UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2002 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 and Pacific Exchange

Securities registered pursuant to section 12(g) of the Act:

None

(Title of Class)

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 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 or any amendment to this Form 10-K. [ ]

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

The aggregate market value of the voting stock held by non-affiliates of the registrant at February 14, 2003, was approximately $1,354,000,000.

There were 148,599,168 shares of registrant's common stock, $1 par value, outstanding at February 14, 2003.

DOCUMENTS INCORPORATED BY REFERENCE

Document	**Where Incorporated**
Annual Report to Shareholders for year ended December 31, 2002.	Parts I, II, IV
Proxy Statement for Annual Meeting of Shareholders to be held on April 2, 2003.	Part III

TABLE OF CONTENTS

TABLE OF CONTENTS
DANA CORPORATION — FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

PART I

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 and aftermarket customers. Our products are used in passenger cars and vans, sport-utility vehicles (SUVs), light, medium and heavy trucks 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 a leader in technological innovation. Many of our products have unique and patented features that provide added value to our customers. 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.

Our operations are organized into the following market-focused strategic business units (SBUs):

- Automotive Systems Group (ASG) manufactures and sells drivetrain modules, systems and components, consisting of axles, driveshafts, structures and chassis products, for the automotive and light vehicle markets, as well as driveshafts for the commercial vehicle market. In 2002, ASG generated sales of $3.5 billion and its largest customers were Ford Motor Company (Ford), DaimlerChrysler AG (DaimlerChrysler) and General Motors Corporation (General Motors). At December 31, 2002, ASG had 78 major facilities, operated in 23 countries and employed 18,700 people.

- Automotive Aftermarket Group (AAG) manufactures and sells brake, filtration, chassis and gasket products and internal engine hard parts for the automotive and light, commercial and off-highway vehicle markets. In 2002, AAG generated sales of $2.2 billion and its largest customers were National Automotive Parts Association (NAPA), CARQUEST Corp. and Federated Auto Parts, Inc. At December 31, 2002, AAG had 79 major facilities, operated in 17 countries and employed 17,600 people.

- Engine and Fluid Management Group (EFMG) manufactures and sells sealing, bearing, fluid-management and power-cylinder products for the automotive, light and commercial vehicle and leisure and outdoor power equipment markets. In 2002, EFMG generated sales of $1.9 billion and its largest customers were Ford, DaimlerChrysler and General Motors. At December 31, 2002, EFMG had 79 major facilities, operated in 17 countries and employed 17,500 people.

- Heavy Vehicle Technologies and Systems Group was formed in May 2002 by combining the former Commercial Vehicle Systems (CVS) and Off-Highway Systems Group (OHSG). 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 transmissions and electronic controls for the off-highway market. In 2002, HVTSG generated sales of $1.8 billion and its largest customers were PACCAR Inc, Volvo Group and International Truck & Engine Corp. At December 31, 2002, HVTSG had 23 major facilities, operated in 11 countries and employed 7,100 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 foundation businesses. During 2002, we sold portions of DCC, reducing its portfolio assets by approximately $500 million, to less than $1.7 billion. While some key pieces of DCC will be retained within Dana, significant assets remain for sale. During 2003, we will work to maximize the value of these businesses to Dana and its shareholders.

The above description reflects our SBU structure at the end of 2002. Several changes were made to the SBUs during 2002, the most significant of which was the combination of CVS and the OHSG to form the HVTSG. You can find more information in "Note 21. Business Segments" on pages 39 – 42 of our 2002 Annual Report.

ACQUISITION AND DIVESTITURE SUMMARY

For information regarding acquisitions and divestitures completed in 2002 see "Note 18. Acquisitions" and "Note 19. Divestitures" on pages 38 – 39 of our 2002 Annual Report.

STRATEGY

Our overall strategic direction is set out in our *Transformation 2005* business plan. Our goals under this plan represent an increased emphasis on anticipating the needs of our markets and serving our customers. The following are key elements of our plan:

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

In connection with the restructuring actions announced in October 2001, we completed the realignment in 2002 of these businesses with the markets they serve. 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, of approximately $4.5 billion in total revenues from 2003 through 2007. The new business is not only with our traditional U.S.-based OE customers, but also with OEs such as BMW, Isuzu, Nissan and Toyota.

Focus on Capital and Operating Efficiency. In 2002, 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. The combination of our former CVS and OHSG units into the new HVTSG has enabled us to better leverage the combined manufacturing, engineering and support capabilities of these units. On the operational side, we focused on outsourcing non-core manufacturing activity, reducing working capital and managing for cash.

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; and Bühler Motor Inc., to provide advanced automotive motor-module technologies and manufacturing expertise to support our product applications.

Increasingly, our products are incorporating new electronic features that further enhance their capability. In 2002, we established a partnership with Emerson Electric Co. to develop a series of actuator products and related components for the global electronic steering market. We will continue to evaluate potential strategic alliances and joint ventures in order to gain access to advanced technology, strengthen our market position and our global presence, and reduce our overall manufacturing costs.

Our divestiture activities in 2002 and early 2003 are described elsewhere in this report. In 2003, we will continue to evaluate remaining non-core operations for divestiture. We will also evaluate potential acquisition candidates that have product platforms complementary to our foundation businesses, strong operating potential and strong existing management teams. We believe that targeted acquisitions will help us achieve our long-term objectives.

2002 OVERVIEW

The past year was one of the most important periods in Dana's history. We took extraordinary actions to improve our near- and long-term performance. We made fundamental improvements to our operations and our business model. And we achieved improved performance in the midst of continued challenges in the global economy and tensions in our industries.

From the outset of 2002, we began to see benefits from our restructuring actions, which were announced in October 2001. We also saw modest improvement in first-quarter North American vehicle production volumes compared with the fourth quarter of 2001. This increase was largely attributable to light-vehicle incentive programs and a pre-buy of Class 8 trucks in anticipation of new U.S. EPA emissions standards in October 2002. During the first quarter, Dana also adopted Statement of Financial Accounting Standards No. 142, which altered the way in which companies account for goodwill and other intangible assets. Due to the change in accounting, we reduced goodwill by $289, resulting in an after-tax charge of $220 million during the quarter.

In the second quarter, the combination of continued restructuring progress and stronger than-expected vehicle production resulted in earnings improvement and significant cash flow. Restructuring progress was most significant in our AAG and EFMG units.

By the third quarter of 2002, all four of our SBUs were exhibiting solid improvement in operating profit after tax (our internal measure of performance), again largely driven by their restructuring actions.

The heavy truck pre-buy was also in full swing, as the October effective date of the new emission standards approached.

The final three months of 2002 saw significant divestiture activity, including the sale of our FTE brake and clutch actuation businesses and most of our Boston Weatherhead industrial hose and fitting operations. Along with these divestitures, we continued to sell portions of our DCC leasing operations, which effectively reduced DCC's asset portfolio by more than $500 million during 2002.

RESTRUCTURING

In October 2001, we announced plans to accelerate the restructuring of our operations, to evaluate at least 30 facilities for closure and to reduce our workforce globally by more than 15%. As of December 31, 2002, we had closed or consolidated 28 facilities and announced plans to close an additional 11 facilities. When completed, these actions are expected to reduce our workforce — at all levels of the organization — by approximately 17% since October of 2001. The after-tax charges recorded in connection with this restructuring totaled approximately $442 million over the last five quarters.

We also sold portions of our Dana Credit Corporation (DCC) leasing operation, as described above.

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 SBUs.

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	Luxembourg	Argentina	Australia
Mexico	Belgium	Netherlands	Brazil	China
United States	France	Poland	Colombia	Indonesia
	Germany	Slovakia	South Africa	Japan
	India	Spain	Uruguay	Taiwan
	Ireland	Sweden	Venezuela	Thailand
	Italy	Turkey		
		United Kingdom		

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 $3.2 billion, or 34% of our 2002 consolidated sales. Including U.S. exports of $226 million, non-U.S. sales accounted for 36% of 2002 consolidated sales. Our non-U.S. net loss was $54 million, as compared to a consolidated net loss of $182 million in 2002. These amounts include $33 million of equity in earnings of non-U.S. affiliates.

You can find more information about our regional operating results in "Note 21. Business Segments" on pages 39 – 42 of our 2002 Annual Report.

CUSTOMER DEPENDENCE

We have thousands of customers around the world and have developed long-standing business relationships with many of them. Ford and DaimlerChrysler were the only individual customers accounting for 10% or more of our consolidated sales in 2002. We have been supplying products to these companies and their subsidiaries for many years. As a percentage of total sales, sales to Ford were 23%, 20% and 18% in 2000, 2001 and 2002, and sales to DaimlerChrysler were 18%, 12% and 10%. Loss of all or a substantial portion of our sales to Ford, DaimlerChrysler 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.

Ford, DaimlerChrysler and some of our other customers periodically ask us to reduce the prices of our products. We discuss cost saving measures with these customers on an ongoing basis. In light of these requests, we cannot assure that we will be able to maintain or improve our historical levels of profitability.

PRODUCTS

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

	Percentage of Consolidated Sales		
	2000	2001	2002
Types of Products			
Axle	36%	34%	34%
Driveshaft	10	10	10
Brake	12	14	15
Other engine	7	7	7
Fluid systems	8	9	9
Structural	7	7	8
Bearings and sealing	7	8	7
Filtration	5	6	6
	92	95	96
Other	8	5	4
	100%	100%	100%

We do not consider our leasing service revenue to be sales and none of our other products individually accounted for 10% of sales in these periods.

MATERIAL SOURCE AND SUPPLY

Our operating units purchase most of the raw materials (such as steel) and semi-processed or finished items (such as forgings and castings) used in our products from suppliers located within the same geographic regions. Generally, these materials are available from numerous qualified sources in quantities sufficient for our needs. Temporary shortages of a particular material or part occasionally occur, but we do not consider the overall availability of materials to be a significant risk factor for our operations.

SEASONALITY

Our businesses are not seasonal. However, sales to our OE manufacturing customers are closely related to their production schedules and historically those schedules have been strongest in the first two quarters of the year.

BACKLOG

Generally, our products are not on a backlog status. They are produced from readily available materials 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

We compete worldwide with a number of other manufacturers and distributors which produce and sell similar products. These competitors include Visteon and Delphi, large parts manufacturers that previously were vertically-integrated units of Ford and General Motors, and a number of other U.S. and non-U.S. suppliers. Our traditional U.S.-based OE customers, facing substantial foreign competition, have expanded their worldwide sourcing of components to better compete with lower cost imports. In addition, these customers have been shifting research and development, design and validation responsibilities to their key suppliers, focusing on stronger relationships with fewer suppliers. We have established operations throughout the world to enable us to meet these competitive challenges and to be a strong global supplier of our core products.

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®, Wix®, 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 new products for existing and new applications. We are implementing a new more functional facility concept by integrating related operations to speed product development, maximize efficiency and improve communication and information sharing among our research and development operations, as illustrated by our new ASG Technology Center scheduled to open in late 2003. At December 31, 2002, our SBUs had the following technical centers: AAG, 7; ASG, 23; EFMG, 16, and HVTSG, 4. Our spending on engineering, research and development and quality control programs was $287 million in 2000, $260 million in 2001 and $248 million in 2002.

EMPLOYMENT

Our worldwide employment (including consolidated subsidiaries) was approximately 63,100 at December 31, 2002. This represents a 10% reduction from the number of people reported at the end of 2001, which resulted from our 2002 restructuring activities and divestitures. We expect further reductions of 4,400 in 2003 as we complete our restructuring activities and the planned divestiture of our Engine Management aftermarket operations.

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 2002. 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” on page 27 and under “Note 17. Commitments and Contingencies” on pages 37-38 of our 2002 Annual Report.

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.

Table of Contents

EXECUTIVE OFFICERS

The following table contains information about our current executive officers, including their principal occupations and business experience in the past five years. All positions are with Dana unless otherwise indicated. The first four persons listed in the table are the members of our Policy 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
Joseph M. Magliochetti	60	Chairman of the Board, Chief Executive Officer, President and Chief Operating Officer
Robert C. Richter	51	Vice President and Chief Financial Officer, Chairman - - Dana Credit Corporation
William J. Carroll	58	President – Automotive Systems Group
Marvin A. Franklin, III	55	President – Dana International & Global Initiatives
Bernard N. Cole	60	President – Heavy Vehicle Technologies and Systems Group
James M. Laisure	51	President – Engine and Fluid Management Group
Terry R. McCormack	52	President – Automotive Aftermarket Group
Richard J. Westerheide	51	Chief Accounting Officer and Assistant Treasurer

*At February 14, 2003

Joseph M. Magliochetti has been a director since 1996 and Chairman of the Board since 2000. He has been Chief Executive Officer since 1999, Chief Operating Officer since 1997 and President since 1996.

Robert C. Richter has been Vice President and Chief Financial Officer since 1999. He was previously Vice President – Finance and Administration (1998-1999) and Vice President – Administration (1997-1998). He has also been Chairman of Dana Credit Corporation since February 1, 2002.

William J. Carroll has been President – Automotive Systems Group and Chairman of DTF Trucking, Inc. since 1997.

Marvin A. Franklin, III has been President – Dana International & Global Initiatives since 2000. He was previously President – Dana International (1997-2000).

Bernard N. Cole has been President – Heavy Vehicle Technologies and Systems Group since May 1, 2002. He was previously President – Off-Highway Systems Group (1997-2002) and President – Commercial Vehicle Systems (February 15 to May 1, 2002). He has also been Chairman of Dana India Pvt. Ltd. since 2001.

James M. Laisure has been President – Engine and Fluid Management Group since 2001. He was previously President – Fluid Systems Group (2000-2001), Group Vice President – Fluid Systems Group (1999-2000) and Vice President - Modules and Systems Group (1996-1999).

Terry R. McCormack has been President – Automotive Aftermarket Group since 2000. He was previously President – Wix Worldwide Filtration (2000). Also, for Wix Division, North America, he was Vice President and General Manager (1998-2000), Vice President – Distribution Services Division (1996-98) and General Manager (1995-1998).

Richard J. Westerheide has been Chief Accounting Officer since June 1, 2002, and Assistant Treasurer since April 16, 2002. He was previously Group Controller – Engine Management Group (2000-2002). Also, for Dana Credit Corporation, he was Vice President – Finance (2000) and Director of Accounting Policy and Financial

Reporting (1998-2000). From 1991-1998, he was Director of Auditing and Business Advisory Services for Price Waterhouse LLP.

Some of the above officers are elected by the Board annually at its organizational meeting after the annual meeting of shareholders, as provided in our By-Laws, and these persons hold office until their successors are elected. Others are appointed by the Board or designated by the Chief Executive Officer from time to time.

Table of Contents

ITEM 2 — PROPERTIES

As shown in the following table, at December 31, 2002, we had more than 380 manufacturing, distribution and service branch or 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 and financial service branches and offices.

Dana Facilities by Geographic Region

Type of Facility	North America	Europe	South America	Asia/ Pacific	Total
Manufacturing	133	53	42	12	240
Distribution	38	16	27	1	82
Service branches, offices	44	10	5	6	65
Total	215	79	74	19	387

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.

We are currently a party to one environmental proceeding which is reportable under the rules of the SEC. In August 2002, our Sanford Street plant in Muskegon, Michigan received a notice of an enforcement action and a draft consent order from the Michigan Department of Environmental Quality (MDEQ) alleging various air permit and rule violations. The alleged violations relate to smoke and odor complaints from neighbors, failure to have permits for the installation of certain engine test cells and noncompliance with certain record keeping requirements. The MDEQ proposed a fine of $166,075, which was later amended to $175,511. Negotiations with the MDEQ resulted in a final consent order with a fine of $122,858. The MDEQ released this order for public comment in December 2002 and we expect it will be finalized and executed in the second quarter of 2003.

You can find more information about our legal proceedings under “Note 17. Commitments and Contingencies” on pages 37 – 38 of our 2002 Annual Report and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 44 – 54 of our 2002 Annual Report.

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

-None -

PART II

ITEM 5 — MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is listed on the New York Stock Exchange and the Pacific Exchange. On February 14, 2003, there were approximately 37,400 shareholders of record.

We have paid quarterly cash dividends on our common stock since 1942. You can find more information about dividends paid in the past two years in "Shareholders' Investment" on page 58 of our 2002 Annual Report.

ITEM 6 — SELECTED FINANCIAL DATA

You can find selected financial data related to Dana in "Additional Information" under "Six-Year History" on page 59 of our 2002 Annual Report.

ITEM 7 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You can find "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 44 – 54 of our 2002 Annual Report.

In the discussion of our $400 accounts receivable securitization program in "Liquidity and Capital Resources" under "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 44 of our 2002 Annual Report, we indicated that if our credit ratings were lowered beyond certain levels specified in the program agreement, the lenders would have the option to terminate the program. As of February 14, 2003, we were rated BB by Standard & Poor's Rating Services (S&P) and Ba3 by Moody's Investors Service (Moody's). At these ratings, a downgrade to B by S&P or to B2 by Moody's would entitle the lenders to terminate the program.

ITEM 7A — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

You can find market risk information in "Financial Instruments," "Derivative Financial Instruments" and "Cash and Marketable Securities" under "Note 1. Summary of Significant Accounting Policies" on pages 26 – 28, in "Note 9. Interest Rate Agreements" on page 31, in "Note 16. Fair Value of Financial Instruments" on page 36 of our 2002 Annual Report and in "Liquidity and Capital Resources" under "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 44-47 of our 2002 Annual Report.

ITEM 8 — FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

You can find our financial statements and the report by PricewaterhouseCoopers LLP dated February 10, 2003, on pages 21 – 43 and "Unaudited Quarterly Financial Information" on page 58 of our 2002 Annual Report.

ITEM 9 — CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

-None -

Table of Contents

PART III

ITEM 10 — DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

You can find general information about our directors and nominees under “Election of Directors” on pages 1 – 4 in our 2003 Proxy Statement and information about our executive officers in Part I, Item 1 of this report.

You can find information about the filing of reports by our directors, executive officers and 10% stockholders under Section 16(a) of the Exchange Act under “Section 16(a) Beneficial Ownership Reporting Compliance” on page 18 in our 2003 Proxy Statement.

ITEM 11 — EXECUTIVE COMPENSATION

You can find information about executive compensation in the following sections of our 2003 Proxy Statement: “Compensation” on page 4 under “The Board and its Committees,” “Executive Compensation” on pages 7 – 12 and “Compensation Committee Report on Executive Compensation” on pages 13 – 16.

You can find information about our stock performance under “Comparison of Five-Year Cumulative Total Return” on page 17 of our 2003 Proxy Statement.

ITEM 12 — SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

You can find information about securities authorized for issuance under our equity compensation plans under “Equity Compensation Plan Information” on pages 28-29 of our 2003 Proxy Statement and information about the stock ownership of our directors, director-nominees, executive officers and more than 5% beneficial owners under “Stock Ownership” on pages 5 – 6 of our 2003 Proxy Statement.

ITEM 13 — CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

You can find information about transactions between Dana and our directors, director-nominees, executive officers and 5% stockholders under “Other Transactions” on page 17 of our 2003 Proxy Statement.

ITEM 14 — CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have evaluated Dana’s disclosure controls and procedures, as defined in the rules of the SEC, within 90 days of the filing date of this report and have determined that such controls and procedures were effective in ensuring that material information relating to Dana and its consolidated subsidiaries was made known to them during the period covered by this report.

Internal Controls

Our CEO and CFO are primarily responsible for the accuracy of the financial information that is presented in this report. To meet their responsibility for financial reporting, they have established internal controls and procedures which they believe are adequate to provide reasonable assurance that Dana’s assets are protected from loss. These internal controls are reviewed by Dana’s internal auditors in order to monitor compliance and by our independent accountants to support their audit work. In addition, our Board’s Audit Committee, which is composed entirely of outside directors, meets regularly with management, internal auditors and the independent accountants to review accounting, auditing and financial matters. This Committee and the independent accountants have free access to each other, with or without management being present.

There were no significant changes in Dana’s internal controls or in other factors that could significantly affect internal controls subsequent to the date of the CEO’s and CFO’s most recent evaluation.

PART IV

ITEM 15 — EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

			Annual Report Pages
(a)	The following documents are filed as part of this report:		
	(1)	Consolidated Financial Statements:	
		Report of Independent Accountants	21
		Consolidated Statement of Income for each of the three years in the period ended December 31, 2002	22
		Consolidated Balance Sheet at December 31, 2001 and 2002	23
		Consolidated Statement of Cash Flows for each of the three years in the period ended December 31, 2002	24
		Consolidated Statement of Shareholders' Equity for each of the three years in the period ended December 31, 2002	25
		Notes to Consolidated Financial Statements	26 - 43
		Unaudited Quarterly Financial Information	57 - 58

			10-K Pages
	(2)	Financial Statement Schedule:	
		Report of Independent Accountants on Financial Statement Schedule for the three years ended December 31, 2002	17
		Valuation and Qualifying Accounts and Reserves (Schedule II)	18 - 21
		Supplementary Information - Commitments and Contingencies	22
		All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.	
	(3)	Exhibits listed in the "Exhibit Index"	23-28
		Exhibits Nos. 10-A through 10-L are management contracts or compensatory plans or arrangements required to be filed pursuant to Item 14(c) of this report.	

(b) During the fourth quarter of 2002, we filed a report on Form 8-K dated December 9, 2002, reporting that Dana and the participating banks had agreed to extend the maturity date of the company’s 364-day revolving credit facility from December 18, 2002 to February 17, 2003.

In the first quarter of 2003, we filed a report on Form 8-K dated January 9, 2003, reporting on remarks of Dana’s Chief Executive Officer and Chief Financial Officer during a presentation at the Detroit Auto Conference 2003, and a Form 8-K dated February 10, 2003, reporting on changes to Dana’s and DCC’s credit facilities and Dana’s accounts receivable securitization program.

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, thereunto duly authorized.

DANA CORPORATION
(Registrant)

Date: February 24, 2003

By: /s/ Michael L. DeBacker
Michael L. DeBacker, Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Date: February 24, 2003	/s/ Joseph M. Magliochetti Joseph M. Magliochetti, Chairman of the Board and Chief Executive Officer
Date: February 24, 2003	/s/ Robert C. Richter Robert C. Richter, Chief Financial Officer
Date: February 24, 2003	/s/ Richard J. Westerheide Richard J. Westerheide, Chief Accounting Officer
Date: February 24, 2003	*/s/ B.F. Bailar B.F. Bailar, Director
Date: February 24, 2003	*/s/ A.C. Baillie A.C. Baillie, Director
Date: February 24, 2003	*/s/ E.M. Carpenter E.M. Carpenter, Director
Date: February 24, 2003	*/s/ E. Clark E. Clark, Director
Date: February 24, 2003	*/s/ C.W. Grisé Cheryl W. Grisé, Director
Date: February 24, 2003	*/s/ G.H. Hiner G.H. Hiner, Director
Date: February 24, 2003	*/s/ J.P. Kelly J.P. Kelly, Director
Date: February 24, 2003	*/s/ M.R. Marks M.R. Marks, Director
Date: February 24, 2003	*/s/ R.B. Priory R.B. Priory, Director
Date: February 24, 2003	*/s/ F.M. Senderos F.M. Senderos, Director
Date: February 24, 2003	*By /s/ Michael L. DeBacker Michael L. DeBacker, Attorney-in-Fact

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
UNDER SECTION 302 OF THE SARBANES-OXLEY ACT

I, Joseph M. Magliochetti, certify that:

1. I have reviewed this annual report on Form 10-K of Dana Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 24, 2003

/s/ Joseph M. Magliochetti
Joseph M. Magliochetti
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
UNDER SECTION 302 OF THE SARBANES-OXLEY ACT

I, Robert C. Richter, certify that:

1. I have reviewed this annual report on Form 10-K of Dana Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 24, 2003

/s/ Robert C. Richter
Robert C. Richter
Chief Financial Officer

Table of Contents

Report of Independent Accountants on
Financial Statement Schedule

To the Board of Directors and Shareholders
of Dana Corporation

Our audits of the consolidated financial statements referred to in our report dated February 10, 2003 appearing in the 2002 Annual Report to Shareholders of Dana Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Toledo, Ohio
February 10, 2003

Table of Contents

DANA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SCHEDULE II(a) — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE

	Balance at beginning of period	Additions charged to income	Trade accounts receivable "written off" net of recoveries	Adjustments arising from change in currency exchange rates and other items	Balance at end of period
Year ended –					
December 31, 2000	$43,816,000	$26,467,000	$(28,893,000)	$ 580,000	$41,970,000
December 31, 2001	41,970,000	25,899,984	(21,338,232)	(1,471,718)	45,060,034
December 31, 2002	45,060,034	26,751,000	(27,332,000)	(4,930,034)	39,549,000

DANA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SCHEDULE II(b) — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

ALLOWANCE FOR CREDIT LOSSES — LEASE FINANCING

	Balance at beginning of period	Amounts charged (credited) to income(1)	Amounts "written off" net of recoveries	Adjustments arising from change in currency exchange rates and other items (1)	Balance at end of period
Year ended –					
December 31, 2000	$40,838,000	$ 8,421,000	$(6,548,000)	$(15,000)	$42,696,000
December 31, 2001	42,696,000	(10,324,000)	(1,151,000)	(7,000)	31,214,000
December 31, 2002	31,214,000	3,739,000	(1,044,000)	52,000	33,961,000

(1) During 2001, the factors used to estimate future credit losses related to lease financing receivables were refined to more accurately reflect the past history of credit losses and the inherent risks of the portfolio. The allowance for credit losses was reduced as a result of the refinement, resulting in a net credit provision for credit losses on lease financing receivables for the year ended December 31, 2001.

DANA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SCHEDULE II(c) — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

VALUATION ALLOWANCE FOR DEFERRED TAX ASSETS

	Balance at beginning of period	Additions charged to income	Amounts "written off" net of recoveries	Adjustments arising from change in currency exchange rates and other items	Balance at end of period
Year ended –					
December 31, 2000	$ 83,200,000	$ 24,000,000	$(5,100,000)		$102,100,000
December 31, 2001	102,100,000	25,500,000			127,600,000
December 31, 2002	127,600,000	415,400,000	(5,300,000)		537,700,000

Table of Contents

DANA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SCHEDULE II(d) — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

ALLOWANCE FOR LOAN LOSSES

	Beginning Balance	Additions charged to expense	Write-Off	Write-Off Recoveries	Year end Balance
Year ended –					
December 31, 2000	$1,929,000	$9,910,000	$(3,984,000)	$ 6,000	$7,861,000
December 31, 2001	7,861,000	2,818,000	(6,464,000)	10,000	4,225,000
December 31, 2002	4,225,000	1,039,000	(2,337,000)	477,000	3,404,000

DANA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS

COMMITMENTS AND CONTINGENCIES

We are a party to various legal proceedings (judicial and administrative) arising in the normal course of business, including proceedings which involve environmental and product liability claims. You can find additional information in “Note 17. Commitments and Contingencies” on pages 37 – 38 of our 2002 Annual Report and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 44 – 54 of our 2002 Annual Report.

With respect to environmental claims, we are involved in investigative and/or remedial efforts at a number of locations, including “on-site” activities at currently or formerly owned facilities and “off-site” activities at “Superfund” sites where we have been named as a potentially responsible party. You can find more information about our accounting for such claims in “Environmental Compliance and Remediation” under “Note 1. Summary of Significant Accounting Policies” on page 27 and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 44 – 54 of our 2002 Annual Report.

With respect to product liability claims, we are named in proceedings involving alleged defects in our products. Such proceedings currently include a large number of claims (most of which are for relatively small damage amounts) based on alleged asbestos-related personal injuries. At December 31, 2002, approximately 139,000 such claims were outstanding, of which approximately 24,000 were settled pending payment. We have agreements with our insurance carriers providing for the payment of a significant majority of the indemnity costs and the legal and administrative expenses for these claims. You can find additional information about our accounting for product liability claims under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 44 -54 of our 2002 Annual Report.

