 1998. The comparisons include non-recurring, after-tax charges of \$6 in 1999 and a one-time gain of \$2 in 1998.

Market Trends

Component sales to producers of light truck and SUVs continued strong in the first quarter of 1999. Our current outlook for 1999 remains positive, with a small increase in North American light truck production projected, mostly in SUVs and standard pickups. We expect sales to the passenger car and medium and heavy truck markets to continue at 1998 levels.

ITEM 2. (Continued)

Results of Operations (Three Months 1999 vs Three Months 1998)

(in Millions)

Forward-Looking Information

Forward-looking statements in this report are indicated by words such as "anticipates," "expects," "believes," "intends," "plans," and similar expressions. These statements represent our expectations based on current information and assumptions. Forward-looking statements are inherently subject to risks and uncertainties. Actual results could differ materially from those which are anticipated or projected due to a number of factors. These factors include changes in business relationships with our major customers, work stoppages at major customers, competitive pressures on sales and pricing, increases in production or material costs that cannot be recouped in product pricing, our ability and/or that of third parties with whom we do business to resolve Year 2000 problems in a timely manner, and international economic conditions, particularly in South America and Asia Pacific.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our exposures to market risk since December 31, 1998.

PART II. OTHER INFORMATION

ITEM 1. 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 effect on our liquidity, financial condition or results of operations.

We are not currently a party to any of the environmental proceedings involving governmental agencies which the Securities and Exchange Commission requires companies to report.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

These are the results of voting by stockholders present or represented at our annual meeting on April 7, 1999:

1. ELECTION OF DIRECTORS. The following were elected to serve as directors until the next annual meeting or until their successors are elected:

	VOTES FOR -----	VOTES WITHHELD -----
B. F. Bailar	144,772,212	946,428
A. C. Baillie	144,855,557	863,083
E. M. Carpenter	144,845,934	872,706
E. Clark	144,876,982	841,658
G. H. Hiner	144,873,637	845,003
J. M. Magliochetti	144,777,046	941,594
M. R. Marks	144,885,627	833,013
S. J. Morcott	144,758,347	960,293
R. B. Priory	144,857,135	861,505

2. PROPOSAL TO AMEND THE DANA CORPORATION 1997 STOCK OPTION PLAN. The restated and amended 1997 Stock Option Plan and the issuance of 6,000,000 additional shares of common stock under this plan were approved. There were 130,316,902 votes for approval; 14,579,258 votes against; 822,480 votes abstaining; and no broker nonvotes.
3. PROPOSAL TO ADOPT THE DANA CORPORATION 1999 RESTRICTED STOCK PLAN. The 1999 Restricted Stock Plan and the issuance of 750,000 shares of common stock under this plan were approved. There were 132,635,202 votes for adoption; 12,174,892 votes against; 908,546 votes abstaining; and no broker nonvotes.
4. RATIFICATION OF PRICEWATERHOUSECOOPERS LLP. The Board's selection of PricewaterhouseCoopers as Dana's independent accountants for fiscal year 1999 was ratified. There were 145,065,878 votes for ratification; 192,005 votes against; and 460,757 votes abstaining.

Item 4. (Continued)

5. ENDORSEMENT OF THE CERES PRINCIPLES FOR PUBLIC ENVIRONMENTAL ACCOUNTABILITY. Endorsement of the CERES Principles was rejected. There were 14,206,189 votes for endorsement; 110,833,998 votes against; 8,194,572 votes abstaining; and no broker nonvotes.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- a) The exhibits listed in the Exhibit Index are filed as a part of this report.
- b) We filed a report on Form 8-K on March 2, 1999, containing the following documents related to our Registration Statement No. 333-67307: (1) Terms Agreement dated February 26, 1999, between Dana and Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of themselves and as representatives of several underwriters; (2) Second Supplemental Indenture between Dana and Citibank, N.A., Trustee, dated as of February 26, 1999; and (3) Form of 6.25% Notes due 2004, 6.5% Notes due 2009, and 7.0% Notes due 2029.

SIGNATURE

Pursuant to the requirements 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 CORPORATION

Date: May 13, 1999

/s/ John S. Simpson

John S. Simpson
Chief Financial Officer

EXHIBIT INDEX

No. - ----	Description -----	Method of Filing -----
4-F	Second Supplemental Indenture between Dana and Citibank, N.A., Trustee, dated as of February 26, 1999	Filed by reference to Exhibit 4.B.1 to our Form 8-K dated March 2, 1999
4-G	Form of 6.25% Notes due 2004, 6.5% Notes due 2009, and 7.0% Notes due 2029	Included in Exhibit 4.B.1 and filed by reference to Exhibit 4.C.1 to our Form 8-K dated March 2, 1999
10-E	Amended and Restated 1997 Stock Option Plan	Filed by reference to Exhibit A to our Proxy Statement dated March 5, 1999
10-L	1999 Restricted Stock Plan	Filed by reference to Exhibit B to our Proxy Statement dated March 5, 1999
27	Financial Data Schedules	Filed with this Report

Note: Exhibit Nos. 10-E and 10-L are exhibits required to be identified
 - ----- pursuant to Item 14(a) (3) of Form 10-K.

5
1,000

3-MOS
DEC-31-1999
JAN-01-1999
MAR-31-1999
207,800
0
2,089,000
0
1,629,200
4,802,000
5,736,900
2,479,400
10,486,100
3,619,900
2,520,100
0
0
165,800
2,700,300
10,486,100
3,380,600
3,419,500
2,814,600
2,814,600
0
0
70,000
231,900
83,300
0
0
0
161,500
.97
.97

1,000

YEAR	
DEC-31-1998	
JAN-01-1998	
DEC-31-1998	230,200
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	40,500
	1,678,700
	4,337,000
	5,765,300
	2,461,500
	10,137,500
3,986,600	
	1,717,900
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	0
	165,700
	2,773,500
10,137,500	
	12,463,600
12,838,700	
	10,449,100
	10,449,100
1,289,800	
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279,600	
	820,200
	315,600
0	
	0
	0
	0
	534,100
	3.24
	3.20

3-MOS

DEC-31-1998	
JAN-01-1998	
MAR-31-1998	
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1,688,300	0
	5,584,100
2,627,100	
10,033,100	
0	
	3,169,900
0	
	0
	164,700
2,530,600	
10,033,100	
	3,232,800
3,290,800	
	2,699,200
2,699,200	
0	
0	
70,700	
221,800	
88,100	
0	
	0
	0
	0
140,600	
.86	
.84	