EXHIBIT INDEX

No.	Description	Method of Filing
3-A	Restated Articles of Incorporation	Filed by reference to Exhibit 3-A to our Form 10-Q for the quarter ended June 30, 1998
3-B	By-Laws, adopted February 11, 2003	Filed with this Report
4-A	Specimen Single Denomination Stock Certificate	Filed by reference to Exhibit 4-B to our Registration Statement No. 333-18403 filed December 20, 1996
4-B	Rights Agreement, dated as of April 25, 1996, between Dana and The Bank of New York, Rights Agent, as successor to ChemicalMellon Shareholder Services, L.L.C.	Filed by reference to Exhibit 1 to our Form 8-A filed May 1, 1996
4-C	Indenture for Senior Securities between Dana and Citibank, N.A., Trustee, dated as of December 15, 1997	Filed by reference to Exhibit 4-B to our Registration Statement No. 333-42239 filed December 15, 1997
4-D	First Supplemental Indenture between Dana, as Issuer, and Citibank, N.A., Trustee, dated as of March 11, 1998	Filed by reference to Exhibit 4-B-1 to our Report on Form 8-K dated March 12, 1998
4-E	Form of 6.5% Notes due March 15, 2008 and 7.00% Notes due March 15, 2028	Filed by reference to Exhibit 4-C-1 to our Report on Form 8-K dated March 12, 1998
4-F	Second Supplemental Indenture between Dana, as Issuer, 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	Filed by reference to Exhibit 4.C.1 to our Form 8-K dated March 2, 1999
4-H	Issuing and Paying Agent Agreement between Dana Credit Corporation (DCC), as Issuer, and Bankers Trust Company, Issuing and Paying agent, dated as of December 6, 1999, with respect to DCC's $500 million medium-term notes program	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-I	Note Agreement dated April 8, 1997, by and between Dana Credit Corporation and Metropolitan Life Insurance Company for 7.18% notes due April 8, 2006, in the principal amount of $37 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-J	Note Agreement dated April 8, 1997, by and between Dana Credit Corporation and Texas Life Insurance Company for 7.18% notes due April 8, 2006, in the principal amount of $3 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-K	Note Agreement dated April 8, 1997, by and between Dana Credit Corporation and Nationwide Life Insurance Company for 6.93% notes due April 8, 2006, in the principal amount of $35 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.

4-L	Note Agreement dated April 8, 1997, by and between Dana Credit Corporation and The Great-West Life & Annuity Insurance Company for 7.03% notes due April 8, 2006, in the aggregate principal amount of $13 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-M	Note Agreement dated April 8, 1997, by and between Dana Credit Corporation and The Great-West Life Assurance Company for 7.03% notes due April 8, 2006, in the principal amount of $7 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-N	Note Agreements (three) dated August 28, 1997, by and between Dana Credit Corporation and Connecticut General Life Insurance Company for 6.79% notes due August 28, 2004, in the aggregate principal amount of $16 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-O	Note Agreement dated August 28, 1997, by and between Dana Credit Corporation and Life Insurance Company of North America for 6.79% notes due August 28, 2004, in the principal amount of $4 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-P	Note Agreement dated August 28, 1997, by and between Dana Credit Corporation and The Northwestern Mutual Life Insurance Company for 6.88% notes due August 28, 2006, in the principal amount of $20 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-Q	Note Agreements (four) dated August 28, 1997, by and between Dana Credit Corporation and Sun Life Assurance Company of Canada for 6.88% notes due August 28, 2006, in the aggregate principal amount of $9 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-R	Note Agreement dated August 28, 1997, by and between Dana Credit Corporation and Massachusetts Casualty Insurance Company for 6.88% notes due August 28, 2006, in the principal amount of $1 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-S	Note Agreements (four) dated December 18, 1998, by and between Dana Credit Corporation and Sun Life Assurance Company of Canada for 6.59% notes due December 1, 2007, in the aggregate principal amount of $12 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-T	Note Agreements (five) dated December 18, 1998, by and between Dana Credit Corporation and The Lincoln National Life Insurance Company for 6.59% notes due December 1, 2007, in the aggregate principal amount of $25 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-U	Note Agreement dated December 18, 1998, by and between Dana Credit Corporation and The Northwestern Mutual Life Insurance Company for 6.48% notes due December 1, 2005, in the	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.

	principal amount of $15 million	
4-V	Note Agreement dated August 16, 1999, by and between Dana Credit Corporation and Connecticut General Life Insurance Company for 7.91% notes due August 16, 2006, in the principal amount of $15 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-W	Note Agreements (two) dated August 16, 1999, by and between Dana Credit Corporation and The Northwestern Mutual Life Insurance Company for 7.91% notes due August 16, 2006, in the aggregate principal amount of $15 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-X	Note Agreement dated August 16, 1999, by and between Dana Credit Corporation and Allstate Life Insurance Company for 7.58% notes due August 16, 2004, in the principal amount of $10 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-Y	Note Agreement dated August 16, 1999, by and between Dana Credit Corporation and Allstate Insurance Company for 7.58% notes due August 16, 2004, in the principal amount of $5 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-Z	Note Agreement dated August 16, 1999, by and between Dana Credit Corporation and New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Account for 7.58% notes due August 16, 2004, in the principal amount of $5 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-AA	Note Agreement dated August 16, 1999, by and between Dana Credit Corporation and New York Life Insurance and Annuity Corporation for 7.58% notes due August 16, 2004, in the principal amount of $10 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-BB	Note Agreement dated August 16, 1999, by and between Dana Credit Corporation and Principal Life Insurance Company for 7.58% notes due August 16, 2004, in the principal amount of $30 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-CC	Note Agreement dated August 16, 1999, by and between Dana Credit Corporation and First Trenton Indemnity Company for 7.58% notes due August 16, 2004, in the principal amount of $2.5 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-DD	Note Agreement dated August 16, 1999, by and between Dana Credit Corporation and Travelers Casualty and Surety Company for 7.58% notes due August 16, 2004, in the principal amount of $10 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-EE	Note Agreement dated August 16, 1999, by and between Dana Credit Corporation and The Travelers Insurance Company for 7.58% notes	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.

	due August 16, 2004, in the principal amount of $2.5 million	
4-FF	Note Agreement dated December 7, 1999, by and between Dana Credit Corporation and Allstate Life Insurance Company for 7.42% notes due December 15, 2004, in the principal amount of $14 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-GG	Note Agreement dated December 7, 1999, by and between Dana Credit Corporation and Columbia Universal Life Insurance Co. for 7.42% notes due December 15, 2004, in the principal amount of $1 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-HH	Note Agreement dated December 7, 1999, by and between Dana Credit Corporation and The Northwestern Mutual Life Insurance Company for 7.42% notes due December 15, 2004, in the principal amount of $14 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-II	Note Agreement dated December 7, 1999, by and between Dana Credit Corporation and The Northwestern Mutual Life Insurance Company for its Group Annuity Separate Account for 7.42% notes due December 15, 2004, in the principal amount of $1 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-JJ	Note Agreement dated December 7, 1999, by and between Dana Credit Corporation and Pacific Life and Annuity Company for 7.42% notes due December 15, 2004, in the principal amount of $5 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-KK	Note Agreement dated December 7, 1999, by and between Dana Credit Corporation and United Life Insurance Company for 7.42% notes due December 15, 2004, in the principal amount of $3 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-LL	Note Agreement dated December 7, 1999, by and between Dana Credit Corporation and Companion Life Insurance Company for 7.42% notes due December 15, 2004, in the principal amount of $2 million	This exhibit is not filed. We agree to furnish a copy of this exhibit to the Commission upon request.
4-MM	Indenture between Dana, as Issuer, and Citibank, N.A., as Trustee and as Registrar and Paying Agent for the Dollar Securities, and Citibank, N.A., London Branch, as Registrar and a Paying Agent for the Euro Securities, dated as of August 8, 2001, relating to $575 million of 9% Notes due August 15, 2011 and €200 million of 9% Notes due August 15, 2011	Filed by reference to Exhibit 4-I to our Form 10-Q for the quarter ended June 30, 2001
4-MM(1)	Form of Rule 144A Dollar Global Notes, Rule 144A Euro Global Notes, Regulation S Dollar Global Notes, and Regulation S Euro Global Notes (form of initial securities)	Filed by reference to Exhibit A to Exhibit 4-I to our Form 10-Q for the quarter ended June 30, 2001

4-MM(2)	Form of Rule 144A Dollar Global Notes, Rule 144A Euro Global Notes, Regulation S Dollar Global Notes, and Regulation S Euro Global Notes (form of exchange securities)	Filed by reference to Exhibit B to Exhibit 4-I to our Form 10-Q for the quarter ended June 30, 2001
4-NN	Indenture between Dana, as Issuer, and Citibank, N.A., as Trustee, Registrar and Paying Agent, dated as of March 11, 2002, relating to $250 million of 10 1/8% Notes due March 15, 2010	Filed by reference to Exhibit 4-NN to our Form 10-Q for the quarter ended March 31, 2002
4-NN(1)	Form of Rule 144A Global Notes and Regulation S Global Notes (form of initial securities)	Filed by reference to Exhibit 4-NN(1) to our Form 10-Q for the quarter ended March 31, 2002
4-NN(2)	Form of Rule 144A Global Notes and Regulation S Global Notes (form of exchange securities)	Filed by reference to Exhibit 4-NN(2) to our Form 10-Q for the quarter ended March 31, 2002
10-A	Additional Compensation Plan	Filed by reference to Exhibit A to our Proxy Statement dated March 3, 2000
10-A(1)	First Amendment to Additional Compensation Plan	Filed by reference to Exhibit 10-A(1) to our Form 10-Q for the quarter ended June 30, 2002
10-B	1997 Stock Option Plan	Filed by reference to Exhibit A to our Proxy Statement dated March 5, 1999
10-B(1)	First Amendment to 1997 Stock Option Plan	Filed by reference to Exhibit B to our Proxy Statement dated March 2, 2001
10-B(2)	Second Amendment to 1997 Stock Option Plan	Filed by reference to Exhibit 10-B(2) to our Form 10-Q for the quarter ended June 30, 2002
10-C	Excess Benefits Plan	Filed by reference to Exhibit 10-F to our Form 10-K for the year ended December 31, 1998
10-C(1)	First Amendment to Excess Benefits Plan	Filed by reference to Exhibit 10-C(1) to our Form 10-Q for the quarter ended September 30, 2000
10-C(2)	Second Amendment to Excess Benefits Plan	Filed by reference to Exhibit 10-C(2) to our Form 10-Q for the quarter ended June 30, 2002
10-D	Director Deferred Fee Plan	Filed by reference to Exhibit B to our Proxy Statement dated February 28, 1997
10-D(1)	First Amendment to Director Deferred Fee Plan	Filed by reference to Exhibit 10-I(1) to our Form 10-Q for the quarter ended March 31, 1998
10-D(2)	Second Amendment to Director Deferred Fee Plan	Filed by reference to Exhibit 10-I(2) to our Form 10-K for the year ended December 31, 1998
10-D(3)	Third Amendment to Director Deferred Fee Plan	Filed by reference to Exhibit 10-D(3) to our Form 10-Q for the quarter ended June 30, 2002
10-E	Employment Agreement between Dana and J.M. Magliochetti	Filed by reference to Exhibit 10-E to our Form 10-K for the year ended December 31, 2000
10-F	Change of Control Agreement between Dana and W.J. Carroll. There are substantially similar agreements with B.N. Cole, M.A. Franklin, J.M	Filed by reference to Exhibit 10-J(4) to our Form 10-K for the year ended December 31, 1997

	Laisure, T.R. McCormack and R.C. Richter.	
10-G	Collateral Assignment Split-Dollar Insurance Agreement for Universal Life Policies between Dana and J.M. Magliochetti. There are substantially similar agreements with W.J. Carroll, M.A. Franklin, and R.C. Richter	Filed by reference to Exhibit 10-G to our Form 10-K for the year ended December 31, 2001
10-H	Supplemental Benefits Plan	Filed by reference to Exhibit 10-H to our Form 10-Q for the quarter ended September 30, 2002
10-I	1999 Restricted Stock Plan, as amended and restated	Filed by reference to Exhibit A to our Proxy Statement dated March 5, 2002
10-J	1998 Directors' Stock Option Plan	Filed by reference to Exhibit A to our Proxy Statement dated February 27, 1998
10-J(1)	First Amendment to 1998 Directors' Stock Option Plan	Filed by reference to Exhibit 10-J(1) to our Form 10-Q for the quarter ended June 30, 2002
10-K	Supplementary Bonus Plan	Filed by reference to Exhibit 10-N to our Form 10-Q for the quarter ended June 30, 1995
10-L	Employee Stock Award Plan	Filed with this Report
13	Those sections of our 2002 Annual Report that are referred to in this Form 10-K	Filed with this Report
21	Subsidiaries of Dana	Filed with this Report
23	Consent of PricewaterhouseCoopers LLP	Filed with this Report
24	Power of Attorney	Filed with this Report
99-A	Certification pursuant to 18 U.S.C. Section 1350	Filed with this Report

By-Laws of Dana Corporation

Article I. Effective Date

Section 1.1. Effective Date. These By-Laws are adopted by the Board of Directors (the "Board") of Dana Corporation ("Dana") effective February 11, 2003.

Article II. Offices

Section 2.1. Registered Office. Dana's registered office shall be located at Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219.

Section 2.2. Business Office. Dana's principal business office shall be located at 4500 Dorr Street, Toledo, Ohio 43615, with a mailing address of P.O. Box 1000, Toledo, Ohio 43697.

Article III. Shareholder Meetings

Section 3.1. Annual Meetings. Unless the Board fixes a different date, the annual meeting of shareholders of Dana to elect directors and to transact other business (if any) shall be held on the first Wednesday of April each year, at the time and place designated by the Board in the notice of meeting. The Board may postpone or cancel any annual meeting at any time prior to the designated meeting date and time by means of (i) a press release reported by the Dow Jones News, Associated Press or a comparable national news service, or (ii) a document filed with the Securities and Exchange Commission ("SEC") (in either case, a "Public Announcement").

Section 3.2. Special Meetings. Special meetings of shareholders may be called by the Board, the Chairman of the Board (the "Chairman"), or the President, to elect directors and/or transact such other business as is described in the notice of meeting, at the date, time and place designated therein. Notice of special meetings shall be given to shareholders in accordance with the Virginia Stock Corporation Act ("Virginia Law"). The Board may postpone or cancel any special meeting at any time prior to the designated meeting date and time by means of a Public Announcement. Only such business as is brought before the special meeting pursuant to Dana's notice of meeting shall be conducted at the meeting.

Section 3.3. Shareholder Nominations and Proposals. In submitting nominations for persons to be elected as directors of Dana or proposals for other business to be presented at any shareholder meeting, shareholders shall comply with the following procedures and such other requirements as are imposed by Virginia Law and the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder (the "Exchange Act"):

a. **Delivery.** Shareholder notices shall be addressed and delivered to the Secretary at Dana's principal business office.

b. **Timeliness.**

i. Annual Meetings. Shareholder proposals to be included in Dana's proxy materials for any annual meeting shall be submitted in accordance with the timeliness requirements of the Exchange Act. Other shareholder proposals and shareholder nominations for directors to be voted on at any annual meeting shall be delivered before the close of business on the 90th day before the anniversary date of the prior year’s annual meeting, or, if the meeting is called for a date not within 30 days before or after such anniversary date, before the close of business on the 10th day following the date on which the notice of the meeting was mailed or the date on which Dana first made a Public Announcement of the meeting date, whichever occurs first.

ii. Special Meetings. Shareholder proposals related to the business to be conducted at any special meeting and shareholder nominations for directors to be voted on at any special meeting at which directors are to be elected shall be delivered before the close of business on the 3rd day following the date on which the notice of the meeting was mailed or the date on which Dana first made a Public Announcement of the meeting date, whichever occurs first.

iii. Adjournments and Postponements. A Public Announcement of an adjournment or postponement of an annual or special meeting shall not commence a new time period for the giving of shareholder notices.

c. Contents. Shareholder notices shall contain the names and addresses (as they appear on the records of Dana’s transfer agent) of the shareholders and all beneficial owners on whose behalf the nomination or proposal is made, the class and number of Dana shares which are owned of record and beneficially by the shareholders and the beneficial owners, and a representation that the shareholders intend to appear in person or by proxy at the meeting to bring the proposal or nomination before the meeting. In addition, (i) shareholder nominations for directors shall contain the information about the director-nominees and about the nominating shareholders which is required to be disclosed in solicitations of proxies for the election of directors in an election contest or otherwise under the Exchange Act, and (ii) shareholder proposals shall contain a brief description of the proposed business to be presented, the reason for presenting such business at the meeting, and any material interests which the shareholders and the beneficial owners have in such business.

Section 3.4. Conduct of Meetings.

Section 3.4.1. Chairman and Procedures. Shareholder meetings shall be chaired by the Chairman of the Board or by such person as he or she may designate. The chairman of the meeting shall determine and announce the rules of procedure for the meeting and shall rule on all procedural questions during the meeting.

Section 3.4.2. Proper Nominations and Business. Nominations for directors and other proposals shall be deemed properly brought before a shareholder meeting only when brought in accordance with Virginia Law, the Exchange Act, and this Article III. The chairman of the meeting shall determine whether each nomination or proposal has been properly brought and shall declare that any improperly brought nomination or proposal be disregarded.

Section 3.4.3. Adjournments. The chairman of any shareholder meeting, or the holders of a majority of the shares represented at the meeting (whether or not constituting a quorum), may adjourn the meeting from time to time. No further notice need be given if the adjournment is for a period not exceeding 120 days and the new date, time and place are announced at the adjourned meeting. Otherwise, notice shall be given in accordance with Virginia Law.

Article IV. Board of Directors

Section 4.1. Authority. The business and affairs of Dana shall be managed under the direction of the Board, and all of Dana’s corporate powers shall be exercised by or pursuant to the Board’s authority.

Section 4.2. Number and Term of Directors. The number of directors of Dana shall be eleven. Each director shall hold office until the next annual meeting of shareholders and the election and qualification of his or her successor, or until his or her earlier retirement, resignation, or removal.

Section 4.3. Meetings and Notice.

Section 4.3.1. Regular Meetings. The Board shall hold regular meetings at such dates, times and places as it may determine from time to time, and no notice thereof need be given other than such determination. However, if the date, time or place of any regular meeting is changed, notice of the change shall be given to all directors by means of (i) a written notice mailed at least 5 calendar days before the meeting, (ii) a written notice delivered in person, by recognized national courier service, or by telecopy at least 1 business day before the meeting, or (iii) by telephone notification given at least 12 hours before the meeting.

Section 4.3.2. Special Meetings. The Board or the Chairman may call a special meeting of the Board at any date, time and place by causing the Secretary to give notice thereof to each director in the manner provided in Section 4.3.1. Neither the purpose of the meeting nor the business to be transacted need be specified in the notice of meeting, except for proposed amendments to these By-Laws.

Section 4.3.3. Telephonic Meetings. Members of the Board may participate in any Board meeting by means of conference telephone or similar communications equipment by means of which all meeting participants can hear each other, and such participation shall constitute presence in person at such meeting.

Section 4.3.4. Waiver of Notice. A director may waive any notice of meeting required under Virginia Law, Dana's Articles of Incorporation ("Dana's Articles") or these By-Laws, before or after the date and time set out in the notice, by signed written waiver submitted to the Secretary and filed with the minutes of the meeting. A director's attendance or participation at any meeting shall constitute a waiver of notice unless the director objects, at the beginning of the meeting or promptly upon his or her arrival, to holding the meeting or transacting business at the meeting, and thereafter does not vote on or assent to actions taken at the meeting.

Section 4.4. Action Without a Meeting. Any action required or permitted to be taken at a Board meeting may be taken without a meeting if the action is taken by all members of the Board. The action shall be evidenced by one or more written consents, signed by each director either before or after the action is taken. The action shall be effective when the last director signs his or her consent unless the consent specifies a different effective date, in which event the action taken will be effective as of the date specified therein provided that the consent states the date of execution by each director.

Section 4.5. Quorum, Board Action. A majority of the directors shall constitute a quorum of the Board. If a quorum is present when a vote is taken, the affirmative vote of the majority of directors present shall constitute the act of the Board; provided, that the authorization, approval or ratification of any transaction in which a director has a direct or indirect personal interest shall also be subject to the provisions of Virginia Law.

Section 4.6. Resignations. A director may resign at any time by giving written notice to the Board, the Chairman, the President or the Secretary. Unless otherwise specified in the notice, the resignation shall take effect upon delivery and without Board action. A director's resignation shall not affect any contractual rights and obligations of Dana or the director, except as specified in any particular contract.

Section 4.7. Vacancies. The Board shall fill all vacancies, including those resulting from an increase in the number of directors, by majority vote of the remaining directors, whether or not such number constitutes a quorum.

Article V. Board Committees

Section 5.1. Establishment of Committees. The Board may, by amendment to the By-Laws, establish and dissolve Board Committees, and, without amendment to the By-Laws, appoint and change the members and chairmen of the Committees, fill any vacancies on the Committees, and designate another director to act in the place of any Committee member who is absent or disqualified from voting at a Committee meeting. The Board shall adopt, and may amend from time to time, a charter for each Committee setting out the Committee's purpose, organization, responsibilities and authority. Each Committee shall exercise such of the Board's powers as are authorized by the Board, subject to any limitations imposed by Virginia Law.

Section 5.2. Standing Committees. The Board shall have the following Standing Committees: Advisory, Audit, Compensation, Finance and Funds, each of which shall have the purpose, organization, responsibilities and authority set out in its charter.

Section 5.3. Committee Meetings and Procedures. Each Committee shall hold regular meetings at such dates, times and places as it may determine from time to time, and no notice thereof need be given other than such determination. Sections 4.3 through 4.5, which govern meetings, notices and waivers of notice, actions without meeting, and quorum and voting requirements for the Board and the directors, shall also apply to the Committees and their members. Each Committee shall keep written records of its proceedings and shall report such proceedings to the Board from time to time as the Board may require.

Section 5.4. Resignations. A Committee member may resign at any time by giving written notice to the Chairman of the Board. Unless otherwise specified in the notice, the resignation shall take effect upon delivery and without Board action.

Article VI. Officers

Section 6.1. Offices and Election. The Board shall elect the following officers annually at the first Board meeting following the annual shareholders meeting: the Chairman (who shall be a member of the Board), the Chief Executive Officer, the Chief Operating Officer, the President, the President-Dana International, the Chief Financial Officer, the Treasurer, the Secretary, and such Executive Vice Presidents, Vice Presidents, Assistant Treasurers and Assistant Secretaries as it deems appropriate. Any person may simultaneously hold more than one office. Each officer shall hold office until the election and qualification of his or her successor, or until his or her earlier resignation or removal. Election as an officer shall not, of itself, create any contractual rights in the officer or in Dana, including, without limitation, any rights in the officer for compensation beyond his or her term of office.

Section 6.2. Removals and Resignations. Officers shall serve at the pleasure of the Board and may be removed from office by the Board at any time. An officer may resign at any time by giving written notice to the Chairman or the Secretary. Unless otherwise specified in the notice, the resignation shall take effect upon delivery and without Board action. An officer's resignation shall not affect any contractual rights and obligations of Dana or the officer, except as specified in any particular contract.

Section 6.3. Duties of Officers. The officers shall perform the following duties and any others which are assigned by the Board from time to time, are required by Virginia Law, or are commonly incident to their offices:

a. Chairman of the Board. The Chairman shall provide leadership to the Board in discharging its functions; shall preside at all meetings of the Board; shall act as a liaison between the Board and Dana's management; and, with the Chief Executive Officer, shall represent Dana to the shareholders, investors and other external groups. If the Chairman is absent or incapacitated, the Chairman of the Advisory Committee shall have his or her powers and duties.

b. Chief Executive Officer. The Chief Executive Officer shall be Dana's principal executive officer, with responsibility for the general management of Dana's business affairs. The Chief Executive Officer shall develop and recommend to the Board long-term strategies for Dana, annual business plans and budgets to support those strategies, and plans for management development and succession that will provide Dana with an effective management team. He or she shall serve as Dana's chief spokesperson to internal and external groups. If the Chief Executive Officer is absent or incapacitated, the President shall have his or her powers and duties.

c. Chief Operating Officer. The Chief Operating Officer shall oversee the management of Dana's day-to-day business in a manner consistent with Dana's financial and operating goals and objectives, continuous improvement in Dana's products and services, and the achievement and maintenance of satisfactory competitive positions within Dana's industries.

d. President. The President shall have such duties as are assigned by the Chief Executive Officer. If the President is absent or incapacitated, the Chairman shall have his or her powers and duties.

e. President-Dana International. The President-Dana International shall have such duties as are assigned by the Chairman.

f. Chief Financial Officer. The Chief Financial Officer shall be responsible for the overall management of Dana's financial affairs.

g. Executive Vice Presidents and Vice Presidents. The Executive Vice Presidents and the Vice Presidents shall have such duties as are assigned by the Chairman.

h. Treasurer. The Treasurer shall have charge and custody of Dana's funds and securities and shall receive monies due and payable to Dana from all sources and deposit such monies in banks, trust companies, and depositories as authorized by the Board. If the Treasurer is absent or incapacitated and has not previously designated in writing another person or persons to have his or her powers and duties, any Assistant Treasurer shall have such powers and duties.

i. Secretary. The Secretary shall prepare and maintain minutes of all meetings of the Board and of Dana's shareholders; shall assure that notices required by these By-Laws, Dana's Articles, Virginia Law or the Exchange Act are duly given; shall be custodian of Dana's seal (if any) and affix it as required; shall authenticate Dana's records as required; shall keep or cause to be kept a register of the shareholders' names and addresses as furnished by them; and shall have general charge of Dana's stock transfer books. If the Secretary is absent or incapacitated and has not previously designated in writing another person or persons to have his or her powers and duties, any Assistant Secretary shall have such powers and duties.

j. Assistant Treasurers and Assistant Secretaries. The Assistant Treasurers and Assistant Secretaries shall have such duties as are assigned by the Treasurer and the Secretary, respectively.

Section 6.4. Contracts and Instruments. Except as limited in Section 6.5 with respect to Dana's guarantees of the indebtedness of subsidiaries, affiliates and third parties, each of the Chairman, the Chief Executive Officer, the Chief Operating Officer, the President, the President-Dana International, the Chief Financial Officer, any Executive Vice President, any Vice President, and the Treasurer shall have the power to enter into, sign (manually or through facsimile), execute, and deliver contracts (including, without limitation, bonds, deeds and mortgages) and other instruments evidencing Dana's rights and obligations on behalf of and in the name of Dana. Except as otherwise provided by law, any of these officers may delegate the foregoing powers to any other officer, employee or attorney-in-fact of Dana by written special power of attorney.

Section 6.5. Guarantees of Indebtedness.

Section 6.5.1. Debt of Wholly Owned Subsidiaries. Within any limitations set by the Board on total outstanding guarantees for Dana subsidiaries, each of the Chairman, the Chief Executive Officer, the Chief Operating Officer, the President, the Chief Financial Officer, and the Treasurer shall have the power to approve guarantees by Dana of the indebtedness of direct and indirect wholly owned Dana subsidiaries.

Section 6.5.2. Debt of Non-Wholly Owned Subsidiaries, Affiliates, and Other Entities. Each of the Chairman, the Chief Executive Officer, the Chief Operating Officer, the President, the Chief Financial Officer, and the Treasurer shall have the power to approve guarantees by Dana of the indebtedness of non-wholly owned Dana subsidiaries, Dana affiliates and third party entities; provided, that the aggregate amount of such guarantees made by these officers collectively between Board meetings may not exceed $10 million and that all such guarantees in the aggregate may not exceed any limitations set by the Board on total outstanding guarantees for Dana subsidiaries.

Section 6.6. Stock Certificates. The Chairman, the President, and the Secretary shall each have the power to sign (manually or through facsimile) certificates for shares of Dana stock which the Board has authorized for issuance.

Section 6.7. Securities of Other Entities. With respect to securities issued by another entity which are beneficially owned by Dana, each of the Chairman, the Chief Executive Officer, the Chief Operating Officer, the President, the President-Dana International, the Chief Financial Officer, any Executive Vice President, any Vice President, the Treasurer, and the Secretary shall have the power to attend any meeting of security holders of the entity and vote thereat; to execute in the name and on behalf of Dana such written proxies, consents, waivers or other instruments as they deem necessary or proper to exercise Dana's rights as a security holder of the entity; and otherwise to exercise all powers to which Dana is entitled as the beneficial owner of the securities. Except as otherwise provided by law, any of these officers may delegate any of the foregoing powers to any other officer, employee or attorney-in-fact of Dana by written special power of attorney.

Article VII. Indemnification

Section 7.1. Indemnification. Dana shall indemnify any of the following persons who was, is or may become a party to any "proceeding" (as such term is defined in Section 1 of Article SIXTH of Dana's Articles) to the same extent as if such person were specified as one to whom indemnification is granted in Section 3 of the foregoing Article SIXTH: (i) any Dana director, officer or employee who was, is, or may become a party to the proceeding by reason of the fact that he or she is or was serving at Dana's request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, and (ii) any Dana employee who was, is, or may become a party to the proceeding by reason of the fact that he or she is or was an employee of Dana. In all cases, the provisions of Sections 4 through 7 of the foregoing Article SIXTH shall apply to the indemnification granted hereunder.

Article VIII. Dana Stock

Section 8.1. Lost Certificates. A shareholder claiming that any certificate for Dana stock has been lost or destroyed shall furnish the Secretary with an affidavit stating the facts relating to such loss or destruction. The shareholder shall be entitled to have a new certificate issued in the place of the certificate which is claimed to be lost or destroyed if (i) the affidavit is satisfactory to the Secretary, and (ii) if requested by the Secretary, the shareholder gives a bond (in form and amount satisfactory to the Secretary) to protect Dana and other persons from any liability or expense that might be incurred upon the issue of a new certificate by reason of the original certificate remaining outstanding.

Section 8.2. Rights Agreement. Any restrictions which are deemed to be imposed on the transfer of Dana securities by the Rights Agreement dated as of April 25, 1996, between Dana and The Bank of New York (successor Rights Agent to Chemical Mellon Shareholder Services, L.L.C.), or by any successor or replacement rights plan or agreement, are hereby authorized.

Section 8.3. Control Share Acquisitions. Article 14.1 of the Virginia Stock Corporation Act shall not apply to the acquisition of shares of Dana's common stock.

Article IX. Amendment

Section 9.1. Amendment. The Board, by resolution, or the shareholders may amend or repeal these By-Laws, subject to any limitations imposed by Dana's Articles and Virginia Law.

Exhibit 10-L

DANA CORPORATION
EMPLOYEE STOCK AWARD PLAN
(As Amended Effective July 20, 1998)

1. Purpose

The purpose of the Plan is to reward Eligible Employees who have contributed to the success of the Corporation by their invention, creativity, loyalty or exceptional service, and to encourage such future contributions.

2. Definitions

"Act of Special Service" shall mean any act, which a Regional President, Division General Manager, or Corporate Office Department Head feels is so substantial and exceptional as to make the employee eligible for an award under the Plan. In making such a determination, the following criteria shall be considered:

a) that the Eligible Employee has contributed in a substantial degree to the success of the Corporation by suggesting or implementing significant cost-saving measures or productivity improvements that improve the quality of the Corporation's products or services; and

b) the efforts of the Eligible Employee substantially exceed what would normally be expected of the person recommended for the award, given his or her job responsibilities.

"Board of Directors" shall mean the Board of Directors of the Corporation.

"Committee" shall mean the Policy Committee of the Corporation.

"Corporation" shall mean Dana Corporation.

"Eligible Employee" shall mean any full-time employee of the Corporation or its United States or foreign Subsidiaries, other than a current member of the Corporation's A Group. Any authorized temporary absence from active employment without pay by reason of short-term disability, layoff, vacation, military leave or other authorized leave of absence will not affect employee eligibility.

"Plan" shall mean the Dana Corporation Employee Stock Award Plan.

"Shares of Stock" shall mean shares of common stock of the Corporation with a par value of $1.00 per share.

"Subsidiary" shall mean each corporation the financial results of which are consolidated with those of the Corporation for purposes of the statement of consolidated income included in the Corporation's annual report to stockholders for the period which includes the date as to which the term refers, and each corporation in an unbroken chain of corporations beginning with the Corporation if, on the date as to which the term refers, each of the corporations other than the last corporation in the unbroken chain owns stock possessing more than 50% of the total combined voting powers of all classes of stock in one of the other corporations in such chain.

"TARP" shall mean the Technical Achievement Recognition Program, which program is a part of and subject to the terms of this Plan, and is attached hereto as Exhibit I.

3. Grant of Awards

Any Regional President, Division General Manager, or Corporate Office Department Head of the Corporation or a Subsidiary may make an annual award of up to 1000 Shares of Stock to an Eligible Employee for an Act of Special Service, provided that, in the case of any award of more than 100 Shares of Stock, prior approval of the Committee is required, and in the case of any award of 100 Shares of Stock or less, prior approval of an SBU President or the President – Dana International (or, in the case of the Corporate Office, the Committee) is required.

In addition, under the TARP provisions of this Plan, the Corporation may make awards of 50 Shares of Stock to Eligible Employees in recognition of their filing an original patent application or publishing a paper through a recognized technical or professional society.

4. Duties of the Committee

The Committee shall calculate separately the aggregate amount of awards that have been approved by the SBU Presidents, the President – Dana International and the Committee for Acts of Special Service and for TARP awards under the Plan, and shall periodically provide the Board of Directors with a year-to-date listing of all such awards and the number of Shares of Stock which shall be used for the awards.

5. Shares Reserved for the Plan; Award Limitation

The total number of Shares of Stock available to make awards for Acts of Special Service and for TARP awards under the Plan in any calendar year shall not exceed one hundred thousand (100,000) shares, which shall consist of authorized but unissued Shares of Stock.

No Eligible Employee shall be entitled to receive, during any calendar year, more than one thousand (1000) Shares of Stock for Acts of Special Service hereunder (exclusive of any award received under the TARP).

6. Consideration

Employees are not required to provide any consideration for their awards under this Plan other than their Acts of Special Service, or their efforts related to the filing of a patent application or the publication of a technical paper.

7. Assignment

The right to receive Shares of Stock which have been awarded pursuant to the Plan is not transferable, and Shares of Stock will be delivered only to the Eligible Employee or his personal representative in the event of the death of the Eligible Employee prior to delivery of the award.

8. Termination or Amendment

The Plan is intended to be an ongoing one, but the Board of Directors reserves the right at any time to terminate, alter or amend the Plan or the TARP, without the consent of, or notice to, any employee or beneficiary.

9. Termination of Eligibility

If any employee for any reason whatever ceases to be an Eligible Employee, he shall no longer be eligible to receive awards pursuant to this Plan, provided, however, that this will not affect his eligibility to receive awards following his retirement from the Corporation (or a Subsidiary) where the award is related to services performed while he was an Eligible Employee.

10. Taxes

Each award of Shares of Stock pursuant to this Plan shall be accompanied by a cash payment in an amount equal to the taxes required by applicable law to be withheld as a consequence of both the award of Shares of Stock and the cash payment provided for in this paragraph.

11. Earnings

Awards made pursuant to this Plan shall in no event be deemed earnings within the definition of any employee benefit plan of the Corporation or its Subsidiaries.

12. Adjustments Upon Changes in Capitalization

In the event of a capital adjustment resulting from a stock dividend, stock split, recapitalization, reorganization, merger, consolidation, liquidation, or a combination or exchange of stock, the number of Shares of Stock subject to the Plan, the number of Shares of Stock available for grant under the Plan, the number of Shares of Stock subject to the grant of stock awards and TARP awards, and the number and kind of shares of other stock that may be substituted or exchanged for Shares of Stock in the capital adjustment, shall be adjusted in a manner consistent with such capital adjustment.

EXHIBIT I

TECHNICAL ACHIEVEMENT
RECOGNITION PROGRAM

Objective:

To encourage and reward technological and professional creativity within Dana Corporation and its wholly-owned subsidiaries worldwide.

Award:

1. Fifty shares of Dana stock, to be awarded to each named inventor after the filing of each original patent application, and to each named author of a paper orally presented to and published through a recognized technical or professional society.

   Only “regular” patents qualify for awards. Design patents, registered designs or similar rights which cover only the appearance of a product do not qualify for awards.

   “Recognized technical or professional societies” include only those organizations in which papers are subject to critical review and analysis. Magazine and journal articles and presentations at conferences do not qualify.

2. An engraved plaque, to be presented to each named inventor after issuance of each original patent and to each named author after publication of the qualified paper.

3. Divisions and subsidiaries will recommend additional stock awards under the Dana Stock Award Plan where the commercial value of the invention justifies such an award.

Procedure:

Awards will be granted and financed by Dana Corporation through the Dana Stock Award Plan.

Divisions and subsidiaries will decide whether inventions are of sufficient economic value to justify patenting.

Awards will be made only to inventors and authors who are full-time, part-time or temporary employees (or co-op students) or retirees of Dana (or a wholly-owned Dana subsidiary) at the time the award is to be made. People on temporary layoff are also eligible.

Retirees are eligible for awards provided the activity on which the award is based was performed while the individual was an employee of Dana or a wholly-owned Dana subsidiary.

Exhibit 13

Management Statement

During the past eighteen months, a number of events have occurred which have negatively impacted both financial markets and investor confidence. In several instances, it would appear that fault was, at least in part, due to a breakdown in corporate governance practices and, more specifically, to a failure on the part of the leadership of certain companies to accept responsibility for the integrity of those firms' financial statements.

The consequences of this "crisis in confidence" have included a number of legislative and regulatory initiatives in the United States that compel corporate officials to, among other things, certify the accuracy and integrity of a company's financial statements and discuss the adequacy of the system of internal controls.

We are proud to say that, in Dana's annual shareholder reports for more than twenty years, we have included a letter signed by our most senior financial officers acknowledging management's responsibility for the preparation of Dana's financial statements in accordance with generally accepted accounting principles, and confirming that management fully accepts responsibility for the accuracy and transparency of our financial statements and related information.

We have also said that the establishment and maintenance of an effective system of internal controls is important to the proper preparation of our financial statements. In fact, controls and processes are in place that are designed to provide reasonable assurance that all disclosures, financial and non-financial, are appropriately made. We also rely on our internal control systems to protect Dana assets against loss. Our internal control systems are regularly reviewed and tested by our internal auditors in order to monitor compliance, and by our independent accountants in support of their audit work.

Another component of effective corporate governance and internal control is the presence of an active, independent Audit Committee. Dana's Audit Committee is composed of independent, outside directors and meets regularly with management, the internal auditors and our independent accountants to review accounting, auditing and financial matters, including our development, selection and disclosure of critical accounting estimates. The Committee and the independent accountants have free access to each other with or without management being present.

While some may view recent legislation and regulatory developments as imposing a greater duty upon company officials, at Dana we do not. We have always placed a premium on honesty and integrity and we have in place strict Standards of Business Conduct, which are published in thirteen languages and are applicable to all Dana employees, regardless of their position or the country in which they work. So, while we will certainly comply with any and all applicable changes in the regulatory environment, including the certification of our financial statements, this will only add formality in confirming what Dana senior management has long accepted as part of its basic responsibilities to the company and its shareholders.

/s/ Robert C. Richter
Robert C. Richter
Vice President and
Chief Financial Officer

Report Of Independent Accountants

To the Board of Directors and Shareholders of Dana Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of shareholders' equity and of cash flows, including pages 22 through 43, present fairly, in all material respects, the financial position of Dana Corporation and its subsidiaries at December 31, 2001 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 1 and 6 to the consolidated financial statements, the Company changed its method of accounting for goodwill effective January 1, 2002.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Toledo, Ohio
February 10, 2003

Consolidated Statement of Income
In millions except per share amounts

	Year Ended December 31		
	2000	2001	2002
Net sales	$11,463	$ 9,490	**$9,504**
Revenue from lease financing	143	115	**85**
Other income, net	229	76	**105**
	11,835	9,681	**9,694**
Costs and expenses			
Cost of sales	9,885	8,538	**8,426**
Selling, general and administrative expenses	988	872	**823**
Restructuring and integration charges	133	317	**194**
Interest expense	319	303	**260**
	11,325	10,030	**9,703**
Income (loss) before income taxes	510	(349)	**(9)**
Income tax benefit (expense)	(195)	109	**27**
Minority interest	(13)	(8)	**(15)**
Equity in earnings of affiliates	54	32	**55**
Income (loss) from continuing operations	356	(216)	**58**
Loss from discontinued operations before income taxes	(46)	(134)	**(30)**
Income tax benefit on loss from discontinued operations	24	52	**10**
Loss from discontinued operations	(22)	(82)	**(20)**
Income (loss) before effect of change in accounting	334	(298)	**38**
Effect of change in accounting			**(220)**
Net income (loss)	$ 334	$ (298)	**$ (182)**
Basic earnings (loss) per common share			
Income (loss) from continuing operations before effect of change in accounting	$ 2.34	$ (1.46)	**$ 0.39**
Loss from discontinued operations	(0.14)	(0.55)	**(0.13)**
Effect of change in accounting			**(1.49)**
Net income (loss)	$ 2.20	$ (2.01)	**$ (1.23)**
Diluted earnings (loss) per common share			
Income (loss) from continuing operations before effect of change in accounting	$ 2.32	$ (1.46)	**$ 0.39**
Loss from discontinued operations	(0.14)	(0.55)	**(0.13)**
Effect of change in accounting			**(1.48)**
Net income (loss)	$ 2.18	$ (2.01)	**$ (1.22)**
Cash dividends declared and paid per common share	$ 1.24	$ 0.94	**$ 0.04**
Average shares outstanding — Basic	152	148	**148**
Average shares outstanding — Diluted	153	148	**149**

The accompanying notes are an integral part of the consolidated financial statements.
The amounts reported above for 2000 and 2001 have been reclassified to reflect our discontinued operations.

Consolidated Balance Sheet
In millions except par value

	December 31	
	2001	2002
Assets		
Current assets		
Cash and cash equivalents	$ 199	**$ 571**
Accounts receivable		
Trade, less allowance for doubtful accounts of $45 - 2001 and $40 - 2002	1,371	**1,348**
Other	371	**320**
Inventories	1,299	**1,116**
Other current assets	557	**763**
Total current assets	3,797	**4,118**
Goodwill, net	841	**568**
Investments and other assets	1,368	**1,484**
Investments in leases	1,068	**827**
Property, plant and equipment, net	3,133	**2,556**
Total assets	$10,207	**$ 9,553**
Liabilities and Shareholders' Equity		
Current liabilities		
Notes payable, including current portion of long-term debt	$ 1,120	**$ 287**
Accounts payable	1,045	**1,004**
Accrued payroll and employee benefits	317	**467**
Other accrued liabilities	873	**802**
Taxes on income	134	**264**
Total current liabilities	3,489	**2,824**
Deferred employee benefits and other noncurrent liabilities	1,640	**1,925**
Long-term debt	3,008	**3,215**
Minority interest in consolidated subsidiaries	112	**107**
Total liabilities	8,249	**8,071**
Shareholders' equity		
Common stock, $1 par value, shares authorized, 350; shares issued, 149 - 2001 and 2002	149	**149**
Additional paid-in capital	163	**170**
Retained earnings	2,471	**2,283**
Accumulated other comprehensive loss	(825)	**(1,120)**
Total shareholders' equity	1,958	**1,482**
Total liabilities and shareholders' equity	$10,207	**$ 9,553**

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

Consolidated Statement of Cash Flows
In millions

	Year ended December 31		
	2000	2001	2002
Net cash flows from operating activities	$ 984	$ 639	**$ 521**
Cash flows from investing activities:			
Purchases of property, plant and equipment	(662)	(425)	**(375)**
Purchases of assets to be leased	(191)	(50)	**(2)**
Acquisitions	(511)	(21)	**(31)**
Divestitures	571	236	**506**
Changes in investments and other assets	(183)	1	**17**
Loans made to customers and partnerships	(643)	(68)	**(11)**
Payments received on leases	146	48	**39**
Proceeds from sales of leasing subsidiary assets	82	60	**248**
Proceeds from sales of other assets	41	132	**101**
Payments received on loans	561	180	**31**
Other	(5)	(14)	**2**
Net cash flows — investing activities	(794)	79	**525**
Cash flows from financing activities:			
Net change in short-term debt	577	(888)	**(556)**
Issuance of long-term debt	368	847	**285**
Payments on long-term debt	(504)	(501)	**(467)**
Dividends paid	(187)	(140)	**(6)**
Shares repurchased	(381)		
Other	5	(16)	**72**
Net cash flows — financing activities	(122)	(698)	**(672)**
Net increase in cash and cash equivalents	68	20	**374**
Net change in cash of discontinued operations			**(2)**
Cash and cash equivalents — beginning of year	111	179	**199**
Cash and cash equivalents — end of year	$ 179	$ 199	**$ 571**
Reconciliation of net income (loss) to net cash flows from operating activities:			
Net income (loss)	$ 334	$(298)	**$(182)**
Depreciation and amortization	523	548	**478**
Deferred income taxes	57	(116)	**(135)**
Unremitted earnings of affiliates	(54)	4	**(43)**
Additions to lease and loan loss reserves	18	(9)	**5**
Gains on divestitures and asset sales	(106)	(10)	**(53)**
Minority interest	10	4	**5**
Effect of change in accounting			**220**
Asset impairment	27	206	**114**
Change in accounts receivable	327	137	**(52)**
Change in inventories	108	166	**3**
Change in other operating assets	(58)	(31)	**68**
Change in operating liabilities	(144)	78	**176**
Other	(58)	(40)	**(83)**
Net cash flows from operating activities	$ 984	$ 639	**$ 521**

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

Consolidated Statement of Shareholders' Equity
In millions

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss): Foreign Currency Translation	Minimum Pension Liability	Net Unrealized Gain (Loss)	Shareholders' Equity
Balance, December 31, 1999	$163	$ 520	$2,762	$(478)	$ (13)	$ 3	$2,957
Comprehensive income:							
Net income for 2000			334				
Foreign currency translation				(90)			
Minimum pension liability					(10)		
Total comprehensive income							234
Cash dividends declared			(187)				(187)
Cost of shares repurchased	(15)	(366)					(381)
Issuance of shares for director and employee stock plans, net		5					5
Balance, December 31, 2000	148	159	2,909	(568)	(23)	3	2,628
Comprehensive income:							
Net loss for 2001			(298)				
Foreign currency translation				(152)			
Minimum pension liability					(80)		
Unrealized loss						(5)	
Total comprehensive loss							(535)
Cash dividends declared			(140)				(140)
Issuance of shares for director and employee stock plans, net	1	4					5
Balance, December 31, 2001	149	163	2,471	(720)	(103)	(2)	1,958
Comprehensive income:							
Net loss for 2002			**(182)**				
Foreign currency translation				**(53)**			
Minimum pension liability					**(242)**		
Total comprehensive loss							**(477)**
Cash dividends declared			**(6)**				**(6)**
Issuance of shares for director and employee stock plans, net		**7**					**7**
Balance, December 31, 2002	**$149**	**$ 170**	**$2,283**	**$(773)**	**$(345)**	**$ (2)**	**$1,482**

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

Note 1. Summary of Significant Accounting Policies

Dana is a global leader in the engineering, manufacturing and distribution of systems and components for worldwide vehicular manufacturers and the related aftermarkets and has been a provider of lease financing services in selected markets through its wholly-owned subsidiary, Dana Credit Corporation (DCC).

The preparation of these consolidated financial statements requires estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. Some of the more significant estimates include depreciation and amortization of long-lived assets; valuation of deferred tax assets and inventories; sales returns, restructuring, environmental, product liability and warranty accruals; postemployment and postretirement benefits; residual values of leased assets and allowances for doubtful accounts. Actual results could differ from those estimates.

The following summary of significant accounting policies should help you evaluate the consolidated financial statements. As discussed in Note 20 - Discontinued Operations, income statement amounts in 2000 and 2001 have been reclassified to conform to the 2002 presentation of discontinued operations.

Principles of Consolidation

The consolidated financial statements include all subsidiaries in which we have the ability to control operating and financial policies. Affiliated companies (20% to 50% ownership) are generally recorded in the statements using the equity method of accounting. Operations of affiliates accounted for under the equity method of accounting are generally included for periods ended within one month of our year end. Less-than-20%-owned companies are included in the financial statements at the cost of our investment. Dividends, royalties and fees from these cost basis affiliates are recorded in income when received.

Foreign Currency Translation

The financial statements of subsidiaries and equity affiliates outside the United States (U.S.) located in non-highly inflationary economies are measured using the currency of the primary economic environment in which they operate as the functional currency, which for the most part is the local currency. Transaction gains and losses which result from translating assets and liabilities of these entities into the functional currency are included in net earnings. Other income includes a transaction loss of $5 in 2000 and transaction gains of $7 in 2001 and $18 in 2002. When translating into U.S. dollars, income and expense items are translated at average monthly rates of exchange and assets and liabilities are translated at the rates of exchange at the balance sheet date. Translation adjustments resulting from translating the functional currency into U.S. dollars are deferred as a component of accumulated other comprehensive income in shareholders' equity. For affiliates operating in highly inflationary economies, non-monetary assets are translated into U.S. dollars at historical exchange rates and monetary assets are translated at current exchange rates. Translation adjustments for these affiliates are included in net earnings.

Inventories

Inventories are valued at the lower of cost or market. Cost is generally determined on the last-in, first-out (LIFO) basis for U.S. inventories and on the first-in, first-out (FIFO) or average cost basis for non-U.S. inventories.

Goodwill
Prior to 2002, we amortized goodwill over the periods of expected benefit ranging from 10 to 40 years. As of January 1, 2002, we adopted the new accounting pronouncement related to goodwill (see Note 6). In lieu of amortization, we test goodwill for impairment on an annual basis, unless conditions exist which would require a more frequent evaluation. In assessing the recoverability of goodwill, projections regarding estimated future cash flows and other factors are made to determine the fair value of the respective assets. If these estimates or related projections change in the future, we may be required to record impairment charges for goodwill at that time.

Pre-Production Costs Related to Long-Term Supply Arrangements
The costs of tooling used to make products sold under long-term supply arrangements are capitalized as part of property, plant and equipment and amortized over their useful lives if we own the tooling. These costs are also capitalized as part of Investments and other assets and amortized if we fund the purchase but our customer owns the tooling and grants us the noncancelable right to use the tooling over the contract period. Costs incurred in connection with the design and development of tooling that will be billed to customers upon completion are carried as a component of other accounts receivable. Design and development costs related to customer products are deferred if we have an agreement to collect such costs from the customer; otherwise, they are expensed when incurred.

Lease Financing
Lease financing consists of direct financing leases, leveraged leases and equipment on operating leases. Income on direct financing leases is recognized by a method which produces a constant periodic rate of return on the outstanding investment in the lease. Income on leveraged leases is recognized by a method which produces a constant rate of return on the outstanding net investment in the lease, net of the related deferred tax liability, in the years in which the net investment is positive. Initial direct costs are deferred and amortized using the interest method over the lease period. Equipment under operating leases is recorded at cost, net of accumulated depreciation. Income from operating leases is recognized ratably over the term of the leases.

Allowance for Losses on Lease Financing
Provisions for losses on lease financing receivables are determined based on loss experience and assessment of inherent risk. Adjustments are made to the allowance for losses to adjust the net investment in lease financing to an estimated collectible amount. Income recognition is generally discontinued on accounts which are contractually past due and where no payment activity has occurred within 120 days. Accounts are charged against the allowance for losses when determined to be uncollectible. Accounts where asset repossession has started as the primary means of recovery are classified within other assets at their estimated realizable value.

Loans Receivable
Loans receivable consist primarily of loans to partnerships in which DCC has an interest and loans secured by equipment and first mortgages on real property. The loans to partnerships are collateralized by the partnerships' assets. Income on all loans is recognized using the interest method. Interest income on impaired loans is recognized as cash is collected or on a cost recovery basis.

Allowance for Losses on Loans Receivable
Provisions for losses on loans receivable are determined on the basis of loss experience and assessment of inherent risk. Adjustments are made to the allowance for losses to adjust loans receivable to estimated fair value. Income recognition is generally discontinued on accounts

which are contractually past due and where no payment activity has occurred within 120 days. Accounts are charged against the allowance for losses when determined to be uncollectible.

Properties and Depreciation
Property, plant and equipment are valued at historical costs. Depreciation is recognized over the estimated useful lives using primarily the straight-line method for financial reporting purposes and accelerated depreciation methods for federal income tax purposes. Long-lived assets are reviewed for impairment and where appropriate are adjusted to fair market value less cost to sell.

Revenue Recognition
Sales are recognized when products are shipped and risk of loss has transferred to the customer. We accrue for warranty costs, sales returns and other allowances, based on experience and other relevant factors, when sales are recognized. Adjustments are made as new information becomes available. Shipping and handling fees billed to customers are included in sales and the costs of shipping and handling are included in cost of sales.

Income Taxes
Current tax liabilities and assets are recognized for the estimated taxes payable or refundable on the tax returns for the current year. Deferred tax balances reflect the impact of temporary differences between the carrying amount of assets and liabilities and their tax bases. Amounts are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. Deferred tax assets are reduced, if necessary, by the amount of any tax benefits not expected to be realized.

The “flow-through” method of accounting is used for investment tax credits, except for investment tax credits arising from leveraged leases and certain direct financing leases for which the deferred method is used for financial statement purposes.

Financial Instruments
The reported fair values of financial instruments are based on a variety of factors. Where available, fair values represent quoted market prices for identical or comparable instruments. Where quoted market prices are not available, fair values are estimated based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of credit risk. Fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date or that will be realized in the future.

Derivative Financial Instruments
We enter into forward exchange contracts to hedge our exposure to the effects of currency fluctuations on a portion of our projected sales and purchase commitments. The changes in the fair value of these contracts are generally offset by exchange gains or losses on the underlying exposures. We also use interest rate swaps to manage exposure to fluctuations in interest rates and to balance the mix of our fixed and floating rate debt. We do not use derivatives for trading or speculative purposes.

In January 2001, we adopted Statement of Financial Accounting Standards (SFAS) No. 133, “Accounting for Derivative Instruments and Hedging Activities,” and SFAS No. 138, “Accounting for Certain Derivative Instruments and Certain Hedging Transactions.” These Statements require, among other things, that all derivative instruments be recognized on the balance sheet at fair value. Interest rate swap arrangements have been formally designated as hedges. The effect of marking these contracts to market has been recorded as a direct adjustment of the underlying debt for those contracts designated as fair value hedges and as an adjustment of other comprehensive income for those contracts designated as cash flow hedges. Foreign currency forwards and other derivatives have not been designated as hedges and the effect of marking these instruments to market has been recognized in the results of operations.

We will evaluate these transactions from time to time to determine whether they should be designated as hedges.

The adoption of SFAS Nos. 133 and 138 did not have a material effect on the results of operations.

Environmental Compliance and Remediation

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to existing conditions caused by past operations which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Estimated costs are based upon current laws and regulations, existing technology and the most probable method of remediation. The costs are not discounted and exclude the effects of inflation. If the cost estimates result in a range of equally probable amounts, the lower end of the range is accrued.

Pension Plans

Annual net periodic pension costs under defined benefit pension plans are determined on an actuarial basis. Our policy is to fund these costs as accrued, including amortization of the initial unrecognized net obligation over 15 years and obligations arising due to plan amendments over the period benefited, through deposits with trustees. Benefits are determined based upon employees' length of service, wages or a combination of length of service and wages.

Postretirement Benefits Other Than Pensions

Annual net postretirement benefits liabilities and expense under the defined benefit plans are determined on an actuarial basis. Our policy is to pay these benefits as they become due. Benefits are determined primarily based upon employees' length of service and include applicable employee cost sharing.

Postemployment Benefits

Annual net postemployment benefits liability and expense under our benefit plans are accrued as service is rendered for those obligations that accumulate or vest and can be reasonably estimated. Obligations that do not accumulate or vest are recorded when payment of the benefits is probable and the amounts can be reasonably estimated.

Statement of Cash Flows

For purposes of reporting cash flows, we consider highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Cash and Marketable Securities

The majority of our marketable securities satisfy the criteria for cash equivalents and are classified accordingly. The remainder of our marketable securities are classified as available for sale. Available-for-sale securities, which are included in investments and other assets, are carried at fair value and any unrealized gains or losses, net of income taxes, are reported as a component of accumulated other comprehensive income or loss in shareholders' equity. At December 31, 2002, we maintained cash deposits of $156 primarily in support of letters of credit and surety bonds that are used principally for the purpose of meeting various states' requirements in order to self-insure our workers' compensation obligations. These financial instruments are expected to be renewed each year. A total of $66 of the deposits may not be withdrawn.

Stock-Based Compensation

Stock-based compensation is accounted for using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No compensation expense is recorded for stock options when granted, as option prices have historically been set at the market value of the underlying stock.

New Accounting Pronouncements

In November 2002, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” FIN No. 45 clarifies disclosures that are required to be made for certain guarantees and establishes a requirement to record a liability at fair value for certain guarantees at the time of the guarantee’s issuance. The disclosure requirements of FIN No. 45 have been applied in our 2002 financial statements, including those relating to warranty obligations. The requirement to record a liability applies to guarantees issued or modified after December 31, 2002. We do not believe the adoption of this portion of the interpretation will have a material effect on our financial condition or results of operations.

In January 2003, the FASB issued FIN No. 46, “Consolidation of Variable Interest Entities, an Interpretation of ARB 51.” FIN No. 46 requires that the primary beneficiary in a variable interest entity consolidate the entity even if the primary beneficiary does not have a majority voting interest. The consolidation requirements of this Interpretation are required to be implemented for any variable interest entity created on or after January 31, 2003. In addition, FIN No. 46 requires disclosure of information regarding guarantees or exposures to loss relating to any variable interest entity existing prior to January 31, 2003 in financial statements issued after January 31, 2003. We do not believe that this Interpretation will have a material effect on our financial condition or results of operations. We have disclosed all guarantees and loss exposures relating to our unconsolidated entities in the notes to our consolidated financial statements.

In June 2001, the FASB issued SFAS No. 143, “Accounting for Asset Retirement Obligations.” SFAS No. 143 addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. The Statement requires the recognition of the fair value of the legal obligation associated with the retirement of long-lived assets at the time the obligation is probable and estimable. We are required to implement SFAS No. 143 on January 1, 2003. We do not expect the implementation of SFAS No. 143 to have a material effect on our financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” This Statement modifies the accounting for exit or disposal costs required by Emerging Issues Task Force Issue No. 94-3. Under Issue No. 94-3, a liability for exit costs was recognized at the date the entity committed itself to an exit plan. Under SFAS No. 146, a liability for exit costs is not recognized until the liability is incurred. We are required to adopt this Statement on January 1, 2003. The implementation of this Statement will delay recognition of the liability for exit costs related to any restructuring plans approved in the future. We do not expect the new guidance to have a material effect on our financial position or results of operations.

Note 2. Preferred Share Purchase Rights

We have a Preferred Share Purchase Rights Plan which is designed to deter coercive or unfair takeover tactics. One right has been issued on each share of our common stock outstanding on and after July 25, 1996. Under certain circumstances, the holder of each right may purchase 1/1000th of a share of our Series A Junior Participating Preferred Stock, no par value, for the exercise price of $110 (subject to adjustment as provided in the Plan). The rights have no voting privileges and will expire on July 15, 2006, unless exercised, redeemed or exchanged sooner.

Generally, the rights cannot be exercised or transferred apart from the shares to which they are attached. However, if any person or group acquires (or commences a tender offer that would result in acquiring) 15% or more of our outstanding common stock, the rights not held by the acquirer will become exercisable. In that event, instead of purchasing 1/1000th of a share of the Participating Preferred Stock, the holder of each right may elect to purchase from us the number of shares of our common stock that have a market value of twice the right's exercise price (in effect, a 50% discount on our stock). Thereafter, if we merge with or sell 50% or more of our assets or earnings power to the acquirer or engage in similar transactions, any rights not previously exercised (except those held by the acquirer) can also be exercised. In that event, the holder of each right may elect to purchase from the acquiring company the number of shares of its common stock that have a market value of twice the right's exercise price (in effect, a 50% discount on the acquirer's stock).

The Board of Directors (Board) may authorize the redemption of the rights at a price of $.01 each before anyone acquires 15% or more of our common shares. After that, and before the acquirer owns 50% of our outstanding shares, the Board may authorize the exchange of each right (except those held by the acquirer) for one share of our common stock.

Note 3. Preferred Shares

There are 5,000,000 shares of preferred stock authorized, without par value, including 1,000,000 shares reserved for issuance under the Rights Plan. No shares of preferred stock have been issued.

Note 4. Common Shares

Common stock transactions in the last three years are as follows:

	2000	2001	2002
Shares outstanding at beginning of year	163,151,142	147,877,034	**148,530,464**
Issued for stock plans, net of forfeitures	272,713	664,430	**27,530**
Repurchased under stock plans	(91,074)	(11,000)	
Repurchase program	(15,455,747)		
Shares outstanding at end of year	147,877,034	148,530,464	**148,557,994**

Certain of our employee and director stock plans provide that participants may tender stock to satisfy the purchase price of the shares, the income taxes required to be withheld on the transaction, or both. Shares may only be tendered if held by the participant for a period of more than six months. In connection with these stock plans, we repurchased 91,074 shares in 2000 and 11,000 in 2001; no shares were repurchased in 2002.

During 1999, the Board authorized the expenditure of up to $350 to repurchase shares of our common stock and in 2000 it authorized an additional expenditure of $250 for a total authorization of $600. The authorizations expired at the end of 2000. The repurchases were accomplished through open market transactions. In 2000, we repurchased 15,455,747 shares at a cost of $381.

All shares repurchased were cancelled and became authorized but unissued shares.

The following table reconciles the average shares outstanding used in determining basic earnings per share to the number of shares used in the diluted earnings per share calculation:

	2000	2001	2002
Average shares outstanding for the year — basic	152,074,517	147,857,278	**148,124,866**
Plus: Incremental shares from assumed conversion of -			
Deferred compensation units	571,029	608,757	**579,509**
Restricted stock		27,765	**86,252**
Stock options	95,182	2,371	**51,071**
Potentially dilutive shares	666,211	638,893	**716,832**
Average shares outstanding for the year — diluted	152,740,728	148,496,171	**148,841,698**

A loss from continuing operations causes dilutive shares to have an antidilutive effect, so the potentially dilutive shares have been disregarded in calculating diluted earnings per share for the year ended December 31, 2001. Diluted earnings per share is presented for the year ended December 31, 2002 because we reported income from continuing operations.

Note 5. Inventories

The components of inventory are as follows:

	December 31	
	2001	2002
Raw materials	$ 377	**$ 369**
Work in process and finished goods	922	**747**
	$1,299	**$1,116**

Inventories amounting to $841 and $701 at December 31, 2001 and 2002, respectively, were valued using the LIFO method. If all inventories were valued at replacement cost, inventories would be increased by $111 and $104 at December 31, 2001 and 2002, respectively.

Note 6. Goodwill

In connection with the adoption of SFAS No. 142, “Goodwill and Other Intangible Assets,” we discontinued the amortization of goodwill as of January 1, 2002. In lieu of amortization, we tested goodwill for impairment as of the date of adoption and we will test for impairment at least annually in the future. Our initial impairment test indicated that the carrying amounts of some of our reporting units exceeded the corresponding fair values, which were determined based on the discounted estimated future cash flows of the reporting units. The implied fair value of goodwill in these reporting units was then determined through the allocation of the fair values to the underlying assets and liabilities. The January 1, 2002 carrying amounts of the goodwill in these reporting units exceeded its implied fair value by $289. The $289 write-down of goodwill to its fair value as of January 1, 2002, net of $69 of related tax benefits, has been reported as the effect of a change in accounting in the accompanying financial statements. The goodwill included in the consolidated balance sheet as of December 31, 2001 , which included the $289 described above, was supported by the undiscounted estimated future cash flows of the related operations.

Changes in goodwill during the year ended December 31, 2002, by segment, are presented in the following table.

	Balance at December 31, 2001	Effect of Adopting SFAS 142	Effect of Currency and Other	Balance at December 31, 2002
Automotive Systems Group	$185	$ (12)	$ 11	**$184**
Automotive Aftermarket Group	112	(79)	(3)	**30**
Engine and Fluid Management Group	423	(189)	2	**236**
Heavy Vehicle Technology & Systems	121	(9)	6	**118**
	$841	$(289)	$ 16	**$568**

SFAS No. 142 does not provide for restatement of our results of operations for periods ended prior to January 1, 2002. The following table reconciles the reported net results for the two years preceding 2002 to the pro forma results that would have been reported if the guidance contained in SFAS No. 142 had been adopted prior to 2000.

	2000	2001	2002
Income (loss) from continuing operations	$ 356	$ (216)	**$ 58**
Loss from discontinued operations	(22)	(82)	**(20)**
Effect of change in accounting			**(220)**
Goodwill amortization	42	38	
Income taxes	(9)	(6)	
Adjusted net income (loss)	$ 367	$ (266)	**$ (182)**
Earnings per share — Basic			
Income (loss) from continuing operations	$ 2.34	$(1.46)	**$ 0.39**
Loss from discontinued operations	(0.14)	(0.55)	**(0.13)**
Effect of change in accounting			**(1.49)**
Goodwill amortization	0.28	0.26	
Income taxes	(0.06)	(0.05)	
Adjusted net income (loss)	$ 2.42	$(1.80)	**$(1.23)**
Earnings per share — Diluted			
Income (loss) from continuing operations	$ 2.32	$(1.46)	**$ 0.39**
Loss from discontinued operations	(0.14)	(0.55)	**(0.13)**
Effect of change in accounting			**(1.48)**
Goodwill amortization	0.28	0.26	
Income taxes	(0.06)	(0.05)	
Adjusted net income (loss)	$ 2.40	$(1.80)	**$(1.22)**

Note 7. Short-Term Debt and Credit Facilities

Our accounts receivable securitization program, established in March 2001, provides up to $400 to meet our periodic demand for short-term financing. Under the program, certain of our divisions and subsidiaries either sell or contribute accounts receivable to Dana Asset Funding LLC (DAF), a special purpose entity. DAF funds its accounts receivable purchases by pledging the receivables as collateral for short-term loans from participating banks. We used the initial sale proceeds received from DAF to reduce debt, including amounts then outstanding under our revolving credit facilities. Expenses incurred to establish the program are being amortized over five years, the contractual life of the program.

The securitized accounts receivable are owned in their entirety by DAF and are not available to satisfy claims of our creditors. However, we are entitled to any dividends paid by DAF and would be entitled to any proceeds from the liquidation of DAF’s assets upon the termination of the securitization program and the dissolution of DAF. DAF’s receivables are included in our consolidated financial statements solely because DAF does not meet certain technical accounting requirements for treatment as a “qualifying special purpose entity” under generally accepted accounting principles. Accordingly, the sales and contributions of the accounts receivable are eliminated in consolidation and any loans to DAF are reflected as short-term borrowings in our consolidated financial statements. The amounts available under the program are subject to reduction based on adverse changes in our credit ratings or those of our customers, customer concentration levels or certain characteristics of the underlying accounts receivable. This program is subject to possible termination by the lenders in the event our credit ratings are lowered below B1 by Moody’s Investor Service (Moody’s) and B+ by Standard & Poor’s (S&P).

During 2002, cash flows from operations, along with proceeds from divestitures and the private placement of $250 of notes in March, reduced our reliance on our short-term credit facilities. We amended our 364-day facility in July and reduced the amount available to $100. In December, we extended the 364-day revolving credit facility while we negotiated amendments to our long-term facility. Our reduced need for committed facilities enabled us to cancel the 364-day facility in February 2003 when we formally amended the long-term facility. The amended long-term facility, which matures on November 15, 2005, now provides for borrowings of up to $400. The interest rates under the facility equal the London interbank offered rate (LIBOR) or bank prime, plus a spread that varies depending on our credit ratings. Advances under the facility that do not exceed $50 may be borrowed on an unsecured basis for up to five business days. Borrowings in excess of $50, any borrowings outstanding for more than five business days or any borrowings within a five-day period after repayment of all previous advances are not permitted until we provide certain inventory and other collateral, as permitted within the limits of our indentures. These provisions of the facility terminate if credit ratings reach Baa3 by Moody’s and BBB- by S&P.

The amended long-term credit facility requires us to maintain 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. Specifically, the ratios are: (i) net senior debt to tangible net worth of not more than 1.25:1 at March 31, June 30 and September 30, 2003 and 1.10:1 at December 31, 2003 and thereafter; (ii) EBITDA (as defined in the facility) minus capital expenditures to interest expense of not less than 1.80:1 at March 31, June 30 and September 30, 2003, 1.90:1 at December 31, 2003, 2.25:1 at March 31, 2004 and 2.50:1 at June 30, 2004 and thereafter; and (iii) net senior debt to EBITDA of not greater than 3.40:1 at March 31, June 30 and September 30, 2003, 2.90:1 at December 31, 2003 and 2.50:1 at March 31, 2004 and thereafter. The ratio calculations are based on the additional financial information which presents Dana’s consolidated financial statements with DCC accounted for on the equity basis.

Dana, excluding DCC, had committed borrowing lines of $1,170 at December 31, 2002, all of which was available at that time. The committed amount, which includes $170 of letters of credit and surety bonds, was reduced by $200 in February 2003 as a result of the expiration of the 364-day facility and the amendment of the long-term facility. Dana, excluding DCC, had uncommitted borrowing lines of $260 at December 31, 2002, of which $32 had been borrowed by certain of our non-U.S. subsidiaries.

DCC had committed borrowing lines of $250 and uncommitted borrowing lines of $15 at December 31, 2002. The $250, available under a long-term facility that matures in June 2004, was reduced to $200 in February 2003. The facility will be subject to further reductions equal to two-thirds of net cash proceeds from sales of DCC assets after February 6, 2003. DCC had $131 borrowed against committed bank lines at December 31, 2002.

Because our financial performance is impacted by various economic, financial and industry factors, we may not be able to satisfy the covenants under the long-term 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. 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 additional collateral to the lenders or make other financial concessions. Default under these facilities or any of our significant note agreements may result in defaults under other debt instruments. Our business, results of operations and financial condition might be adversely affected if we were unable to successfully negotiate amended covenants or obtain waivers on acceptable terms.

Fees are paid to the banks for providing committed lines, but not for uncommitted lines. We paid fees of $9 in 2001 and $6 in 2002 in connection with our committed bank lines. Of these fees, $4 was amortized to expense in 2001 and $9 in 2002.

Selected details of consolidated short-term borrowings are as follows:

	Amount	Weighted Average Interest Rate
Balance at December 31, 2001	$ 674	3.5%
Average during 2001	1,450	5.4
Maximum during 2001 (month end)	1,919	6.9
Balance at December 31, 2002	**$ 163**	**3.9%**
Average during 2002	**698**	**3.2**
Maximum during 2002 (month end)	**1,057**	**3.7**

Note 8. Long-Term Debt

During 2001, Dana issued $575 and €200 of 9% unsecured notes due August 15, 2011. During 2002, we issued $250 of 10.125% unsecured notes due March 15, 2010. The indenture agreements related to these notes place certain limits on the borrowings, payments and transactions that we can undertake.

During 1999, DCC established a $500 Medium Term Note Program. Notes under the program are offered on terms determined at the time of issuance. At December 31, 2002, notes totaling $325 were outstanding under the program. Interest on the notes is payable on a semi-annual basis. These notes are general, unsecured obligations of DCC. DCC has agreed that it will not issue any other notes which are secured or senior to notes issued under the program, except as permitted by the program.

Nonrecourse obligations represent debt collateralized by the assignment of contracts and a security interest in the underlying assets. In the event of a default under the nonrecourse debt obligation, the lender's recourse is limited to the collateral with no further recourse against DCC.

Selected details of our consolidated long-term debt are as follows:

	December 31	
	2001	**2002**
Indebtedness of Dana, excluding consolidated subsidiaries		
Unsecured notes payable, fixed rates -		
6.25% notes, due March 1, 2004	$ 250	**$ 250**
6.5% notes, due March 15, 2008	150	**150**
7.0% notes, due March 15, 2028	196	**196**
6.5% notes, due March 1, 2009	349	**349**
7.0% notes, due March 15, 2029	371	**371**
9.0% notes, due August 15, 2011	575	**575**
9.0% euro notes, due August 15, 2011	177	**209**
10.125% notes, due March 15, 2010		**247**
6.92% - 7.04% notes, due 2002	135	
Valuation adjustments	(2)	**92**
Indebtedness of DCC -		
Unsecured notes payable, variable rates, 2.46% - 5.17%, due 2003 to 2006	182	**95**
Unsecured notes payable, fixed rates, 2.00% - 8.54%, due 2003 to 2011	844	**655**
Nonrecourse notes payable, fixed rates, 6.77% - 12.05%, due 2003 to 2010	79	**70**
Nonrecourse notes payable, due 2007, variable rate of 6.15% at the end of 2002	19	**35**
Indebtedness of other consolidated subsidiaries	129	**45**
Total long-term debt	3,454	**3,339**
Less: Current maturities	446	**124**
	$3,008	**$3,215**

The total maturities of all long-term debt for the five years after 2002 are as follows: 2003, $124; 2004, $468; 2005, $68; 2006, $100 and 2007, $358.

Interest paid on short-term and long-term debt was $314 in 2000, $304 in 2001 and $255 in 2002.

Note 9. Interest Rate Agreements

Under our interest rate swap agreements, we have agreed to exchange with third parties, at specific intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to agreed notional amounts. Differentials to be paid or received under these agreements are accrued and recognized as adjustments to interest expense.

At December 31, 2001, Dana, exclusive of DCC, was a party to several interest rate swap agreements corresponding with our August 2001 notes. We entered another swap agreement in March 2002 in connection with the issuance of $250 of unsecured notes. These agreements effectively converted the interest rates of these notes to a variable rate in order to provide a better balance of fixed and variable rate debt. These agreements had been designated as fair value hedges of the corresponding notes and the carrying value of the notes were adjusted as the swap agreements increased in value. In September 2002, we received

$72 in connection with amending the variable rates in two of the agreements and terminating a third agreement. The corresponding valuation adjustment is being amortized as a reduction of interest expense over the remaining life of the notes. The terminated agreement was replaced with a new swap agreement.

Our current fixed-for-variable swap agreements, including the amended contracts, have all been designated as fair value hedges of the August 2001 and March 2002 notes. As of December 31, 2002, the agreements provided for us to receive an average rate of 9.3% on notional amounts of $825 and €200 and to pay variable rates equal to the six-month LIBOR plus an average of 4.92% (the combined rate was 6.3% at December 31, 2002) on a notional amount of $825 and the six-month Euro interbank offered rate (EURIBOR) plus an average of 3.79% (the combined rate was 6.6% at December 31, 2002) on a notional amount of €200. These agreements expire in March 2010 ($250) and August 2011 ($575 and €200). The $23 aggregate fair value of these agreements at December 31, 2002 was recorded as a non-current asset and offset by an increase in the carrying value of long-term debt. This adjustment of long-term debt, which does not affect the scheduled principal payments, will fluctuate with the fair value of the swap agreements and will not be amortized if the agreements remain open.

At December 31, 2002, DCC was committed to receive interest rates which change periodically in line with prevailing short-term market rates (the average rate being received at December 31, 2002 was 2.67%) and to pay an average rate of 7.95% which is fixed over the period of the agreements on a notional amount of $45. The $3 aggregate fair value of these agreements at December 31, 2002 was recorded as a current liability and offset on an after-tax basis by an adjustment to accumulated other comprehensive income. DCC's interest rate swaps expire in 2003.

Note 10. Stock Option Plans

Under the Dana 1997 Stock Option Plan, the Compensation Committee of the Board grants stock options to selected Dana employees at option prices not less than the market price of the stock at the date of grant. Generally, one-fourth of the options granted become exercisable at each of the first four anniversary dates of the grant and expire ten years from the date of grant. Stock appreciation rights may be granted separately or in conjunction with the options. When we merged with Echlin Inc. in 1998, we assumed Echlin's 1992 Stock Option Plan for employees and the underlying Echlin shares were converted to Dana stock. At the time of the merger, there were options outstanding under this plan for the equivalent of 1,692,930 Dana shares. While the plan expired in December 2002, the options outstanding were not cancelled and remain exercisable according to their terms.

This is a summary of transactions under these plans in the last three years:

	Number of Shares	Weighted Average Exercise Price
Outstanding at		
December 31, 1999	10,081,505	$38.78
Granted - 2000	3,322,750	23.06
Exercised - 2000	(120,857)	17.93
Cancelled - 2000	(420,999)	38.08
Outstanding at		
December 31, 2000	12,862,399	$34.94
Granted - 2001	2,763,200	25.05
Exercised - 2001	(52,003)	15.97
Cancelled - 2001	(632,643)	35.85
Outstanding at		
December 31, 2001	14,940,953	$33.14
Granted - 2002	3,161,850	15.29
Exercised - 2002	(2,589)	20.13
Cancelled - 2002	(590,959)	26.69
Outstanding at		
December 31, 2002	17,509,255	$30.14

The following table summarizes information about stock options under these plans at December 31, 2002:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$11.06-$23.06	6,294,850	8.5	$19.16	1,733,771	$23.06
25.05-38.44	6,917,711	5.3	29.60	4,934,332	31.43
40.08-52.56	4,296,694	6.0	47.07	3,896,486	47.23
	17,509,255	6.6	$30.14	10,564,589	$35.89

In April 2001, shareholders authorized the issuance of 5,000,000 additional shares under the Dana plan. At December 31, 2002, there were 1,467,612 shares available for future grants under this plan.

In accordance with our accounting policy for stock-based compensation, we have not recognized any expense relating to these stock options. If we had used the fair value method of accounting, the alternative policy set out in SFAS No. 123, “Accounting for Stock-Based Compensation,” the after-tax expense relating to the stock options would have been $14 in 2000, $16 in 2001 and $17 in 2002. The following table presents pro forma stock compensation expense, net of tax, net income (loss) and earnings per share as if we had included expense related to the fair value of stock options. The stock compensation expense included in our reported earnings was incurred in connection with our stock award plan and our restricted stock plans (See Note 12 – Additional Compensation Plans).

	2000	2001	2002
Stock compensation expense, as reported	$ 4	$ 4	**$ 3**
Stock compensation expense, pro forma	18	20	**20**
Net income (loss), as reported	$ 334	$ (298)	**$ (182)**
Net income (loss), pro forma	320	(314)	**(199)**
Earnings per share — Basic			
Net income (loss), as reported	$2.20	$(2.01)	**$(1.23)**
Net income (loss), pro forma	$2.10	$(2.12)	**$(1.34)**
Earnings per share — Diluted			
Net income (loss), as reported	$2.18	$(2.01)	**$(1.22)**
Net income (loss), pro forma	$2.09	$(2.12)	**$(1.33)**

The fair value of each option grant for each period presented was estimated on the date of grant using the Black-Scholes model. Black-Scholes is one of several models that are used by companies to estimate the value of option grants. There are also new, emerging methods for determining values of stock options, including soliciting bids for option-like equity instruments from investment banks. Different estimates of the fair values of our stock options would likely result if we were to use one of these alternative methods. The Black-Scholes model is heavily influenced by the assumptions used, especially the stock price volatility assumption. The assumptions used in each period are as follows:

	2000	2001	2002
Risk-free interest rate	6.16%	4.63%	**3.53%**
Dividend yield	5.38%	4.95%	**0.26%**
Expected life	5.4 years	5.4 years	**5.4 years**
Stock price volatility	40.72%	44.67%	**53.24%**

Based on the above assumptions, the weighted average fair value per share of options granted under the plans was $6.51 in 2000, $7.49 in 2001 and $7.67 in 2002.

Under our Directors' Stock Option Plan, options for 3,000 common shares are automatically granted to each non-employee director once a year. The option price is the market value of the stock at the date of grant. The options can be exercised after one year and expire ten years from the date of grant, except in the event of retirement or death of the director.

This is a summary of the stock option activity of the Directors' plan in the last three years:

	Number of Shares	Weighted Average Exercise Price
Outstanding at		
December 31, 1999	138,000	$37.66
Granted - 2000	21,000	28.78
Outstanding at		
December 31, 2000	159,000	$36.49
Granted - 2001	24,000	17.64
Outstanding at		
December 31, 2001	183,000	$34.02
Granted - 2002	27,000	21.53
Outstanding at		
December 31, 2002	210,000	$32.41

The following table summarizes information about stock options under this plan at December 31, 2002:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$17.64-$32.25	165,000	5.2	$26.11	138,000	$27.01
50.25-60.09	45,000	5.8	55.50	45,000	55.50
	210,000	5.3	$32.41	183,000	$34.02

At December 31, 2002, 55,000 shares were available for future grants under this plan.

We also assumed Echlin's 1996 Non-Executive Director Stock Option Plan when we merged with Echlin and the underlying Echlin shares were converted to Dana stock. At the time of the merger, there were options outstanding under this plan for the equivalent of 83,637 Dana shares. No options were granted under this plan after the merger. While the plan was terminated in 1999, the outstanding options remain exercisable according to their terms. None of these options has been exercised since 1999. At December 31, 2002, there were 38,752 options outstanding and exercisable at exercise prices ranging from $33.49 to $37.93 per share with a weighted average exercise price of $33.40; the weighted average remaining contractual life of these options was 4.2 years.

Note 11. Employees' Stock Purchase Plan

The majority of our full-time U.S. and some of our non-U.S. employees are eligible to participate in our stock purchase plan. Plan participants can authorize us to withhold up to 15% of their earnings and deposit this amount with an independent custodian. We match up to 50% of the participants' contributions in cash over a five-year period beginning with the year the amounts are withheld. If a participant withdraws any shares before the end of five years, the amount of our match will depend on how long the shares were in the account. The charge to expense for our match was $10 in 2000, $11 in 2001 and $11 in 2002.

The custodian uses the funds to purchase our common stock at current market prices. The custodian purchased the following number of shares in the open market: 2,212,391 in 2000, 2,405,040 in 2001 and 2,239,968 in 2002. We are also authorized to issue up to 4,500,000 shares to provide an alternate source of shares for the custodian. No shares have been issued by us through December 31, 2002 in connection with this plan. As record keeper for the plan, we allocate the purchased shares to the participants' accounts. Shares are distributed to the participants on request in accordance with the plan's withdrawal provisions.

Note 12. Additional Compensation Plans

We have numerous additional compensation plans under which we pay our employees for increased productivity and improved performance. One such plan is our Additional Compensation Plan for certain officers and other key employees. Under this plan, a percentage of the participants' compensation is accrued for additional compensation if we attain certain annual corporate performance goals. The Compensation Committee selects the participants and determines whether to pay the awards immediately in cash or to defer them in the form of units which are the economic equivalent of shares of Dana common stock. The Committee also decides whether to pay the deferred awards ultimately in cash, stock or a combination of both. Units are credited with the equivalent of dividends on our common stock and adjusted in value based on the market value of our common stock. Compensation expense is charged or credited in connection with increases or decreases, respectively, in the value of the deferred units. Awards not converted to units are credited quarterly with interest earned at a rate tied to the prime rate.

Activity related to the plan for the last three years is as follows:

	2000	2001	2002
Dividends and interest credited to participants' accounts	$ 2	$ 2	**$ 1**
Mark-to-market adjustments	(7)	(1)	**(1)**
Accrued for bonuses			**10**
Charge (credit) to expense	$(5)	$ 1	**$10**

In order to satisfy a portion of our deferred compensation obligations to retirees and other former employees under this plan, we distributed shares totaling 5,240 in 2000, 25,106 in 2001 and 48,301 in 2002.

We also have two successive Restricted Stock Plans under which the Compensation Committee grants restricted common shares to certain key employees. The shares are subject to forfeiture until the restrictions lapse or terminate. Generally, the employee must remain employed with us for a specified number of years after the date of grant to avoid forfeiting the shares. Dividends on restricted shares may be paid to participants in cash but have historically been converted to additional restricted shares within the plan. Since 1997, participants have been able to convert their restricted stock into an equal number of restricted stock units under certain conditions. The number of restricted shares converted to restricted units was 32,736 in 2000, 27,500 in 2001 and 31,540 in 2002. The units, which are credited with the equivalent of dividends paid on outstanding shares, are payable in unrestricted stock upon retirement or termination of employment.

Grants occurred under the 1989 Restricted Stock Plan through February 1999, at which time the authorization to grant restricted stock awards under this plan lapsed. At December 31, 2002, there were 458,093 shares available for issuance in connection with dividends under this plan.

Under the 1999 Restricted Stock Plan, there were 31,200 shares granted in 2000, 529,000 shares in 2001 and 8,000 shares in 2002. At December 31, 2002, there were 890,014 shares available for future grants and dividends under this Plan, including 63,191 shares that were forfeited during 2002.

Charges to expense for these plans were $2 in 2000, $3 in 2001 and $1 in 2002.

Note 13. Pension and Other Postretirement Benefits

We provide defined contribution and defined benefit, qualified and nonqualified, pension plans for certain employees. We also provide other postretirement benefits including medical and life insurance for certain employees upon retirement.

Under the terms of the defined contribution retirement plans, employee and employer contributions may be directed into a number of diverse investments. None of these plans allows for direct investment of contributions in Dana stock.

The following tables provide a reconciliation of the changes in the defined benefit pension plans' and other postretirement plans' benefit obligations and fair value of assets over the two-year period ended December 31, 2002, statements of the funded status and schedules of the net amounts recognized in the balance sheet at December 31, 2001 and 2002:

	Pension Benefits		Other Benefits	
	2001	2002	2001	2002
Reconciliation of benefit obligation				
Obligation at January 1	$2,477	**$2,549**	$ 1,198	**$ 1,415**
Service cost	66	**62**	14	**16**
Interest cost	172	**179**	91	**105**
Employee contributions	4	**3**	7	**8**
Plan amendments	1		4	
Actuarial loss	29	**184**	206	**267**
Benefit payments	(196)	**(223)**	(99)	**(111)**
Settlements, curtailment and terminations	7	**18**	(4)	**(2)**
Acquisitions and divestitures	9	**(16)**		**(1)**
Translation adjustments	(20)	**52**	(2)	**2**
Obligation at December 31	$2,549	**$2,808**	$ 1,415	**$ 1,699**
Reconciliation of fair value of plan assets				
Fair value at January 1	$2,752	**$2,283**		
Actual return on plan assets	(294)	**(19)**		
Acquisitions and divestitures	11	**1**		
Employer contributions	18	**33**		
Employee contributions	4	**3**		
Benefit payments	(186)	**(220)**		
Settlements	(4)	**3**		
Translation adjustments	(18)	**37**		
Fair value at December 31	$2,283	**$2,121**		
Funded Status				
Balance at December 31	$ (264)	**$ (687)**	$(1,415)	**$(1,699)**
Unrecognized transition obligation	(1)			
Unrecognized prior service cost	43	**28**	(19)	**(3)**
Unrecognized loss	229	**662**	512	**735**
Prepaid expense (accrued cost)	$ 7	**$ 3**	$ (922)	**$ (967)**
Amounts recognized in the balance sheet consist of:				
Prepaid benefit cost	$ 108	**$ 105**		
Accrued benefit liability	(299)	**(691)**	$ (922)	**$ (967)**
Intangible assets	30	**23**		
Accumulated other comprehensive loss	168	**566**		
Net amount recognized	$ 7	**$ 3**	$ (922)	**$ (967)**

Benefit obligations of the U.S. non-qualified and certain non-U.S. pension plans, amounting to $139 at December 31, 2002, and the other postretirement benefit plans are not funded.

Components of net periodic benefit costs for the last three years are as follows:

	Pension Benefits			Other Benefits		
	2000	2001	2002	2000	2001	2002
Service cost	$ 76	$ 66	**$ 62**	$ 16	$ 14	**$ 16**
Interest cost	168	172	**179**	79	91	**105**
Expected return on plan assets	(232)	(241)	**(238)**			
Amortization of transition obligation	3	1				
Amortization of prior service cost	23	13	**12**	(7)	(6)	**(4)**
Recognized net actuarial loss (gain)	(6)	(20)	**(9)**	10	13	**25**
Net periodic benefit cost	32	(9)	**6**	98	112	**142**
Curtailment (gain) loss	18	4	**13**	(23)	(2)	**3**
Settlement (gain) loss	(3)	2	**2**			
Termination expenses		10	**7**			
Net periodic benefit cost after curtailment and settlements	$ 47	$ 7	**$ 28**	$ 75	$110	**$145**

The assumptions used in the measurement of pension benefit obligations are as follows:

	U.S. Plans		
	2000	2001	2002
Discount rate	7.75%	7.50%	6.75%
Expected return on plan assets	9.50%	9.50%	8.75%
Rate of compensation increase	4.31% - 5.00%	5.00%	5.00%

	Non-U.S. Plans		
	2000	2001	2002
Discount rate	5.50% - 7.75%	6.00% - 6.75%	5.75%-6.75%
Expected return on plan assets	6.50% - 9.00%	7.00% - 7.50%	6.50%-7.25%
Rate of compensation increase	2.50% - 5.00%	3.00% - 5.00%	3.00%-5.00%

The expected return on plan assets for U.S. plans presented in the table above is used to determine pension expense for the succeeding year.

The assumptions used in the measurement of other postretirement benefit obligations are as follows:

	2000	2001	2002
Discount rate	7.75%	7.50%	**6.75%**
Initial weighted health care costs trend rate	6.80%	8.10%	**12.30%**
Ultimate health care costs trend rate	5.00%	5.00%	**5.00%**
Years to ultimate	9	9	**10**

Assumed health care costs trend rates have a significant effect on the health care plan. A one-percentage-point change in assumed health care costs trend rates would have the following effects for 2002:

	1% Point Increase	1% Point Decrease
Effect on total of service and interest cost components	$ 8	$ (8)
Effect on postretirement benefit obligations	118	(108)

Note 14. Income Taxes

Income tax expense (benefit) applicable to continuing operations consists of the following components:

	Year Ended December 31		
	2000	2001	2002
Current			
U.S. federal	$ 36	$ (68)	**$ 29**
U.S. state and local	18	(5)	**(6)**
Non-U.S	103	20	**50**
	157	(53)	**73**
Deferred			
U.S. federal and state	62	(75)	**(107)**
Non-U.S	(24)	19	**7**
	38	(56)	**(100)**
Total expense (benefit)	$195	$(109)	**$ (27)**

Income (loss) before income taxes from continuing operations consists of the following:

	Year Ended December 31		
	2000	2001	2002
U.S.operations	$322	$(366)	**$(137)**
Non-U.S. operations	188	17	**128**
	$510	$(349)	**$ (9)**

Deferred tax benefits (liabilities) consist of the following:

	December 31		
	2000	2001	2002
Postretirement benefits other than pensions	$ 328	$ 339	**$ 339**
Pension accruals		33	**189**
Postemployment benefits	32	32	**36**
Other employee benefits	23	20	**29**
Capital loss carryforward			**368**
Net operating loss carryforwards	128	234	**220**
Foreign tax credits recoverable	23	79	**80**
Other tax credits recoverable	7	27	
Inventory reserves	58	77	**63**
Expense accruals	210	252	**267**
Goodwill	14	23	**109**
Research and development costs			**41**
Other	44	62	**105**
	867	1,178	**1,846**
Valuation allowances	(102)	(128)	**(538)**
Deferred tax benefits	765	1,050	**1,308**
Leasing activities	(557)	(678)	**(621)**
Depreciation — non-leasing	(239)	(233)	**(214)**
Pension accruals	(12)		
Other	(17)	(24)	
Deferred tax liabilities	(825)	(935)	**(835)**
Net deferred tax benefits (liabilities)	$ (60)	$ 115	**$ 473**

Worldwide, we have net operating loss carryforwards of approximately $559 with remaining lives ranging from one year to an indefinite period. Net benefits recognized for net operating loss carryforwards generally relate to Brazil, Germany and the United Kingdom where the losses are carried forward indefinitely.

We have a capital loss carryforward of approximately $1,050 that expires in 2007. The capital loss carryforward arose in connection with the sale of a subsidiary in 2002, as the tax basis substantially exceeded the book basis in the subsidiary's stock. We have established a valuation allowance in 2002 of $356 against our deferred tax asset of $368 relating to the capital loss carryforward. We did this because current tax law requires the generation of capital gain to offset capital loss and our manufacturing and leasing operations generally produce income that is characterized as ordinary income.

We have a carryforward of excess foreign tax credits of $80. Foreign tax credits generated on income from foreign sources are limited to the total US taxes payable on income from all sources. The excess foreign tax credits may be carried forward five years. The foreign tax credit carryforwards expire as follows: 2005, $25 and 2006, $55. To reflect the uncertainties associated with achieving the proper mix of domestic and foreign sources of income to utilize these credits, we established a valuation allowance of $40 in 2002 against the deferred tax asset of $80.

Valuation allowances are provided for deferred tax assets whenever the realization of the assets are not deemed to meet a more likely than not standard. To reflect judgments in applying this standard, we have increased our valuation allowance against deferred tax assets by $19 in 2000, $26 in 2001 and $410 in 2002, including the provisions described above related to the capital loss and foreign tax credit carryforwards.

Cumulative undistributed earnings of non-U.S. subsidiaries for which U.S. income taxes, exclusive of foreign tax credits, have not been provided approximated $673 at December 31, 2002. U.S. income taxes have not been provided on these undistributed earnings since we intend to permanently reinvest them. If the total undistributed earnings of non-U.S. subsidiaries had been remitted in 2002, a significant amount of the additional tax provision would have been offset by foreign tax credits.

We paid income taxes of $98 in 2000 and received a net refund of $38 in 2001 and $86 in 2002.

The effective income tax rate applicable to continuing operations differs from the U.S. federal income tax rate for the following reasons:

	Year Ended December 31		
	2000	**2001**	**2002**
U.S. federal income tax rate	35.0%	(35.0)%	**(35.0)%**
Increases (reductions) resulting from:			
State and local income taxes, net of federal income tax benefit	2.1	(5.7)	**(73.7)**
Non-U.S. income	(1.2)	3.7	**(241.7)**
Valuation adjustments	3.7	7.3	**4,447.0**
General business tax credits	(1.6)	(2.7)	**(73.7)**
Capital loss			**(4,499.7)**
Amortization of goodwill	1.1	1.1	
Miscellaneous items	(0.9)	0.1	**176.8**
Effective income tax rate	38.2%	(31.2)%	**(300.0)%**

Note 15. Composition of Certain Balance Sheet Amounts

The following items comprise the amounts indicated in the respective balance sheet captions:

	December 31	
	2001	2002
Other Current Assets		
Deferred tax benefits	$ 312	**$ 340**
Prepaid pension expense	108	**105**
Assets of discontinued operations		**177**
Other	137	**141**
	$ 557	**$ 763**
Investments and Other Assets		
Investments at equity	$ 877	**$ 865**
Marketable securities, cost of $32	33	
Loans receivable	80	**40**
Amounts recoverable from insurers	72	**124**
Deferred tax benefits		**145**
Other	306	**310**
	$1,368	**$1,484**
Property, Plant and Equipment, net		
Land and improvements to land	$ 133	**$ 113**
Buildings and building fixtures	1,099	**962**
Machinery and equipment	4,808	**4,090**
	6,040	**5,165**
Less: Accumulated depreciation	2,907	**2,609**
	$3,133	**$2,556**
Deferred Employee Benefits and Other Noncurrent Liabilities		
Postretirement other than pension	$ 834	**$ 863**
Deferred tax liabilities	214	
Pension	299	**691**
Postemployment	82	**92**
Compensation	48	**51**
Other noncurrent liabilities	163	**228**
	$1,640	**$1,925**
Investments in Leases		
Direct financing leases	$ 118	**$ 94**
Leveraged leases	920	**724**
Property on operating leases, net of accumulated depreciation	75	**60**
Allowance for credit losses	(31)	**(34)**
	1,082	**844**
Less: Current portion	14	**17**
	$1,068	**$ 827**

The components of the net investment in direct financing leases are as follows:

	December 31	
	2001	2002
Total minimum lease payments	$125	**$ 98**
Residual values	38	**31**
Deferred initial direct costs	2	**2**
	165	**131**
Less: Unearned income	47	**37**
	$118	**$ 94**

The components of the net investment in leveraged leases are as follows:

	December 31	
	2001	2002
Rentals receivable	$ 7,574	**$ 5,980**
Residual values	944	**778**
Nonrecourse debt service	(6,445)	**(5,200)**
Unearned income	(1,143)	**(833)**
Deferred investment tax credit	(10)	**(1)**
	920	**724**
Less: Deferred taxes arising from leverage leases	513	**466**
	$ 407	**$ 258**

Total minimum lease payments receivable on direct financing leases as of December 31, 2002 are as follows:

Year Ending December 31:	
2003	$21
2004	17
2005	15
2006	11
2007	10
Later years	24
Total minimum lease payments receivable	$98

Total minimum lease payments receivable on operating leases as of December 31, 2002 are as follows:

Year Ending December 31:	
2003	$13
2004	11
2005	9
2006	8
2007	7
Later years	9
Total minimum lease payments receivable	$57

Note 16. Fair Value of Financial Instruments

The estimated fair values of Dana's financial instruments are as follows:

	December 31			
	2001		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 199	$ 199	**$ 571**	**$ 571**
Loans receivable (net)	108	115	**46**	**45**
Investment securities	46	45	**12**	**11**
Interest rate swaps			**23**	**23**
Currency forwards	1	1	**1**	**1**
Financial liabilities				
Short-term debt	674	674	**163**	**163**
Long-term debt	3,454	3,298	**3,339**	**3,299**
Security deposits — leases	2	2	**1**	**1**
Deferred funding commitments under leveraged leases	1	1	**1**	**1**
Interest rate swaps	6	6	**3**	**3**
Currency forwards			**1**	**1**

Note 17. Commitments and Contingencies

At December 31, 2002, we had purchase commitments for property, plant and equipment of approximately $116. Because of our intention to pursue the sale of many of the assets and businesses of DCC, it did not have any material commitments to provide loan and lease financing at December 31, 2002.

At December 31, 2002, we had guaranteed $1 of short-term borrowings of a non-U.S. affiliate accounted for under the equity method of accounting. In addition, DCC has guaranteed portions of the borrowings of its affiliates that are accounted for under the equity method. DCC's aggregate exposure under one of the guarantees is $8. Under another guarantee, DCC's exposure for changes in interest rates resulting from specific events described in the financing arrangements would vary but should not exceed $53. At December 31, 2001, DCC had guaranteed an obligation of an affiliate accounted for under the equity method. During 2002, the affiliate satisfied such obligation.

We procure tooling from a variety of suppliers. In certain instances, in lieu of making progress payments on the tooling, we may guarantee a tooling supplier's obligations under its credit facility secured by the specific tooling purchase order. At December 31, 2002, we had a $3 guarantee outstanding in connection with a tooling order for one of our OE programs. Although our Board authorization permits us to issue tooling guarantees up to $80 for this program, we do not expect such guarantees to exceed $25.

Cash obligations under future minimum rental commitments under operating leases were $448 at December 31, 2002, with rental payments during the next five years of: 2003, $71; 2004, $63; 2005, $54; 2006, $43 and 2007, $36. Net rental expense was $103 in 2000, $113 in 2001 and $93 in 2002.

We have divested certain of our businesses. In connection with these divestitures, there may be future claims and proceedings instituted or asserted against us relative to the period of our ownership or pursuant to indemnifications or guarantees provided in connection with the respective transactions. The estimated maximum potential amount of payments under these obligations is not determinable due to the significant number of divestitures and lack of a stated maximum liability for certain matters. In some cases, we have insurance coverage available to satisfy claims related to the divested businesses. We believe that payments, if any, related to such matters are not reasonably likely to have a material adverse effect on our liquidity, financial condition or results of operations.

We record a liability for estimated warranty obligations at the date products are sold. Adjustments are made as new information becomes available. Changes in our warranty liability for the year ended December 31, 2002 follow:

Balance at December 31, 2001	$138
Amounts accrued for current year sales	55
Adjustments of prior accrual estimates	25
Settlements of warranty claims	(80)
Impact of divestitures and acquisitions	(5)
Foreign currency translation	2
Balance at December 31, 2002	$135

We are a party to various pending judicial and administrative proceedings arising in the ordinary course of business. These include, among others, proceedings based on product liability claims and alleged violations of environmental laws. We have reviewed our pending judicial and legal 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 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.

Since the mid-1980s, we have been a defendant in asbestos bodily injury litigation. For most of this period, our asbestos-related claims were administered by the Center for Claims Resolution (CCR), which settled claims for its member companies on a shared settlement cost basis. In February 2001, the CCR was reorganized and discontinued negotiating shared settlements. Since then, we have independently controlled our legal strategy and settlements. In August 2001, we retained Peterson Asbestos Consulting Enterprise (PACE), a subsidiary of Peterson Consulting, Inc., to administer our claims, bill our insurance carriers and assist us in claims negotiation and resolution.

At December 31, 2002, we had approximately 139,000 pending asbestos-related product liability claims, consisting of approximately 115,000 unresolved claims and approximately 24,000 claims settled pending payment (including 14,000 claims remaining from when we were a member of the CCR and 10,000 claims we have settled subsequently). This compares to approximately 100,000 pending claims that we reported at December 31, 2001, consisting of approximately 73,000 unresolved claims and approximately 27,000 claims settled pending payment (all of which remained from when we were a member of the CCR). We attribute the increase in the number of reported pending claims in part to factors resulting from the discontinuance of the CCR. We believe that we are now being named in more claims because claimants are routinely naming many former CCR members in individual claims, and that more of our claims are now pending for longer periods because we are aggressively defending claims which might previously have been settled by the CCR. Also, during 2002 we worked with PACE to improve our claims tracking system and in the fourth quarter we eliminated a long-standing one-quarter lag between the filing and the reporting of claims. Consequently, the number of claims reported at December 31, 2002 reflects activity in the prior 15-month period.

The increase in the number of pending claims has not materially affected our aggregate loss estimate for such claims. At December 31, 2002, we had accrued $124 for indemnity and defense costs for contingent asbestos-related product liability claims and recorded $105 as an asset for probable recoveries from insurers for such claims, compared to $102 accrued for such liabilities and $89 recorded as an asset at December 31, 2001. The December 31, 2002 accrual reflects adjustments made to our claims database upon completion of our initial annual review of the database in the fourth quarter of 2002. We will continue to review our claims database annually in the future and to make further adjustments to our loss estimates if appropriate. While we expect our legal defense costs will continue at higher levels than when we were a member of the CCR, we believe that our litigation strategy has reduced and will continue to reduce our indemnity costs. We have agreements with our insurance carriers providing for the payment of a significant majority of the defense and indemnity costs for the pending claims, as well as claims which may be filed against us in the future. 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.

At December 31, 2002, we had amounts receivable from our insurers and others of $38 representing reimbursements for settled claims and related defense costs. These receivables include billings in progress and amounts subject to alternate dispute resolution proceedings with certain of our insurers. Substantial progress has been made in those proceedings and we expect the outcome to be favorable. However, the amount receivable may increase until the proceedings are ultimately concluded.

At December 31, 2002, we had accrued $10 for contingent non-asbestos product liability costs, compared to $11 at December 31, 2001, with no recovery expected from third parties at either date. The difference between our minimum and maximum estimates for these liabilities was $12 at December 31, 2002 and $13 at December 31, 2001. If there is a range of equally probable outcomes, we accrue the lower end of the range.

We estimate contingent environmental liabilities based on the most probable method of remediation, current laws and regulations and existing technology. Estimates are made on an undiscounted basis and exclude the effects of inflation. If there is a range of equally probable remediation methods or outcomes, we accrue the lower end of the range. At December 31, 2002, we had accrued $59 for contingent environmental liabilities, compared to $52 at December 31, 2001, with no recovery expected from other parties at either date. The difference between our minimum and maximum estimates for these liabilities was $3 at December 31, 2002, compared to $2 at December 31, 2001.

Some former CCR members have defaulted on the payment of their shares of some of the CCR-negotiated settlements and some of the settling claimants are now seeking payment of the unpaid shares from Dana and the other companies that were members of the CCR at the time of the settlements. We have been working with the CCR, other former CCR member companies, our insurers and the claimants to resolve these issues. At December 31, 2002, we estimated our total exposure to liability with respect to these matters to be approximately $57, of which we have paid $24. We expect $47 to be recoverable from our insurers and under surety bonds provided by the defaulting CCR members. This compares to $44 estimated for such liabilities and $39 estimated for such recoveries at December 31, 2001. Our financial statements include accruals for this contingent liability and the anticipated recoveries.

The amounts recorded for contingent asbestos-related liabilities and recoveries are based on assumptions and estimates derived from our historical experience and current information. If our assumptions about the nature of the pending unresolved bodily injury claims and the claims relating to the CCR-negotiated settlements, the costs to resolve those claims and the amount of available insurance and surety bonds prove to be incorrect, the actual amount of our liability for asbestos-related claims and the effect on the company could differ materially from our current expectations.

Note 18. Acquisitions

In January 2000, we acquired the cardan-jointed propeller shaft business of GKN plc. In March, we acquired a majority interest in Tribometal a.s., a manufacturer of polymer bearings. The automotive axle manufacturing and stamping operations of Invensys plc were acquired in July 2000. In November 2000, we acquired a 30% interest in GETRAG Cie, a manufacturer of transmissions, transaxles, axles and other automotive components, and a 49% interest in GETRAG's North American operations. Except for the interests in GETRAG, which are being accounted for as equity investments, the acquisitions were accounted for as purchases and the results of their operations have been included in the consolidated financial statements from the dates of acquisition. The acquisitions accounted for as purchases had total assets of $373 at acquisition and recorded sales of $195 in 2000.

In June 2001, we acquired the remaining 51% interest in Danaven, a Venezuelan operation in which we previously held a minority position. This acquisition was accounted for as a purchase and the results of operations have been included in the consolidated financial statements since the date we attained 100% ownership. We previously accounted for our 49% interest in Danaven under the equity method of accounting. Total assets and debt of Danaven approximated $202 and $92 at June 30, 2001. Sales related to Danaven approximated $64 in 2001.

In August 2002, we acquired GKN Ayra Cardan, S.A., a Spanish manufacturer of light-duty propeller shafts and subsidiary of GKN Driveshafts Limited. The acquisition was the result of restructuring the terms of a joint venture with GKN plc, whereby the full ownership of GKN Driveshafts Limited reverted back to GKN. The proceeds from the divestiture, which approximated the carrying value of the investment, were then used to acquire Ayra Cardan.

Note 19. Divestitures

In January 2000, we sold our Gresen Hydraulics business, the Truckline Parts Centres heavy-duty distribution business and certain portions of our constant velocity (CV) joint businesses. In February, we sold most of the global Warner Electric businesses and, in March, we sold Commercial Vehicle Cab Systems. In September 2000, we sold the remaining 35% interest in our Brazilian CV joint operation. The net after-tax gain recorded on these divestitures totaled $106. These businesses reported sales of $666 in 1999; through the dates of divestiture, 2000 sales for these operations totaled $103.

In March 2001, we sold Mr. Gasket, Inc., a wholly owned subsidiary. In the second quarter of 2001, we divested our Marion, Ohio forging facility and the assets of our Dallas, Texas and Washington, Missouri Engine and Fluid Management Group operations. In July 2001, we completed the sale of our Chelsea power take-off business to Parker Hannifin Corporation. In September 2001, we completed the sale of our Glacier industrial polymer bearings businesses to Goodrich Corporation. A net after-tax gain of $10 was recorded on these divestitures. Sales reported by these businesses were $241 in 2000 and $105 in 2001, through the dates of divestiture.

In January 2002, we sold a portion of Taiway Ltd, a consolidated subsidiary and part of our Automotive Systems Group. The minority position retained has been accounted for under the equity method of accounting from the date of the transaction. In March 2002, we sold Thermoplast + Apparatabau GmbH, a manufacturer of molded interior trim parts, and in August 2002, we divested our 49% interest in GKN Driveshafts Limited. Also in the third quarter, we sold our light-duty cylinder liner business to a subsidiary of Promotora de Industrias Mecanicas, S.A. de C.V. (Promec), an equity affiliate. Part of the consideration for the sale of the business was an increase in our ownership in Promec from 40% to 49%. In November 2002, we completed the sale of Tekonsha Engineering Company, Theodore Bargman Company and American Electronic Components, Inc. Also in November, we divested the majority of our Boston Weatherhead industrial hose and fitting operations. In December 2002, we sold the global brake and clutch actuation systems operations of FTE. An after-tax gain of $21 was recorded as a result of these divestitures. The combined sales reported by these businesses were $625 in 2001 and $554 in 2002, through the dates of divestiture.

In October 2001, we announced our plans to sell certain of the businesses of DCC. During 2002, we completed the sale of selected businesses and assets, which reduced DCC's portfolio assets by approximately $500. These sales, along with certain tax benefits, and an impairment charge on an asset being marketed for sale, resulted in a $32 net after-tax gain on DCC divestiture activity.

Note 20. Discontinued Operations

We adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," on January 1, 2002. SFAS No. 144 retained the previously existing accounting requirements related to the recognition of impairment for assets to be held and used in operations. However, the impairment of long-lived assets held for sale is measured taking into consideration the costs to sell the assets, as well as impairment measurement criteria of previously existing accounting requirements. In addition, SFAS No. 144 broadened the definition of what constitutes a discontinued business for financial reporting purposes. Accordingly, more dispositions qualify for presentation as discontinued businesses under SFAS No. 144.

The provisions of SFAS No. 144 are generally prospective from the date of adoption and therefore do not apply to divestitures announced prior to January 1, 2002. Accordingly, the disposal of selected subsidiaries of DCC that were announced in October 2001 and completed in 2002 were not considered in our determination of discontinued operations. At the same time, while DCC has assets held for sale at December 31, 2002, they do not meet the criteria for treatment as discontinued operations.

We divested our American Electronic Components, Inc., Tekonsha Engineering Company, Theodore Bargman Company and FTE businesses and the majority of our Boston Weatherhead division during the fourth quarter of 2002. We intend to sell a significant portion of our Engine Management operations during 2003. These actions were and are being taken as part of our strategic initiative to divest businesses that we determined to be non-core or underperforming. These operations comprise the discontinued operations reported in our financial statements. Under the requirements of SFAS No. 144, the net pre-tax income statement components of the discontinued operations, including any gains or losses on disposition, are aggregated and presented on a single line in the income statement. The income statements for prior years have been reclassified to similarly include the results of these businesses as discontinued operations.

The following summarizes the revenues and expenses of our discontinued operations for 2000, 2001 and 2002 and reconciles the amounts reported in the consolidated statement of income to operating PAT reported in the segment table, which excludes restructuring and unusual charges.

	2000	2001	2002
Sales	$854	$ 781	**$779**
Other income (expense)	2	7	**7**
Cost of sales	714	730	**695**
Selling, general and administrative expenses	144	112	**104**
Restructuring and integration expenses	40	73	**13**
Interest expense	4	7	**4**
Loss before income taxes	(46)	(134)	**(30)**
Income taxes	24	52	**10**
Restructuring and unusual charges	21	60	**10**
Operating PAT in segment table	$ (1)	$ (22)	**$ (10)**

The sales of our discontinued operations, while not included in our segment data, were associated with our SBUs as follows:

	2000	2001	2002
AAG	$402	$360	**$365**
ASG	234	237	**251**
EFMG	179	153	**134**
Other	39	31	**29**
	$854	$781	**$779**

The $40 of restructuring and integration expense of the discontinued operations in 2000 is related to the integration of the Engine Management warehouse operations. Restructuring and integration expenses in 2001 included pre-tax charges of $49 related to the impairment of long-lived assets, primarily property, plant and equipment, $14 for employee termination benefits and $10 of exit and other expenses, primarily lease continuation expense. In 2002, we charged $10 of exit costs related to closing warehouse facilities and $3 for employee termination benefits to restructuring expenses. Other income (expense) included pre-tax charges of $38 in 2002 to reduce the carrying value of assets of our Engine Management business included in discontinued operations. Also included in other income (expense) is a net pre-tax gain of $41 in 2002 resulting from the divestiture of most of the discontinued operations. See Note 19 — Divestitures and Note 24 — Subsequent Event for additional information.

With respect to the consolidated balance sheet, the assets and liabilities relating to the discontinued operations at December 31, 2002 are aggregated and classified as net assets and net liabilities held for sale. The assets and liabilities of the discontinued operations as of December 31, 2001 have not been reclassified in the accompanying consolidated balance sheet. Included in Other current assets at December 31, 2002 are total assets related to discontinued operations of $177, consisting primarily of inventory of $99 and property, plant and equipment of $67. Other accrued liabilities at December 31, 2002 included total liabilities of $68 related to discontinued operations, including $40 of accounts payable, $11 of accrued payroll and related benefits and $15 of other accrued expenses.

In the consolidated statement of cash flows, the cash flows of discontinued operations are not separately classified.

Note 21. Business Segments

Our manufacturing operations are organized into the following market-focused strategic business units (SBUs):

- Automotive Systems Group (ASG) sells axles, driveshafts, drivetrains, frames, chassis products and related modules and systems for the automotive and light vehicle markets and driveshafts for the commercial vehicle market.
- Automotive Aftermarket Group (AAG) sells brake products for the automotive and light vehicle markets and internal engine hard parts, chassis products and filtration products for the light, commercial and off-highway vehicle markets.
- Engine and Fluid Management Group (EFMG) sells sealing, bearing, fluid-management and power-cylinder products for the automotive, light and commercial vehicle, leisure and outdoor power equipment markets.
- Heavy Vehicle Technologies and Systems Group (HVTSG) was formed in May 2002 by combining the former Commercial Vehicle Systems (CVS) and Off-Highway Systems Group (OHSG). HVTSG sells axles, brakes, driveshafts, chassis and suspension modules, ride controls and related modules and systems for the commercial and off-highway vehicle markets and transmissions and electronic controls for the off-highway market.

For some time, we were also a leading provider of lease financing services in selected markets through DCC. In accordance with plans announced in October 2001, we sold a number of DCC's businesses and assets during 2002. At December 31, 2002, DCC had total portfolio assets of approximately $1,700, as compared to $2,200 at December 31, 2001. While we will continue to pursue the sale of many of the remaining DCC assets in 2003, we expect to retain approximately $900 in assets and certain liabilities, including debt, for tax and other business reasons. The retained assets will include certain service-related assets which support other Dana operations, a technology-based service business where joint marketing opportunities exist, and certain portfolio investments where tax attributes and/or market conditions make disposal uneconomical at this time. The retained liabilities will include certain asset-specific financing and general obligations that are uneconomical to pay off in advance of their scheduled maturities. We expect that the retained assets will generate sufficient cash to service DCC's debt portfolio over the next several years.

Information used to evaluate the SBUs and regions is as follows:

2000	External Sales	Inter-Segment Sales	EBIT	Operating PAT	Net Profit (Loss)	Net Assets	Capital Spend	Depreciation/ Amortization
ASG	$ 4,288	$136	$ 401	$ 274	$181	$1,740	$174	$140
AAG	2,366	14	156	95	35	1,411	55	59
EFMG	2,221	119	188	125	80	1,481	116	106
HVTSG	2,394	83	189	115	61	910	52	72
DCC				35	35	174	3	
Other	194	49	(212)	(233)	19	(105)	2	10
Goodwill amortization			(42)	(33)	(33)			
Total continuing operations	11,463	401	680	378	378	5,611	402	387
Discontinued operations			(4)	(1)	(1)			
Total operations	11,463	401	676	377	377	5,611	402	387
Restructuring and unusual items			(25)	(43)	(43)			
Consolidated	$11,463	$401	$ 651	$ 334	$334	$5,611	$402	$387
North America	$ 8,803	$ 47	$ 849	$ 555	$375	$3,899	$276	$255
Europe	1,740	96	67	40	2	1,174	68	87
South America	562	83	26	12		475	32	30
Asia Pacific	358	1	7	5	(8)	148	11	11
DCC				35	35	174		
Other			(227)	(236)	7	(259)	15	4
Goodwill amortization			(42)	(33)	(33)			
Total continuing operations	11,463	227	680	378	378	5,611	402	387
Discontinued operations			(4)	(1)	(1)			
Total operations	11,463	227	676	377	377	5,611	402	387
Restructuring and unusual items			(25)	(43)	(43)			
Consolidated	$11,463	$227	$ 651	$ 334	$334	$5,611	$402	$387

2001								
ASG	$3,485	$ 92	$ 168	$ 133	$ 50	$1,839	$179	$158
AAG	2,177	14	78	48	(9)	1,145	30	59
EFMG	1,984	96	80	52	9	1,196	55	109
HVTSG	1,751	89	61	37	(9)	709	32	69
DCC				31	31	198	1	
Other	93	37	(168)	(242)	(13)	(9)		3
Goodwill amortization			(38)	(32)	(32)			
Total continuing operations	9,490	328	181	27	27	5,078	297	398
Discontinued operations			(34)	(22)	(22)			
Total operations	9,490	328	147	5	5	5,078	297	398
Restructuring and unusual items			(466)	(303)	(303)			
Consolidated	$9,490	$328	$(319)	$(298)	$(298)	$5,078	$297	$398
North America	$7,113	$ 25	$ 353	$ 213	$ 57	$3,350	$202	$263
Europe	1,494	68	30	37	2	1,084	40	79
South America	553	135	15	(1)	(14)	493	28	38
Asia Pacific	330	2	5	3	(9)	150	25	14
DCC				31	31	198		
Other			(184)	(224)	(8)	(197)	2	4
Goodwill amortization			(38)	(32)	(32)			
Total continuing operations	9,490	230	181	27	27	5,078	297	398
Discontinued operations			(34)	(22)	(22)			
Total operations	9,490	230	147	5	5	5,078	297	398
Restructuring and unusual items			(466)	(303)	(303)			
Consolidated	$9,490	$230	$(319)	$(298)	$(298)	$5,078	$297	$398

2002	External Sales	Inter-Segment Sales	EBIT	Operating PAT	Net Profit (Loss)	Net Assets	Capital Spend	Depreciation/ Amortization
ASG	**$3,526**	**$103**	**$ 203**	**$ 157**	**$ 76**	**$1,743**	**$137**	**$152**
AAG	**2,175**	**14**	**175**	**107**	**49**	**990**	**27**	**49**
EFMG	**1,947**	**99**	**125**	**81**	**38**	**988**	**41**	**86**
HVTSG	**1,797**	**92**	**102**	**63**	**16**	**629**	**23**	**53**
DCC				**26**	**26**	**259**		
Other	**59**	**13**	**(215)**	**(253)**	**(24)**	**(44)**	**2**	**3**
Total continuing operations	**9,504**	**321**	**390**	**181**	**181**	**4,565**	**230**	**343**
Discontinued operations			**(14)**	**(10)**	**(10)**			
Total operations	**9,504**	**321**	**376**	**171**	**171**	**4,565**	**230**	**343**
Restructuring and unusual items			**(246)**	**(133)**	**(133)**			
Change in accounting				**(220)**	**(220)**			
Consolidated	**$9,504**	**$321**	**$ 130**	**$(182)**	**$(182)**	**$4,565**	**$230**	**$343**
North America	**$7,153**	**$ 45**	**$ 462**	**$ 289**	**$ 127**	**$2,939**	**$156**	**$228**
Europe	**1,486**	**70**	**50**	**51**	**15**	**1,102**	**31**	**63**
South America	**474**	**170**	**61**	**38**	**27**	**304**	**15**	**38**
Asia Pacific	**391**	**2**	**19**	**13**	**1**	**151**	**27**	**12**
DCC				**26**	**26**	**259**		
Other			**(202)**	**(236)**	**(15)**	**(190)**	**1**	**2**
Total continuing operations	**9,504**	**287**	**390**	**181**	**181**	**4,565**	**230**	**343**
Discontinued operations			**(14)**	**(10)**	**(10)**			
Total operations	**9,504**	**287**	**376**	**171**	**171**	**4,565**	**230**	**343**
Restructuring and unusual items			**(246)**	**(133)**	**(133)**			
Change in accounting				**(220)**	**(220)**			
Consolidated	**$9,504**	**$287**	**$ 130**	**$(182)**	**$(182)**	**$4,565**	**$230**	**$343**

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. This is done because DCC is not homogeneous with our manufacturing operations, its financing activities do not support the sales of our other operating segments and its financial and performance measures are inconsistent with those of our other operating segments.

Operating profit after tax (PAT) is the key internal measure of performance used by management, including our chief operating decision maker, as a measure of segment profitability. With the exception of DCC, operating PAT represents earnings before interest and taxes (EBIT), tax effected at 39% (our estimated long-term effective rate), plus equity in earnings of affiliates. Net profit (loss), which is operating PAT less allocated corporate expenses and net interest expense, provides a secondary measure of profitability for our segments that is more comparable to that of a free-standing entity. The allocation is based on segment sales because it is readily calculable, easily understood and, we believe, provides a reasonable distribution of the various components of our corporate expenses among our diverse business units.

The Other category includes businesses unrelated to the segments, trailing liabilities for closed plants and corporate administrative functions. For purposes of presenting operating PAT, Other also includes interest expense net of interest income, elimination of inter-segment income and adjustments to reflect the actual effective tax rate. In the net profit (loss) column, Other includes the net profit or loss of businesses not assigned to the segments and certain divested businesses (but not discontinued operations), minority interest in earnings and the tax differential.

The following table reconciles the EBIT amount reported for our segments, excluding DCC, to our consolidated income (loss) before income taxes as presented in the consolidated statement of income.

	2000	2001	2002
EBIT	$ 680	$ 181	$ **390**
Restructuring and unusual items — total operations	(25)	(466)	**(246)**
Restructuring and unusual items — discontinued operations	40	100	**15**
Interest expense, excluding DCC	(214)	(199)	**(176)**
Interest income, excluding DCC	11	7	**13**
DCC pre-tax income	18	28	**(5)**
Income (loss) before income taxes	$ 510	$(349)	$ **(9)**

Restructuring and unusual items consist of the gains on sales of businesses discussed in Note 19 and the restructuring and other unusual charges discussed in Notes 20 and 22.

Equity earnings included in the operating PAT and net profit reported in 2000, 2001 and 2002 were $29, $27 and $33 for ASG and $11, $3 and $5 for EFMG. Equity earnings included for the other SBUs were not material. The related equity investments totaled $303, $364 and $415 for ASG and $51, $44 and $58 for EFMG in 2000, 2001 and 2002.

Net assets at the SBU and regional level is intended to correlate with invested capital. The amount includes accounts receivable, inventories (on a first-in, first-out basis), prepaid expenses (excluding taxes), goodwill, investments in affiliates, net property, plant and equipment, accounts payable and certain accrued liabilities, but excludes assets and liabilities of discontinued operations.

Net assets differ from consolidated assets as follows:

	2000	2001	2002
Net assets	$ 5,611	$ 5,078	$**4,565**
Accounts payable and other current liabilities	1,944	1,724	**1,874**
DCC's assets in excess of equity	2,279	2,012	**1,605**
Other current and long-term assets	624	828	**1,331**
Assets of discontinued operations	778	565	**178**
Consolidated assets	$11,236	$10,207	$**9,553**

Although we have not reclassified our balance sheet as of December 31, 2000 and 2001 in connection with the adoption of SFAS No. 144, our segment reporting excludes the assets of our discontinued operations based on the treatment of these items for internal reporting purposes.

The differences between operating capital spend and depreciation shown by SBU and region and purchases of property, plant and equipment and depreciation shown on the cash flow statement result from the exclusion from the segment table of the amounts related to discontinued operations and our method of measuring DCC for operating purposes. DCC's capital spend and depreciation are not included in the operating measures. In addition, DCC purchases equipment and leases the equipment to the other SBUs. These operating leases are included in the consolidated statements as purchases of assets and depreciated over their useful lives.

Sales by region are based upon location of the entity recording the sale. Sales from the U.S. amounted to $7,933 in 2000, $6,319 in 2001 and $6,292 in 2002. No other country's sales exceeded 10% of total sales. U.S. long-lived assets were $1,865 in 2000, $1,631 in 2001 and $1,304 in 2002. No other country's long-lived assets exceeded 10% of total long-lived assets.

Export sales from the U.S. to customers outside the U.S. amounted to $551 in 2000, $376 in 2001 and $226 in 2002. Total export sales (including sales to our non-U.S. subsidiaries which are eliminated for financial statement presentation) were $826 in 2000, $595 in 2001 and $475 in 2002.

Worldwide sales to Ford Motor Company and subsidiaries amounted to $2,620 in 2000, $1,873 in 2001 and $1,731 in 2002, which represented 23%, 20% and 18% of our consolidated sales. Sales to DaimlerChrysler AG and subsidiaries were $2,074 in 2000, $1,144 in 2001 and $972 in 2002, representing 18%, 12% and 10% of our consolidated sales. Sales to Ford were primarily from our ASG and EFMG segments, while sales to DaimlerChrysler were primarily from the ASG and HVTSG segments. No other customer accounted for more than 10% of our consolidated sales.

Note 22. Restructuring of Operations

During the third quarter of 2000, we announced plans to close our Reading structures facility and terminate approximately 690 people and recorded restructuring charges of $53. In the fourth quarter of 2000, we approved plans to close facilities in France, the United Kingdom and Argentina, resulting in $34 of charges and a workforce reduction of approximately 230 people. We also incurred integration expenses in 2000 related to consolidating our Engine Management warehouse operations and moving operations from closed facilities.

In the first quarter of 2001, we recorded $22 of restructuring expense in connection with the announced closing of six facilities in the ASG and EFMG and workforce reductions at other facilities. These charges included $10 for employee termination benefits, $7 for asset impairment and $5 for other exit costs and impacted net earnings by $14. We announced additional facility closings in the third quarter and accrued additional restructuring charges of $12, affecting earnings by $7.

In October 2001, we announced plans to reduce our global workforce by more than 15% and initiated a review of more than 30 facilities for possible consolidation or closure. These actions were undertaken to reduce capacity and outsource the manufacturing of non-core content. As of December 31, 2001, we had announced the closing of 21 facilities and reduced our workforce by more than 7% in connection with these plans. Overall charges recorded in 2001 related to our actions announced in October were $431 and affected net earnings by $279. Charges for all restructuring activities totaled $440 in the fourth quarter of 2001, including $155 for employee terminations, $196 for asset impairments and $89 for exit and other costs. The impaired assets include property, plant and equipment held for sale and within our European distribution operations of EFMG. Exit and other expenses are mainly lease continuation obligations, net of estimated sub-lease rents, property taxes and other holding costs related to closed facilities through the estimated date of sale or sub-lease, and costs to prepare facilities for sale or closure. We charged cost of sales for $85 of these expenses, including $38 for inventory impairment resulting from our decision to close certain plants and warehouses and $47 of other charges, including warranty provisions related to acquired products now discontinued and provisions for unsalvageable customer returns related to the rationalization of our aftermarket operations. Net earnings in the fourth quarter were impacted by $284.

For the year ended December 31, 2001, we recorded total expenses of $476, including $390 charged to restructuring expense and $86 charged to cost of sales, in connection with our restructuring actions.

In 2002, we announced additional facility closures under the October 2001 plan, bringing the total number of facilities slated for closure to 39. As of December 31, 2002, 28 of the 39 facilities were closed with the remaining 11 scheduled for closure in 2003 or early 2004. Through the facility closures and divestitures undertaken in connection with the October 2001 plan, we reduced the workforce by about 10,000 people (13%) from October 2001 through the end of 2002. There are approximately 2,500 additional people who will be leaving as the announced closures or workforce reductions are completed. Once completed, the total reduction will be approximately 12,500 people (17%).

In connection with these restructuring activities, we recorded restructuring expenses of $207 in 2002, including $101 for employee termination benefits and the impact on pension and postretirement healthcare programs; $20 for asset impairment related to property, plant and equipment of closed facilities; and $86 for exit and other expenses, including lease continuation expense, property taxes and other holding costs, costs of preparing properties for closure or sale and costs of moving equipment and people in connection with consolidating operations and outsourcing non-core production. We also charged cost of sales for $36 of inventory impairment and nonsalvageable returns related to discontinued lines of business. In total, we recorded charges of $243 which reduced net income by $163 in 2002.

The following summarizes the restructuring charges and activity for all restructuring programs recorded in the last three years:

	Employee Termination Benefits	Long-Lived Asset Impairment	Exit Costs	Integration Expenses	Total
Balance at December 31, 1999	$ 91	$ —	$ 13	$ —	$ 104
Activity during the year					
Charges to expense	62	8	27	76	173
Cash payments	(60)		(20)	(76)	(156)
Write-off of assets		(8)			(8)
Balance at December 31, 2000	93	—	20	—	113
Activity during the year					
Charges to expense	171	166	53		390
Cash payments	(58)		(20)		(78)
Write-off of assets		(166)			(166)
Balance at December 31, 2001	206	—	53	—	259
Activity during the year					
Charges to expense	**101**	**20**	**86**		**207**
Cash payments	**(67)**		**(75)**		**(142)**
Write-off of assets		**(20)**			**(20)**
Transfers of balances	**(59)**				**(59)**
Balance at December 31, 2002	**$181**	**$ —**	**$ 64**	**$ —**	**$ 245**

Accruals related to curtailment or settlement of pension and postretirement health care or to probable liabilities under workers' compensation and similar programs were based on actuarially determined amounts. Because it is not practicable to isolate the related payments, which could occur over an extended period of time, we have transferred these accruals from our restructuring accrual to the related liabilities.

The above amounts include activities within our discontinued operations. Restructuring and integration expenses now included on the loss from discontinued operations line in the consolidated statement of income totaled $40 in 2000, $73 in 2001, and $13 in 2002, before related tax benefits.

Employee terminations relating to the plans within our continuing operations were as follows:

	2000	2001	2002
Total estimated	1,020	7,690	**3,222**
Less terminated:			
2000	(765)		
2001	(254)	(3,571)	
2002	(1)	(3,545)	**(1,304)**
Balance at December 31, 2002	—	**574**	**1,918**

At December 31, 2002, $245 of restructuring charges remained in accrued liabilities. This balance was comprised of $181 for the reduction of approximately 2,500 employees to be completed in 2003 and early 2004 and $64 for lease terminations and other exit costs. The estimated annual cash expenditures will be approximately $129 in 2003, $52 in 2004 and $64 thereafter. Our liquidity and cash flows will be materially impacted by these actions. It is anticipated that our operations over the long term will benefit from these realignment strategies through reduction of overhead and certain material costs.

Note 23. Noncash Investing and Financing Activities

In leveraged leases, the issuance of nonrecourse debt financing and subsequent repayments thereof are transacted directly between the lessees and the lending parties to the transactions. Nonrecourse debt issued to finance leveraged leases was $403 in 2000 and $163 in 2001; nonrecourse debt obligations repaid were $106 in 2000, $76 in 2001 and $279 in 2002.

Note 24. Subsequent Event

On February 7, 2003, we entered into an agreement to sell a substantial portion of our AAG Engine Management aftermarket operations to Standard Motor Products. The completion of the transaction is subject to, among other things, regulatory approvals and the buyer's completion of financing related to the transaction.

The Engine Management aftermarket business has been presented as a discontinued operation in the December 31, 2002 financial statements (see Note 20). Sales of the Engine Management aftermarket operations were $288 in 2002. We recorded an impairment charge of $38 ($23 after tax) in the fourth quarter of 2002 in connection with classifying these operations as held for sale.

Dollars and euros in millions

Overview – We began 2002 with a clear focus on certain operating and financial objectives that we believed were key to our future – finalizing the details of the restructuring plan initiated in the fourth quarter of 2001 and generating significant cash flow for the reduction of debt. As we look back on the recently completed year, the benefits of our restructuring program and debt reduction efforts are already apparent. More importantly, the progress can be seen in our operating results and financial condition. Our strategic business units (SBUs) have reduced their breakeven volume by consolidating manufacturing operations and outsourcing the production of non-core components. Margins have begun to reflect the benefits of these actions. We expect a greater impact in the latter part of 2003 when substantially all of our restructuring actions are completed. We sold certain assets in connection with the outsourcing initiatives and divested a number of non-core businesses. We also sold assets within the lease portfolio of Dana Credit Corporation (DCC) and divested its real estate services business. The aggregate proceeds from these sales helped us in reducing debt and increasing cash by nearly $1,000 in 2002.

Liquidity and Capital Resources

Cash Flows — Operating activities generated positive cash flow of $521 in 2002. After adding back the $220 effect of the change in accounting for goodwill, which did not affect cash flow, our adjusted net income of $38 represents a $336 improvement over the net loss reported in 2001. Depreciation and amortization were down $70 from the prior year, due mainly to divestitures and the reduced capital spending of the last three years. While discontinuing the amortization of goodwill in 2002 accounted for $38 of the difference, it did not affect cash flows. Asset impairment charges totaled $114 in 2002, approximately one-half of the $206 written off in the prior year. Cash flow from operating activities benefited by a net $195 from changes in accounts receivable, inventories, and other operating assets and operating liabilities, a positive result that continued the improvement of the two prior years. Accounts receivable increased during the year after considering our divestiture activities, while inventory was virtually unchanged. These changes were outweighed by increases in accruals for income taxes – we also received refunds of nearly $90 in 2002 – and wage and benefit continuation commitments related to our restructuring activities. Equity earnings increased by $23 million in 2002 when compared to 2001, but dividends received from our affiliates decreased by $24, causing a $47 comparative reduction in the equity earnings element of cash flows from operating activities.

Capital spending totaled $375 in 2002, a decline of $50 from the capital outlays of 2001, despite significant expenditures associated with several product launches in our automotive structures business. Maintaining tight control over capital spending remains a priority in 2003. A more significant aspect of cash flows from investing activities in 2002 was the cash received from the sales of businesses and assets. Divestitures and asset sales generated $855 of proceeds, the majority of which was used to reduce our borrowings and bolster our cash position. Cash flows related to the operations within DCC were limited given our efforts to sell certain of its businesses. The $31 outlay for an acquisition represented a realignment of our interest in a joint venture, as the outlay was offset by re-investing a portion of the divestiture proceeds.

We used the proceeds from a private placement of $250 in unsecured notes in March 2002 primarily to reduce borrowings under one of our revolving credit facilities. Additional reductions were funded with the net proceeds from several divestitures. We also received $72 in connection with amending or modifying three interest rate swaps during 2002, locking in a portion of the valuation adjustment that resulted from marking our interest rate swaps to market. Continuing the reduced dividend begun in the fourth quarter of 2001 limited the related outflows to $6 in 2002, a $134 decrease when compared to the prior year. In total, we reduced debt by more than $600 and increased cash by $374.

Managing cash flows remains a high priority in 2003. Excluding estimated expenditures of $100 to $150 associated with the completion of our restructuring activities, we expect to reduce working capital by $200 this year. Capital spending is budgeted at $350 for 2003, nearly even with the 2002 amount after considering the capital spend associated with the divested operations. We also expect to receive more than $100 from the divestiture of businesses and assets held for sale. Achieving these targets would result in further improvement to our net debt position.

Financing Activities — Our accounts receivable securitization program, established in March 2001, provides up to $400 in capacity to meet our periodic demand for short-term financing. Under the program, certain of our divisions and subsidiaries either sell or contribute accounts receivable to Dana Asset Funding LLC (DAF), a special purpose entity. DAF funds its accounts receivable purchases by pledging the receivables as collateral for short-term loans from participating banks. We used the initial sale proceeds received from DAF to reduce other debt, particularly amounts then outstanding under our revolving credit facilities. Expenses incurred to establish the program are being amortized over five years, the contractual life of the program.

The securitized accounts receivable are owned in their entirety by DAF and are not available to satisfy claims of our creditors. However, we are entitled to any dividends paid by DAF and would be entitled to any proceeds from the liquidation of DAF’s assets upon the termination of the securitization program and the dissolution of DAF. DAF’s receivables are included in our consolidated financial statements solely because DAF does not meet certain technical accounting requirements for treatment as a “qualifying special purpose entity” under generally accepted accounting principles. Accordingly, the sales and contributions of the accounts receivable are eliminated in consolidation and any loans to DAF are reflected as short-term borrowings in our consolidated financial statements. The amounts available under the program are subject to reduction based on adverse changes in our credit ratings or those of our customers, customer concentration levels or certain characteristics of the underlying accounts receivable. This program is subject to possible termination by the lenders in the event our credit ratings are lowered below B1 by Moody’s Investor Service (Moody’s) and B+ by Standard & Poor’s (S&P).

During 2002, cash flows from operations, along with proceeds from divestitures and the private placement of $250 of notes in March, allowed us to reduce our reliance on our short-term credit facilities. We amended our 364-day facility in July and reduced the amount available to $100. In December, we extended the 364-day revolving credit facility while we negotiated amendments to our long-term facility. Our reduced need for committed facilities enabled us to cancel the 364-day facility in February 2003 when we amended the long-term facility. The amended long-term facility, which matures on November 15, 2005, now provides for borrowings of up to $400. The interest rates under the facility equal the London interbank offered rate (LIBOR) or bank prime, plus a spread that varies depending on our credit ratings. Advances under the facility that do not exceed $50 may be borrowed on an unsecured basis for up to five business days. Borrowings in excess of $50, outstanding for more than five business days or entered into within a five-day period after repayment of all previous advances are not permitted until we provide certain inventory and other collateral, as permitted within the limits of our indentures. These provisions of the facility terminate if our long-term debt ratings reach Baa3 by Moody’s and BBB- by S&P.

The amended long-term credit facility requires us to maintain 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. Specifically, the ratios are: (i) net senior debt to tangible net worth of not more than 1.25:1 at March 31, June 30 and September 30, 2003 and 1.10:1 at December 31, 2003 and thereafter; (ii) EBITDA (as defined in the facility) minus capital expenditures to interest expense of not less than 1.80:1 at March 31, June 30 and September 30, 2003, 1.90:1 at December 31, 2003, 2.25:1 at March 31, 2004 and 2.50:1 at June 30, 2004 and thereafter; and (iii) net senior debt to EBITDA of not greater than 3.40:1 at March 31, June 30 and September 30, 2003, 2.90:1 at December 31, 2003 and 2.50:1 at March 31, 2004 and thereafter. The ratio calculations are based on the additional financial information that presents Dana’s consolidated financial statements with DCC accounted for on an equity basis.

Dana, excluding DCC, had committed borrowing lines of $1,170 at December 31, 2002, all of which was available at that time. The committed amount, which includes $170 of letters of credit and surety bonds, was reduced by $200 in February 2003 as a result of the cancellation of the $100 364-day facility and the amendment reducing the size of the long-term facility by $100. Dana, excluding DCC, had uncommitted borrowing lines of $260 at December 31, 2002, of which $32 had been borrowed by certain of our non-U.S. subsidiaries.

Asset sales and a reduced need for borrowing capacity enabled DCC to allow its $100 364-day facility to lapse in June 2002. DCC had committed borrowing lines of $250 and uncommitted borrowing lines of $15 at December 31, 2002. The $250, available under a long-term facility that matures in June 2004, was reduced to $200 in February 2003. The amount available is subject to further reductions equal to two-thirds of net cash proceeds from sales of DCC assets after February 6, 2003. DCC had $131 borrowed against committed bank lines at December 31, 2002.

Because our financial performance is impacted by various economic, financial and industry factors, we may not be able to satisfy the covenants in our long-term 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. 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 additional collateral to the lenders or make other financial concessions. Default under these facilities or any of our note agreements may result in defaults under other debt instruments. Our business, operating results and financial condition might be adversely affected if we were unable to successfully negotiate amended covenants or obtain waivers on acceptable terms.

Fees are paid to the banks for providing committed lines, but not for uncommitted lines. We paid fees of $9 in 2001 and $6 in 2002 in connection with our committed bank lines. Of these fees, $4 was amortized to expense in 2001 and $9 in 2002.

Based on our rolling forecast, we expect our cash flows from operations, combined with these credit facilities and the accounts receivable securitization program, to provide sufficient liquidity to fund our debt service obligations, projected working capital requirements, restructuring obligations and capital spending for a period that includes the next twelve months.

Hedging Activities — We utilize derivative financial instruments, to a limited extent, to hedge principally against the effects of fluctuations of foreign currency exchange rates and interest rate movements (see Notes 1, 9 and 16 to the financial statements). To accomplish these purposes, we use forward contracts to hedge against foreign currency movements and interest rate swaps to hedge against interest rate fluctuations and to balance the mix of fixed and variable rate debt. We do not use derivative instruments for trading purposes. Our policy requires that our business units involve our Treasury staff in the execution of all derivative contracts.

At December 31, 2002, we had a number of open forward contracts to hedge against certain anticipated net purchase and sale commitments. These contracts are for a short duration and none extend beyond the first quarter of 2004. The aggregate fair value of these contracts at the end of 2002 was a net favorable amount less than $1. These contracts have been valued by independent financial institutions using the exchange spot rate plus or minus quoted forward basis points to determine a settlement value for each contract.

At December 31, 2001, Dana, exclusive of DCC, was a party to four interest rate swap agreements relating to the unsecured notes issued in August 2001. We entered another swap agreement in March 2002 in connection with the issuance of $250 of unsecured notes. These agreements effectively converted the fixed interest rates of these notes to variable rates in order to provide a better balance of fixed and variable rate debt. These agreements have been designated as fair value hedges of the corresponding notes and the carrying value of the notes are adjusted as the swap agreements change in value. In September 2002, we received $72 in connection with amending the variable rates in two of the agreements and terminating a third agreement. The $72 is being amortized as a reduction of interest expense over the remaining life of the notes. The terminated agreement was replaced with a new swap agreement.

As of December 31, 2002, our interest rate swap agreements provided for us to receive an average rate of 9.3% on notional amounts of $825 and €200 and to pay variable rates equal to the six-month LIBOR plus an average of 4.92% (the combined rate was 6.3% at December 31, 2002) on a notional amount of $825 and the six-month Euro interbank offered rate (EURIBOR) plus an average of 3.79% (the combined rate was 6.6% at December 31, 2002) on a notional amount of €200. These agreements expire in March 2010 ($250) and August 2011 ($575 and €200). The $23 aggregate fair value of these agreements at December 31, 2002 was recorded as a non-current asset and offset by an increase in the carrying value of long-term debt. This adjustment of long-term debt, which does not affect the scheduled principal payments, will fluctuate with the fair value of the swap agreements and will not be amortized if the agreements remain open.

At December 31, 2002, DCC was committed to receive payments based on interest rates which change periodically in line with prevailing short-term market rates (the average rate being received at December 31, 2002 was 2.67%) and to pay based on an average rate of 7.95%, which is fixed over the period of the agreements, on a notional amount of $45. The $3 aggregate fair value of these agreements at December 31, 2002 was recorded as a current liability and offset on an after-tax basis by an adjustment to accumulated other comprehensive income. DCC's interest rate swaps expire in 2003.

Cash Obligations — Under various agreements, we are obligated to make future cash payments in fixed amounts. These include payments under our long-term debt agreements, rent payments required under operating lease agreements, firm commitments made to acquire equipment and other fixed assets and purchases of certain raw materials. With the exception of payments required under our long-term debt and operating lease agreements, we do not have fixed cash payment obligations beyond 2004.

The following table summarizes our fixed cash obligations over various future periods.

		Payments Due by Period			
Contractual Cash Obligations	**Total**	**Less than 1 Year**	**1 - 3 Years**	**4 - 5 Years**	**After 5 Years**
Principal of Long-Term Debt	$3,247	$124	$536	$458	$2,129
Operating Leases	448	71	117	79	181
Unconditional Purchase Obligations	130	119	11		
Total Contractual Cash Obligations	$3,825	$314	$664	$537	$2,310

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

In addition to fixed cash commitments, we may have future cash payment obligations under arrangements where we are contingently obligated if certain events occur or conditions are present. We have guaranteed $1 of short-term borrowings of a non-U.S. affiliate accounted for under the equity method of accounting. In addition, DCC has guaranteed portions of the borrowings of its affiliates that are accounted for under the equity method. DCC's aggregate exposure under one of the guarantees is $8. Under another guarantee, DCC's exposure for changes in interest rates resulting from specific events described in the financing arrangements would vary but should not exceed $53. At December 31, 2001, DCC guaranteed an obligation of an affiliate accounted for under the equity method. During 2002, the affiliate satisfied such obligation.

We procure tooling from a variety of suppliers. In certain instances we may guarantee tooling suppliers' obligations that are specific to our tooling orders to facilitate the suppliers' financing of the tools. At December 31, 2002, we had a $3 guarantee outstanding in connection with a tooling order for one of our OE programs. Although our Board authorization permits us to issue tooling guarantees up to $80 for this program, we do not expect such guarantees to exceed $25.

At December 31, 2002, we maintained cash balances of $156 on deposit with financial institutions, of which $66 may not be withdrawn, to support stand-by letters of credit, surety bonds or trusteed certificate accounts amounting to $207 issued on our behalf by financial institutions. These financial instruments are used principally for the purpose of meeting various states' requirements in order to self-insure our workers compensation obligations. These financial instruments are expected to be renewed each year. We accrue the estimated liability for workers compensation claims, including incurred but not reported claims. Accordingly, no significant impact on our financial condition would result if the letters of credit were drawn or the surety bonds or certificate accounts were called.

Contingencies — We are a party to various pending judicial and administrative proceedings arising in the ordinary course of business. These include, among others, proceedings based on product liability claims and alleged violations of environmental laws. We have reviewed our pending judicial and legal 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 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.

Asbestos-Related Product Liabilities — Since the mid-1980s, we have been a defendant in asbestos bodily injury litigation. For most of this period, our asbestos-related claims were administered by the Center for Claims Resolution (CCR), which settled claims for its member companies on a shared settlement cost basis. In February 2001, the CCR was reorganized and discontinued negotiating shared settlements. Since then, we have independently controlled our legal strategy and settlements. In August 2001, we retained Peterson Asbestos Consulting Enterprise (PACE), a subsidiary of Peterson Consulting, Inc., to administer our claims, bill our insurance carriers and assist us in claims negotiation and resolution.

At December 31, 2002, we had approximately 139,000 pending asbestos-related product liability claims, consisting of approximately 115,000 unresolved claims and approximately 24,000 claims settled pending payment (including 14,000 claims remaining from when we were a member of the CCR and 10,000 claims we have settled subsequently). This compares to approximately 100,000 pending claims that we reported at December 31, 2001, consisting of approximately 73,000 unresolved claims and approximately 27,000 claims settled pending payment (all of which remained from when we were a member of the CCR). We attribute the increase in the number of reported pending claims in part to factors resulting from the discontinuance of the CCR. We believe that we are now being named in more claims because claimants are now routinely naming many former CCR members in individual claims, and that more of our claims are now pending for longer periods because we are aggressively defending claims which might previously have been settled by the CCR. Also, during 2002 we worked with PACE to improve our claims tracking system and in the fourth quarter we eliminated a long-standing one-quarter lag between the filing and the reporting of claims. Consequently, the number of claims reported at December 31, 2002, reflects activity in the prior 15-month period.

The increase in the number of pending claims has not materially affected our aggregate loss estimate for such claims. At December 31, 2002, we had accrued $124 for indemnity and defense costs for contingent asbestos-related product liability claims and recorded $105 as an asset for probable recoveries from insurers for such claims, compared to $102 accrued for such liabilities and $89 recorded as an asset at December 31, 2001. The December 31, 2002 accrual reflects adjustments made to our claims database upon completion of our initial annual review of the database in the fourth quarter of 2002. We will continue to review our claims database annually in the future and to make further adjustments to our loss estimates if appropriate. While we expect our legal defense costs will continue at higher levels than when we were a member of the CCR, we believe that our litigation strategy has reduced and will continue to reduce our indemnity costs. 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.

We have agreements with our insurance carriers providing for the payment of a significant majority of the defense and indemnity costs for the pending claims, as well as claims which may be filed against us in the future. At December 31, 2002, we had amounts receivable from our insurers and others of $38 representing reimbursements for settled claims and related defense costs. These receivables include billings in progress and amounts subject to alternate dispute resolution proceedings with certain of our insurers. Substantial progress has been made in those proceedings and we expect the outcome to be favorable. However, the amount receivable may increase until the proceedings are ultimately concluded.

Other Product Liabilities — At December 31, 2002, we had accrued $10 for contingent non-asbestos product liability costs, compared to $11 at December 31, 2001, with no recovery expected from third parties at either date. These amounts represent the lower ends of the respective ranges, which approximated $12 at December 31, 2002 and $13 at December 31, 2001.

Environmental Liabilities — We estimate contingent environmental liabilities based on the most probable method of remediation, current laws and regulations and existing technology. Estimates are made on an undiscounted basis and exclude the effects of inflation. If there is a range of equally probable remediation methods or outcomes, we accrue the lower end of the range. At December 31, 2002, we had accrued $59 for contingent environmental liabilities, compared to $52 at December 31, 2001, with no recovery expected from other parties at either date. The difference between our minimum and maximum estimates for these liabilities was $3 at December 31, 2002 and $2 at December 31, 2001.

Other Liabilities — Some former CCR members have defaulted on the payment of their shares of some of the CCR-negotiated settlements and some of the settling claimants are now seeking payment of the unpaid shares from Dana and the other companies that were members of the CCR at the time of the settlements. We have been working with the CCR, other former CCR member companies, our insurers and the claimants to resolve these issues. At December 31, 2002, we estimated our total exposure to liability with respect to these matters to be approximately $57, of which we have paid $24. We expect $47 to be recoverable from our insurers and under surety bonds provided by the defaulting CCR members. This compares to $44 estimated for such liabilities and $39 estimated for such recoveries at December 31, 2001. Our financial statements include accruals for this contingent liability and the anticipated recoveries.

Assumptions — The amounts recorded for contingent asbestos-related liabilities and recoveries are based on assumptions and estimates derived from our historical experience and current information. If our assumptions about the nature of the pending unresolved bodily injury claims and the claims relating to the CCR-negotiated settlements, the costs to resolve those claims and the amount of available insurance and surety bonds prove to be incorrect, the actual amount of our liability for asbestos-related claims and the effect on the company could differ materially from our current expectations.

Restructuring

During the third quarter of 2000, we announced plans to close our Reading structures facility and terminate approximately 690 people and recorded restructuring charges of $53. In the fourth quarter of 2000, we approved plans to close facilities in France, the United Kingdom and Argentina, resulting in $34 of charges and a workforce reduction of approximately 230 people. We also incurred integration expenses in 2000 related to consolidating our Engine Management warehouse operations and moving operations from closed facilities.

In the first quarter of 2001, we recorded $22 of restructuring expense in connection with the announced closing of six facilities in the Automotive Systems Group and Engine and Fluid Management Group and workforce reductions at other facilities. These charges included $10 for employee termination benefits, $7 for asset impairment and $5 for other exit costs and impacted net earnings by $14. We announced additional facility closings in the third quarter and accrued additional restructuring charges of $12, affecting earnings by $7.

In October 2001, we announced plans to reduce our global workforce by more than 15% and initiated a review of more than 30 facilities for possible consolidation or closure. These actions were undertaken to reduce capacity, improve efficiency and outsource the manufacturing of non-core content. As of December 31, 2001, we had announced the closing of 21 facilities and reduced our workforce by more than 7% in connection with these plans. Charges related to these actions were $431 and affected net earnings for the fourth quarter of 2001 by $279. Charges for all restructuring activities during the quarter totaled $440, including $155 for employee terminations, $196 for asset impairments and $89 for exit and other costs. The impaired assets include property, plant and equipment held for sale and within our European distribution operations of EFMG. Exit and other expenses are mainly lease continuation obligations, net of estimated sub-lease rents, property taxes and other holding costs related to closed facilities through the estimated date of sale or sub-lease, and costs to prepare facilities for sale or closure. We charged cost of sales for $85 of these expenses, including $38 for inventory impairment resulting from our decision to close certain plants and warehouses and $47 of other charges, including warranty provisions related to acquired products now discontinued and provisions for unsalvageable customer returns related to the rationalization of our aftermarket operations. Overall, net earnings in the fourth quarter of 2001 were impacted by $284.

For the year ended December 31, 2001, we recorded total expenses of $476, including $390 charged to restructuring expense and $86 charged to cost of sales, in connection with our restructuring actions.

In 2002, we announced additional facility closures under the October 2001 plan, bringing the total facilities slated for closure to 39. As of December 31, 2002, 28 of the 39 facilities were closed with the remaining 11 scheduled for closure in 2003 or early 2004. Through the facility closures and divestitures undertaken in connection with the October 2001 plan, we reduced the workforce by about 10,000 people (13%) from October 2001 through the end of 2002. There are approximately 2,500 additional people who will be leaving as the announced closures or workforce reductions are completed. Once completed, the total reduction will be approximately 12,500 people (17%).

In connection with these restructuring activities, we recorded restructuring expenses of $207 in 2002, including $101 for employee termination benefits and the impact on pension and postretirement health care programs; $20 for asset impairment related to property, plant and equipment of closed facilities; and $86 for exit and other expenses, including lease continuation expense, property taxes and other holding costs, costs of preparing properties for closure or sale, and costs of moving equipment and people in connection with consolidating operations and outsourcing non-core production. We also charged cost of sales for $36 of inventory impairment and nonsalvageable returns related to discontinued lines of business. In total, we recorded charges of $243 which reduced net income by $163 in 2002.

The following table summarizes the restructuring charges and activity for all restructuring programs recorded in the last three years:

	Employee Termination Benefits	Long-Lived Asset Impairment	Exit Costs	Integration Expenses	Total
Balance at December 31, 1999	$ 91	$ —	$ 13	$ —	$ 104
Activity during the year					
Charges to expense	62	8	27	76	173
Cash payments	(60)		(20)	(76)	(156)
Write-off of assets		(8)			(8)
Balance at December 31, 2000	93	—	20	—	113
Activity during the year					
Charges to expense	171	166	53		390
Cash payments	(58)		(20)		(78)
Write-off of assets		(166)			(166)
Balance at December 31, 2001	206	—	53	—	259
Activity during the year					
Charges to expense	101	20	86		207
Cash payments	(67)		(75)		(142)
Write-off of assets		(20)			(20)
Transfers of balances	(59)				(59)
Balance at December 31, 2002	$181	$ —	$ 64	$ —	$ 245

Accruals related to curtailment or settlement of pension and postretirement healthcare or to probable liabilities under workers' compensation and similar programs were based on actuarially determined amounts. Because it is not practicable to isolate the related payments, which could occur over an extended period of time, we have transferred these accruals from our restructuring accrual to the related liabilities.

The above amounts include activities within our discontinued operations. Restructuring and integration expense now included in the loss from discontinued operations in the consolidated statement of income totaled $40 in 2000, $73 in 2001 and $13 in 2002, before related tax benefits.

The following table shows restructuring expense, plus related charges to cost of sales, by SBU for the last three years:

	2000	2001	2002
ASG	$ 84	$ 68	**$ 74**
AAG	61	136	**74**
EFMG	36	167	**68**
HVTSG	1	101	**33**
Other	6	4	**(6)**
	$188	$476	**$243**

The charges to cost of sales totaled $15 in 2000, $86 in 2001 and $36 in 2002, including $14 in 2000, $50 in 2001 and $29 in 2002 recorded within the AAG.

Employee terminations relating to the plans were as follows:

	2000	2001	2002
Total estimated	1,020	7,690	**3,222**
Less terminated:			
2000	(765)		
2001	(254)	(3,571)	
2002	(1)	(3,545)	**(1,304)**
Balance at December 31, 2002	—	**574**	**1,918**

We currently expect the total cash expenditures in 2003 relative to our restructuring initiatives to approximate $100 to $150. Our liquidity and cash flows are projected to be more than adequate to satisfy our obligations related to our restructuring plans.

Critical Accounting Estimates

The following discussion of accounting estimates is intended to supplement the Summary of Significant Accounting Policies presented as Note 1 to the financial statements. These estimates were selected because they are broadly applicable within our operating units. In addition, these estimates are subject to a range of amounts because of inherent imprecision that may result from applying judgment to the estimation process. The expenses and accrued liabilities or allowances related to certain of these policies are initially based on our best estimates at the time of original entry in our accounting records. Adjustments are recorded when our actual experience differs from the expected experience underlying the estimates. These adjustments could be material if our experience were to change significantly in a short period of time. We make frequent comparisons of actual experience and expected experience in order to mitigate the likelihood of material adjustments.

Impairment of Long-Lived Tangible Assets — We perform impairment analyses of our recorded long-lived assets whenever events and circumstances indicate that they may be impaired. When the undiscounted cash flows, without interest or tax charges, are less than the carrying value of the assets being reviewed for impairment, the assets are written down to fair market value. During 2002, we recorded long-lived tangible asset impairment provisions of $37, which resulted in part from excess capacity caused by the downturn in our markets and the resulting restructuring of our operations.

Impairment of Goodwill – On January 1, 2002, we adopted SFAS No. 142 and, in connection with the adoption, discontinued the amortization of goodwill. Under our previous accounting policy for goodwill, we amortized goodwill on a straight-line basis over the periods of expected benefit which ranged from 10 to 40 years. In 2000 and 2001, we recognized $42 and $38 of goodwill amortization, respectively.

In lieu of amortization of goodwill in 2002, we tested goodwill for impairment as of the date of adoption and we will test for impairment at least annually in the future. The factors that would cause a more frequent test for impairment include, among other things, a significant negative change in the estimated future cash flows of a reporting unit that has goodwill because of an event or a combination of events.

Our initial impairment test indicated that the carrying amounts of some of our reporting units exceeded the corresponding fair values, which were determined based on the discounted estimated future cash flows of the reporting units. The implied fair value of goodwill in these reporting units was then determined through the allocation of the fair value to the underlying assets and liabilities. The January 1, 2002 carrying amount of the goodwill in these reporting units exceeded its implied value by $289; accordingly, the recorded goodwill was written down by this amount. The goodwill included in our December 31, 2001 financial statements, which included the $289, was supported by the undiscounted estimated future cash flows of the related operations.

SFAS No. 142 also applies to other intangible assets. We did not have a significant amount of intangible assets other than goodwill at December 31, 2002.

Inventory Valuation — Inventories are valued at the lower of cost or market. Cost is generally determined on the last-in, first-out basis for U.S. inventories and on the first-in, first-out or average cost basis for non-U.S. inventories. Where appropriate, standard cost systems are utilized for purposes of determining cost; the standards are adjusted as necessary to ensure they approximate actual costs. Estimates of lower of cost or market value of inventory are determined at the reporting unit level and are based upon the inventory at that location taken as a whole. These estimates are based upon current economic conditions, historical sales quantities and patterns and, in some cases, the specific risk of loss on specifically identified inventories.

We also evaluate inventories on a regular basis to identify inventory on hand that may be obsolete or in excess of current and future projected market demand. For inventory deemed to be obsolete, we provide a reserve on the full value of the inventory. Inventory that is in excess of current and projected use is reduced by an allowance to a level that approximates our estimate of future demand.

Sales Returns and Allowances — Accruals for sales returns and allowances are provided at the time of sale based upon past experience and are recorded as a reduction of sales. The estimated value of product that will be returned to inventory as a result of returns is recorded as a reduction of cost of sales and the accrued returns allowance. As new information becomes available the accruals are adjusted accordingly. Accrued liabilities at December 31, 2001 and 2002 were $50 and $70, respectively.

Warranty — Estimated costs related to product warranty are accrued at the time of sale and included in cost of sales. Estimated costs are based upon past warranty claims and sales history and adjusted as required to reflect actual costs incurred, as information becomes available. Warranty expense totaled $83, $80 and $80 in 2000, 2001 and 2002, respectively. Our 2002 expense included provisions of $25 that related to adjustments of estimates made in prior years. Accrued liabilities for warranty expense at December 31, 2001 and 2002 were $138 and $135, respectively.

Pension and Postretirement Benefits Other Than Pensions — Annual net periodic expense and benefit liabilities under our defined plans are determined on an actuarial basis. Each September, we review the actual experience compared to the more significant assumptions used and make adjustments to the assumptions, if warranted. The health care trend rates are reviewed with the actuaries based upon the results of their review of claims experience. Discount rates are based upon an expected benefit payments duration analysis and the equivalent average yield rate for high-quality fixed-income investments. Pension benefits are funded through deposits with trustees and the expected long-term rates of return on fund assets are based upon actual historical returns modified for known changes in the market and any expected changes in investment policy. Postretirement benefits are not funded and our policy is to pay these benefits as they become due.

Certain accounting guidance, including the guidance applicable to pensions, does not require immediate recognition of the effects of a deviation between actual and assumed experience or the revision of an estimate. This approach allows the favorable and unfavorable effects that fall within an acceptable range to be netted. Although this netting occurs outside the basic financial statements, the net amount is disclosed as an unrecognized gain or loss in the footnotes to our financial statements. At December 31, 2002, we had an unrecognized loss of $662 related to our pension plans, compared to an unrecognized loss of $229 a year earlier. The actuarial loss related to our 2002 return on pension plan assets was offset, in part, by the unamortized portion of gains experienced in prior years. A portion of the unrecognized 2002 loss will be amortized into earnings in 2003. The effect on years beyond 2003 will depend in large part on the actual experience of the plans in 2003.

Our discount rate assumption was revised in 2002. Long-term interest rates, which are used to determine the discount rate, declined in 2002. Accordingly, we reduced the discount rate used to determine our pension benefit obligation on our domestic plans from 7.50% at December 31, 2001 to 6.75% at December 31, 2002. The range of discount rates utilized by our foreign plans was also reduced in 2002 from 6.00% – 6.75% in 2001 to 5.75% – 6.75%.

Besides revising the discount rate used to determine our pension obligation, we also revised our assumption relating to the expected return on plan assets which is used in the determination of pension expense. We revised our expected rate of return on plan assets in part because the rate of return on pension assets had declined significantly in 2002. This decrease occurred because higher returns achieved by our fixed-income security portfolios did not offset negative returns on our equity security portfolios. The expected rate of return on domestic plan assets at December 31, 2002 was lowered to 8.75% from 9.50% and the range of expected returns on foreign plan assets was lowered to 6.50% – 7.25% from 7.00% – 7.50%. We expect the decrease in this assumption, coupled with the revised discount rate, will increase domestic pension expense in 2003 by approximately $30 over 2002 expense excluding the 2002 charges for curtailments, settlements and termination expenses.

The declines in the discount rates in 2001 and 2002, coupled with reductions of $469 and $162, respectively, in our pension plan assets resulted in after-tax charges of $80 and $242 to comprehensive income in 2001 and 2002, respectively, to record increases in the minimum pension liability, compared to a $10 charge in 2000. The changes in pension liabilities also had the impact of increasing our funding obligation by $15 in 2002. We anticipate our funding of domestic plans will increase by a range of $25 to $35 in 2003.

Assumptions are also a key determinant in the amount of the obligation and expense recorded for postretirement benefits other than pension (OPEB). The discount rate used to determine the obligation for these benefits has matched the discount rate used in determining our pension obligations in each year presented. The health care costs trend rate is also an important assumption in determining the amount of the OPEB obligation. We increased the initial weighted health care cost trend rate from 8.1% at December 31, 2001 to 12.3% at December 31, 2002 to reflect higher rates of inflation in medical costs, particularly inflation in prescription drug costs. These assumption changes had a direct influence on the OPEB obligation increasing from $1,415 at December 31, 2001 to $1,699 at December 31, 2002. OPEB expense was $75 in 2000, $110 in 2001 and $145 in 2002, representing an increase of 93% over the period.

Other Loss Reserves — We have numerous other loss exposures, such as environmental claims, product liability, litigation, recoverability of deferred income tax benefits, accounts receivable and loan and lease loss reserves. (See Contingencies under Liquidity and Capital Resources above for additional discussion.) Establishing loss reserves for these matters requires the use of estimates and judgment in regards to risk exposure and ultimate liability. We estimate losses under the programs using consistent and appropriate methods; however, changes to our assumptions could materially affect our recorded liabilities for loss. Where available we utilize published credit ratings for our debtors to assist us in determining the amount of required reserves.

Results of Operations (2002 versus 2001)

Our worldwide sales from continuing operations were $9,504 in 2002, an increase of $14 from the $9,490 recorded in 2001. The increase was net of $123 related to the effect of divestitures, less acquisitions, and $115 of adverse currency effects. Excluding these effects, worldwide sales for the year increased $224 or 2%. In the U.S., sales of $6,292 in 2002 represented a decline of $27 or less than 1% when compared to 2001. Excluding the $41 effect of divestitures, U.S. sales increased a modest $14 in 2002. No domestic acquisitions affected the comparison.

Overall sales outside the U.S. increased $41 or 1% during 2002 when compared to 2001 after absorbing $115 of adverse currency effects resulting from the strengthening of the U.S. dollar relative to foreign currencies. The currencies accounting for the largest components of the adverse impact were the Argentine peso ($83) and the Brazilian real ($69), with a partial offset from the stronger euro ($62). Excluding the adverse currency effects and the $82 impact of divestitures net of acquisitions, non-U.S. sales increased $238 or 7% when compared to sales for last year.

Sales of our continuing operations by region for 2002 and 2001 were as follows:

	2001	2002	% Change	% Change Excluding Acquisitions & Divestitures
North America	$7,113	**$7,153**	1	2
Europe	1,494	**1,486**	(1)	5
South America	553	**474**	(14)	(19)
Asia Pacific	330	**391**	18	26

Sales in North America in 2002 increased $40 when compared to 2001. Excluding the $41 effect of divestitures and the negative $15 of currency effects due primarily to the weakening Canadian dollar, the increase was $96 or 1%. European sales for the period were down $2 in local currency but conversion to U.S. dollars added $78 as the euro rebounded in the second half to more than offset the impact of its first-quarter decline. However, the $84 impact of net divestitures caused an overall decrease of $8 or 1% versus 2001. South American sales improved in local currencies by $87 or 16% and acquisitions net of divestitures added $28, but overall sales declined $79 or 14% after adverse currency impacts of $194. Sales for the year in Asia Pacific were up $61 or 18% as $16 of favorable currency impact and $71 of organic growth (organic growth being the residual change after excluding the effects of acquisitions, divestitures and currency changes) were partially offset by $26 of divestiture impact.

Our manufacturing operations are organized into market-focused strategic business units. Our SBUs are Automotive Systems Group (ASG), Automotive Aftermarket Group (AAG), Engine and Fluid Management Group (EFMG), and Heavy

Vehicle Technologies and Systems Group (HVTSG), our newest SBU. HVTSG was formed by the May 2002 combination of Commercial Vehicle Systems (CVS) and Off-Highway Systems Group (OHSG). Our segment reporting has been restated to reflect this change, as combined financial reporting to the management of HVTSG was effective with the final quarter of 2002. Accordingly, our segments are ASG, AAG, EFMG, HVTSG and Dana Credit Corporation (DCC).

Sales by segment for 2001 and 2002 are presented in the following table. DCC did not record sales in either year. The “Other” category in the table represents facilities that have been closed or sold and operations not assigned to the SBUs, but excludes discontinued operations.

	2001	2002	% Change	% Change Excluding Acquisitions & Divestitures
ASG	$3,485	**$3,526**	1	1
AAG	2,177	**2,175**	—	—
EFMG	1,984	**1,947**	(2)	3
HVTSG	1,751	**1,797**	3	5
Other	93	**59**	(36)	(37)

ASG’s continuing operations experienced a sales increase of $41 or 1% in 2002 when compared to 2001. The North American region experienced a modest $1 decline as the strong second half of 2002 erased most of the decline reported in the first half of the year, when our volume was affected by high dealer inventories and the relatively low sales of platforms on which Dana has high content. Adverse currency movement of $4 offset organic growth, resulting in the slight decline.

The other ASG regions reported an aggregate sales increase of $42 in 2002 when compared to 2001. ASG sales in Europe increased $22 as the flat organic growth was aided by $12 from acquisitions and $10 from favorable currency movement. Sales in South America, however, declined $48 overall as an acquisition impact of $20 and organic growth of $13 were more than offset by $81 of adverse currency impact. Sales in Asia Pacific increased $68 or 22% as organic growth of $79 and a favorable currency impact of $15 were only partially offset by $26 of divestiture impact.

AAG saw its sales from continuing operations in 2002 decrease $2 when compared to sales reported in 2001. AAG Sales in North America were down $3, as a divestiture impact of $6 and an adverse currency impact of $5 were partially offset by the $8 of local growth, mostly from the brake and chassis product lines. AAG’s European sales were up $14 or 6% due to $10 of favorable currency movement and $4 of organic growth. AAG’s South American sales were down $8 as $33 of adverse currency effect was partially offset by $21 of local growth and $4 of acquisition impact. The $5 decline in AAG sales in Asia Pacific during the year was wholly attributable to local markets.

EFMG incurred a sales decline of $37 in 2002 when compared to 2001. North American sales increased $24 in a year-over-year comparison, as local sales increases of $28 more than offset adverse currency impact of $3 and divestitures of $1. EFMG sales in Europe declined $53 as a divestiture impact of $94 was partially offset by $14 of local growth and favorable currency effects of $27 in the region. EFMG sales in South America decreased $1 overall as organic growth of $30, combined with acquisition effects of $6, was partially offset by adverse currency effects of $35 and a divestiture impact of $2 in the period. EFMG’s Asia Pacific sales during the year decreased $7 due to declines in local markets.

HVTSG experienced a sales increase of $46 or 3% in 2002 when compared to 2001. HVTSG's North American sales saw an increase of $39 overall as organic growth of $74, mainly attributable to commercial vehicle axles, was more than enough to offset the divestiture impact of $33 and unfavorable currency effects of $2. HVTSG sales in Europe saw an $11 increase as an organic decline of $6 and divestiture impact of $2 were offset by $19 of favorable currency effects. HVTSG sales in South America declined $9 as organic growth of $3 was overshadowed by adverse currency impacts of $12, while HVTSG's Asia Pacific sales were up $5 in the period, primarily as a result of local market increases.

Revenue from lease financing decreased $30 or 26% in 2002 as DCC realized a decline of $22 on reduced leasing activity and a lower earning asset base, and an $8 decline in its interest and investment income.

Other income was $29 higher in 2002 than in 2001. Other income in 2002 included a net $14 gain resulting from the sale of assets and a subsidiary of DCC, net of an impairment charge related to other assets held for sale by DCC, and $18 of foreign currency transaction gains, most of which resulted from our operations in Argentina. In 2001, we recorded a $50 gain on the divestitures of our Chelsea power take-off business and of our industrial bearings businesses. We also recorded a $35 loss on the sale of our Mr. Gasket subsidiary, the Marion, Ohio forging facility and the assets of two operations in the EFMG.

Gross margin for 2002 was 11.3%. Gross margin for 2001 was 10.0%, a measure which would improve to 10.4% on a pro forma basis if goodwill amortization were excluded. This improvement is attributed in part to the consolidation of our operations as part of our October 2001 restructuring plan and the outsourcing of non-core production in connection with our restructuring activities.

Selling, general and administrative (SG&A) expenses for 2002 decreased $49 from 2001, and the ratio of SG&A expenses to net sales decreased from 9.2% to 8.7%. Divestitures net of acquisitions caused $21 of the decrease, with another $23 due to currency movement.

Operating margin, which is gross margin reduced by SG&A expenses, was 2.7% in 2002 compared to 0.8% in 2001 for the above reasons.

Interest expense in 2002 was $43 lower than in 2001, resulting from decreased debt levels and lower interest rates.

The effective tax rate of our continuing operations for the year ended December 31, 2002 approximates 300% compared to 31% for the year earlier period. The high effective tax rate in 2002 compared to 2001 and to the statutory rate of 35% is primarily the function of a smaller denominator in the tax rate computations. The loss from continuing operations before income taxes, which is used as the denominator, was $9 in 2002 compared to $349 in 2001. The two primary items affecting the effective income tax rate in 2002 relate to the benefits realized from the utilization of a capital loss, that has been offset in large measure by an increase in the valuation allowance against recorded deferred tax assets. The capital loss arose from the sale in 2002 of a subsidiary whose tax basis substantially exceeded the book basis. This capital loss was used to offset certain capital gains generated in 2002 from sales of other subsidiaries and assets, primarily real estate. These sales resulted in book gains for which only a relatively small amount of tax resulted because of the available capital loss. At December 31, 2002, we had an unused capital loss carryforward of $1,050 that expires in 2007 and a deferred tax benefit of $368 associated with this carryforward. We established a valuation allowance of $356 against this deferred tax asset. We did this because current tax law requires the generation of capital gain to offset capital loss and our manufacturing and leasing operations generally produce income that is characterized as ordinary income. Accordingly, we anticipate that it is more likely than not that we will generate sufficient capital gain income to fully utilize only $12 of the deferred tax benefit over the permitted carryforward period. Our effective tax rate of 31.2% in 2001 represented a rate much closer to the 35% statutory rate. Our effective income tax benefit rate did not reach a full 35% rate in 2001 because of additions to the valuation allowance against deferred tax assets and the impact of an overall foreign tax rate higher than 35% on foreign taxed income which were not fully offset by state and local income tax benefits and the effect of general business tax credits that were generated by our leasing operations.

Minority interest in net income of consolidated subsidiaries increased $7 compared to last year due to the gain realized by a majority-owned subsidiary in Taiwan on the sale of a portion of an affiliate.

Equity in earnings of affiliates for 2002 was $23 higher than in 2001. DCC recorded a $14 increase in income from its affiliates accounted for under the equity method, rebounding from the decline experienced in 2001 when one-time charges related to the telecommunications industry were recorded by its equity affiliates. This comparison is impacted unfavorably by $10 in 2001 due to losses incurred by Danaven, a Venezuelan affiliate that became a consolidated subsidiary in July 2001. We also experienced increases of $2 from our equity investments in Germany in 2002.

We reported a net loss of $182 for 2002 compared to a net loss of $298 for 2001. Comparison of these annual amounts is difficult due to the change in accounting in 2002 and the unusual charges and credits in both years. The following table presents the 2002 net income (loss) of both continuing and discontinued operations reconciled to the operating profit after tax (PAT), the internal measure of profit presented in Note 21 to the financial statements. The $133 of unusual after-tax charges includes $163 of charges related to our restructuring activities, reduced by $30 of net gains on divestitures, including the $23 impairment charge related to the planned sale of our Engine Management business. Comprising the net $133 were net charges in the ASG ($19), AAG ($61), EFMG ($50), HVTSG ($22) and Other ($13) and a net credit within DCC ($32).

	Total Operations	Discontinued Operations	Continuing Operations
Net income (loss) for 2002	$(182)	$(20)	$(162)
Change in accounting	220		220
Income before accounting change	38	(20)	58
Unusual charges, net	133	10	123
Operating PAT for 2002	$ 171	$(10)	$ 181

The net loss in 2001 included $313 of restructuring and other unusual charges and a net gain of $10 resulting from divestitures. Operating PAT of our continuing operations was $27 in 2001, while our discontinued operations reported a loss of $22 on the same basis. The net $303 of unusual items were related to ASG ($41), AAG ($85), EFMG ($108), HVTSG ($55) and the Other SBU ($14).

Results of Operations (2001 versus 2000)

Our worldwide sales from continuing operations decreased $1,973 in 2001 to $9,490, a 17% decline from the $11,463 recorded in 2000. The decline included $113 related to the effect of divestitures, net of acquisitions, and $219 of adverse effects of currency fluctuations. Excluding these effects, worldwide sales decreased $1,641 or 14%. Our worldwide experience was largely based on our volume in the U.S., where 2001 sales of $6,319 represented a decline of $1,614 or 20% versus the prior year. Excluding the net effect of acquisitions and divestitures, U.S. sales declined $1,463 or 18%.

Overall sales outside the U.S. fared better, declining $359 or 10% compared to 2000. Nearly two-thirds of the decline resulted from the strengthening in 2001 of the U.S. dollar relative to foreign currencies. The regions accounting for the largest components of the approximately $219 adverse foreign currency impact were South America and Europe. Excluding the adverse effects of currency fluctuations and acquisitions and divestitures, sales decreased $178 or 5%. The net increase related to acquisitions and divestitures was $38.

Sales of continuing operations by region for 2000 and 2001 were as follows:

	2000	2001	% Change	% Change Excluding Acquisitions & Divestitures
North America	$8,803	$7,113	(19)	(17)
Europe	1,740	1,494	(14)	(11)
South America	562	553	(2)	(15)
Asia Pacific	358	330	(8)	(9)

Sales in North America decreased $1,690 or 19% in 2001 when compared to 2000. Excluding the effect of divestitures, the decline was $1,539 or 17%. The relative weakness of the Canadian dollar accounted for approximately $30 of the reduction in sales. European sales were down 8% in local markets but conversion to U.S. dollars pared another $61 for a total decline of $246 or 14%. Sales declines due to divestitures exceeded the amount added through acquisitions by $37. Sales in our South American region improved 3% in local currencies and net acquisitions added $73, but sales were down $9 or 2% after absorbing $98 of adverse currency effects. Sales in Asia Pacific were down $27 as $31 of adverse currency impact was partially offset by a $4 net effect of acquisitions and divestitures.

Sales by SBU for 2000 and 2001 are presented in the following table. DCC did not record sales in either year. The “Other” category in the table represents certain facilities that have been closed or sold, excluding discontinued operations, and operations not assigned to the SBUs.

	2000	2001	% Change	% Change Excluding Acquisitions & Divestitures
ASG	$4,288	$3,485	(19)	(21)
AAG	2,366	2,177	(8)	(6)
EFMG	2,221	1,984	(11)	(9)
HVTSG	2,394	1,751	(27)	(24)
Other	194	93	(52)	(27)

ASG incurred a decline in its sales of continuing operations in 2001 of $803 or 19% when compared to 2000. The North American region experienced $742 of this decline. The decrease in production volume which began in the second half of 2000 continued for North American light vehicle and heavy truck manufacturers in 2001, with light vehicle production dropping to 15.5 million units from 17.2 million units in 2000. In addition, Ford and Chrysler vehicles in general and certain models with high Dana content in particular declined more than the light vehicle market overall in 2001. The decline in heavy truck production which began in the middle of 2000 continued through the end of 2001. The North American heavy truck market saw more than a 40% reduction in volume when compared to 2000. Outside North America, the ASG regions reported an aggregate sales decrease of $61. ASG sales in Europe were down $51 as $11 of adverse currency impact and $52 of organic declines more than offset acquisition benefits of $12. ASG sales in South America were $5 below the same period in the prior year, as the $14 of organic decline and $45 of adverse effects of weaker currencies more than offset the net acquisition impact of $54. ASG sales in Asia Pacific were also down $5 with currency declines of $29 offsetting an acquisition impact of $21 and modest organic growth.

AAG also ended 2001 with a decline in sales of continuing operations. Most of the $189 decline was in North America, which represents more than three-fourths of AAG's global market, where volumes were down $146 or 7%. While there was a reported improvement in domestic aftermarket retail sales in 2001, this did not significantly improve our AAG sales, as retailers generally met the higher demand with existing inventory. Divestitures also contributed $44 to the decline. AAG sales in Europe declined $25 due to $8 in adverse currency effects and a $17 decline in organic sales. AAG sales in South America were down $2 as a $23 currency decrease was partially offset by $15 of local growth and $6 of acquisition impact. Divestitures accounted for $13 of the $16 AAG sales decline recorded in Asia Pacific.

EFMG experienced a decrease in sales of continuing operations of $237 or 11% for 2001 when compared to 2000. The Fluid Systems business in this group benefited from having content on models that avoided the severe OE production cuts that affected most of our other SBUs. EFMG sales in North America were down $206 or 14% as the automotive, heavy vehicle and aftermarket sectors all trailed prior year volumes. EFMG sales in Europe were down $31 or 5% with adverse currency effects of $25 playing a significant role. EFMG sales were generally flat in South America as adverse currency effects of $22 were nearly offset by organic growth of $15 and a net acquisition impact of $5.

HVTSG experienced a year-on-year decline in sales in 2001 of $643 or 27% for the reasons cited relative to the heavy truck market in the discussion of ASG above. The decline in HVTSG sales included $69 of divestiture impact, $65 of which was in North America. Excluding this effect, sales in North America for the period were 26% below those of 2000. Aggregate sales for the other three regions declined $96 or 18% in a year-on-year comparison with $4 due to divestitures and $21 due to adverse currency effects.

Sales in Other decreased $101 or 52% compared to 2000, reflecting the sale of most of our Warner Electric businesses at the end of February 2000.

Revenue from lease financing decreased $28 or 20% in 2001 as DCC realized a decline of $24 on reduced leasing activity, including a $10 decline in income realized on the sale of leased assets, and a $4 decline in its interest income.

In 2001, other income included a $50 gain on the divestitures of our Chelsea power take-off business and of our Glacier industrial bearings businesses. Also included in 2001 was a $35 loss on the sales of our Mr. Gasket subsidiary, our Marion, Ohio forging facility and the assets of our Dallas, Texas and Washington, Missouri Engine and Fluid Management Group operations. Included in the total for 2000 was $179 of gains on the divestitures of the Gresen hydraulics business, certain portions of our constant velocity joint business, most of the global Warner Electric businesses and the Commercial Vehicle Cab Systems Group. In addition, a $10 net charge related to final settlement of the Midland Grau divestiture was recorded in the third quarter of 2000, bringing to $169 the amount of net nonrecurring income included in other income.

Gross margin for 2001 was 10.0% versus 13.8% in 2000. Margins in all our SBUs were severely affected as the decline in volume reduced our ability to absorb fixed operating expenses. Cost of sales included charges of $86 in 2001 and $17 in 2000 in connection with our restructuring activities.

Selling, general and administrative (SG&A) expenses decreased $116 during 2001 when compared to 2000. The net effect of divestitures and currency exchange caused approximately half of the decline, with most of the remaining decrease experienced in the North American region, where our operating units scaled their capacity in reaction to severely reduced customer production schedules in the light truck and commercial vehicle markets.

Operating margin (our gross margin reduced by SG&A expenses) was 0.8% in 2001 compared to 5.1% in 2000 for the above reasons.

Interest expense was $16 lower in 2001 versus 2000 as a result of lower debt and reduced rate.

Both the effective tax rates and the comparison of the effective tax rates for 2001 and 2000 were impacted by the substantial pre-tax loss reported in 2001. Because of the pre-tax loss in 2001, certain permanent differences between financial accounting rules and tax regulations that increase the tax rate when we report pre-tax income served to reduce the effective rates.

Equity in earnings of affiliates in 2001 was $22 lower than in 2000. The $39 reduction in equity earnings in Mexico and the $11 decrease in earnings from DCC's equity investments adversely affected this line item. Partially offsetting these items were the earnings related to our investment in GETRAG and the loss reduction that occurred when we acquired the remaining interest in Danaven and began consolidating its results.

We reported a $298 net loss in 2001 versus net income of $334 reported in 2000. Comparisons are made difficult by the unusual charges and one-time gains recorded in both years. In 2001, we recorded after-tax charges of $313 in connection with our restructuring efforts and $10 of gains on divestitures. In 2000, we recorded $43 of restructuring and other unusual charges net of the gains recorded on several divestitures. Excluding these items, earnings would have been $5 in 2001 and $377 in 2000.

The unusual items in 2001 included net after-tax charges of $41 in ASG, $85 in AAG, $108 in EFMG, $55 in HVTSG; a net charge of $14 was reflected in the Other category. In 2000, unusual charges were $47 in ASG, $39 in AAG and $32 in EFMG, while one-time gains were $43 in HVTSG and $32 in Other.

Market Trends

Throughout 2002, we remained cautious in our outlook for the global light vehicle market due to general economic conditions and the record dealer incentives being offered by North American original equipment manufacturers (OEMs) to maintain their production levels. North American light vehicle production was approximately 16.4 million units in 2002, exceeding our expectations and up slightly from the prior year. Our sales were not in line with this increase as production of certain key vehicles with significant Dana content lagged the overall market.

The industry is continuing to use incentives to influence consumer demand in 2003. With the demand pull-forward from these incentives potentially impacting sales, amid an uncertain economic environment due in part to announced U.S. foreign policy initiatives, we anticipate that North American light vehicle production for 2003 will be in the range of 15.8 to 16.2 million units, down slightly from 2002. Outside North America, we expect to see flat light vehicle production in our European and South American markets in 2003, with modest growth in the Asia Pacific region.

Sales in our automotive aftermarket segment were flat in 2002 and we hold similar revenue expectations for 2003. Despite increases expected at the retail level, we expect our sales to continue to be impacted by inventory adjustments due to the continuing consolidation among our customer base, better supply chain management and the physical distribution shift that is taking place in the aftermarket.

Heavy truck production in North America totaled 180,000 units in 2002 while medium truck production ended near 182,000 units. These production levels exceeded our conservative estimates for 2002, but were well below record production levels prior to 2000. We believe this market is poised for a recovery as inventory levels are less than a two-month supply, used vehicle prices have stabilized, the newly enacted EPA standards governing diesel engine emissions have been implemented and production backlogs are very low. This year we anticipate a gradual improvement in North American heavy vehicle sales following a slow start. We estimate 2003 build rates will approximate 180,000 to 185,000 units for heavy trucks and 190,000 units for medium trucks.

We expect to benefit from net new business estimated at approximately $480 in 2003 and approximately $4,500 for the five-year period 2003 through 2007. These estimates are based on our review of the projected production schedules of our customers. The base year for the estimates is 2002, since our projections are always made in comparison to the prior fiscal year.

At September 30, 2002, we had projected net new business of approximately $7,900 for the period 2002 through 2006 (using 2001 as the base year). Changing the base year to 2002 resulted in a net aggregate reduction of $1,400, as we eliminated approximately $500 of new business for 2002 and each of the succeeding years (an aggregate reduction of $2,500 over five years) and added net new business of $1,100 for the new fifth year, 2007. The prior estimates were further reduced due to:

- Adjustments to new business projected for 2003 to reflect production levels we now expect to see this year,
- Elimination of the axle business for the new model of the Jeep® Grand Cherokee scheduled to start production in 2004,
- Elimination of projected new business relating to operations that we divested in the fourth quarter of 2002,
- Re-direction of certain new business to our unconsolidated affiliates, since our projected net new business takes into account only our consolidated operations, and

- Adjustments in our estimates for lowered customer production expectations for certain future programs.

Forward-Looking Information

Forward-looking statements in this report are indicated by words such as “anticipates,” “expects,” “believes,” “intends,” “plans,” “estimates,” “projects” and similar expressions. These statements represent our expectations based on current information and assumptions. Forward-looking statements are inherently subject to risks and uncertainties. Our actual results could differ materially from those which are anticipated or projected due to a number of factors. These factors include national and international economic conditions; adverse effects from terrorism or hostilities; the strength of other currencies relative to the U.S. dollar; the cyclical nature of the global vehicular industry; the performance of the global aftermarket sector; changes in business relationships with our major customers and in the timing, size and continuation of our customers’ programs; the ability of our customers and suppliers to achieve their projected sales and production levels; competitive pressures on our sales and pricing; increases in production or material costs (including that of steel) that cannot be recouped in product pricing; our ability to complete the Engine Management aftermarket operations divestiture as contemplated; our success in completing our restructuring activities; the continued success of our cost reduction and cash management programs and of our long-term transformation strategy for the company; and other factors set out elsewhere in this report, including those discussed under the captions *Financing Activities* and *Contingencies* within Liquidity and Capital Resources.

Additional Information
In millions except per share amounts

Shareholders' Investment

The following table shows the range or market prices of our common stock on the New York Stock Exchange and the cash dividends declared and paid for each quarter during 2001 and 2002. At December 31, 2002, the closing price of Dana common stock was $11.76.

	Stock Price						Cash Dividends Declared and Paid	
	2001			2002				
Quarter Ended	High	Low	Close	High	Low	Close	2001	2002
March 31	$20.40	$15.63	$17.18	$22.29	$13.05	$21.47	$ 0.01	$ **0.01**
June 30	23.50	16.25	23.34	23.22	16.90	18.53	0.31	**0.01**
September 30	26.90	13.07	15.60	18.76	12.38	13.08	0.31	**0.01**
December 31	15.73	10.25	13.88	13.96	9.28	11.76	0.01	**0.01**

Unaudited Quarterly Financial Information *

	For the Year Ended December 31, 2001				For the Year Ended December 31, 2002			
	March 31	June 30	September 30	December 31	March 31	June 30	September 30	December 31
Net Sales								
Reported	$ 2,731	$ 2,768	$ 2,399	$ 2,373	$ 2,521	$ 2,789	$2,566	$2,251
Restated	2,523	2,565	2,209	2,193	2,321	2,576	2,356	
Gross Profit								
Reported	288	354	250	111	285	342	289	237
Restated	265	331	232	124	267	321	253	
Net Income (Loss)								
Continuing Operations	(21)	19	22	(236)	(13)	58	(1)	14
Discontinued Operations	(6)	(5)	(9)	(62)	4	(6)	5	(23)
Effect of Change in Accounting					(220)			
Net Income (Loss)	$ (27)	$ 14	$ 13	$ (298)	$ (229)	$ 52	$ 4	$ (9)
Net Income (Loss) per share								
Basic								
Continuing Operations	$ (0.14)	$ 0.13	$ 0.14	$ (1.59)	$ (0.09)	$ 0.39	$ (0.01)	$ 0.09
Discontinued Operations	(0.04)	(0.03)	(0.06)	(0.42)	0.03	(0.04)	0.03	(0.15)
Effect of Change in Accounting					(1.48)			
Net Income (Loss)	$ (0.18)	$ 0.10	$ 0.08	$ (2.01)	$ (1.54)	$ 0.35	$ 0.02	$ (0.06)
Diluted								
Continuing Operations	$ (0.14)	$ 0.13	$ 0.14	$ (1.59)	$(0.09)	$ 0.39	$ (0.01)	$ 0.09
Discontinued Operations	(0.04)	(0.03)	(0.06)	(0.42)	0.03	(0.04)	0.03	(0.15)
Effect of Change in Accounting					(1.48)			
Net Income (Loss)	$ (0.18)	$ 0.10	$ 0.08	$ (2.01)	$ (1.54)	$ 0.35	$ 0.02	$ (0.06)

* The information presented for 2001 has been restated to reflect the treatment of certain businesses as discontinued operations. See Note 20--Discontinued Operations for additional information.

In the first quarter of 2001, we recorded an after-tax loss of $12 on the sale of Mr. Gasket, a wholly owned subsidiary. We also recorded $22 of restructuring expense in connection with the announced closing of six facilities in the ASG and EFMG and workforce reductions at other facilities. These charges included $10 for employee termination benefits, $7 for asset impairment and $5 for other exit costs and impacted net earnings by $14. Net charges for the quarter related to restructuring activities and other unusual items totaled $28 (19 cents per share).

In the second quarter of 2001, we divested our Marion, Ohio forging facility and the assets of EFMG facilities in Dallas, Texas and Washington, Missouri. A net after-tax loss of $8 (5 cents per share) resulted from these transactions. Charges related to our ongoing efforts to downsize various operations adversely affected net income by $4 (3 cents per share) in the second quarter.

We completed the sale of our Chelsea power take-off business to Parker Hannifin Corporation in July 2001. The sale of our Glacier industrial polymer bearings businesses to Goodrich Corporation was completed the following month. After-tax gains totaling $30 were recorded on these transactions. We announced additional facility closings in the third quarter and accrued additional restructuring charges of $12 in connection with these announcements, which affected earnings by $7 net of tax benefits. Net nonrecurring income for the quarter was $21 (14 cents per share).

In October 2001, we announced plans to reduce our global workforce by more than 15% and initiated a review of more than 30 facilities for possible consolidation or closure. During the fourth quarter, we announced the closing of 21 of these facilities and reduced our workforce by more than 7%. Charges for these and related actions totaled $440, including $155 for employee terminations, $196 for asset impairments and $89 for exit and other costs. Net earnings were impacted by $284 ($1.92 per share).

In the first quarter of 2002, we adopted SFAS No. 142, which requires annual impairment testing for goodwill in lieu of amortization. In connection with this testing, we recorded a goodwill impairment charge of $289, which impacted net earnings by $220 ($1.48 per share). We also continued to execute our October 2001 restructuring plans during the quarter, including the announcement of six plant closings and permanent workforce reductions at other locations. Expenses accrued as a result of these actions amounted to $46, which had a $37 ($0.24 per share) impact on net earnings.

In the second quarter we announced the closing of eight additional facilities and further reductions in our permanent workforce, resulting in a pre-tax charge of $63 ($42 after taxes). These charges were partially offset by a $27 after-tax gain on the sale of selected subsidiaries of Dana Credit Corporation. The combined impact on earnings was an expense of $15, or $0.10 per share.

The third quarter of 2002 brought continued restructuring charges for employee termination benefits ($20), exit costs ($10) and asset impairments ($5). We also charged $17 of inventory impairment to cost of sales, for a total charge of $52 before taxes, resulting in a $40 ($0.28 per share) reduction in net income for the quarter.

In the fourth quarter, we completed the sale of the majority of our Boston Weatherhead industrial hose and fitting operations, the divestiture of Tekonsha Engineering Company, Theodore Bargman Company and American Electronic

Components, Inc. and the sale of FTE. We recognized a net $26 nonrecurring after-tax gain on these divestitures. Additionally, we recorded a $38 impairment charge ($23 after tax) in connection with classifying our Engine Management aftermarket operations as held for sale. We also recorded after-tax restructuring charges of $44 during the quarter. Net income for the quarter was adversely affected by $41 (28 cents per share).

Six-Year History*

In millions except per share amounts

For the Years	1997	1998	1999	2000	2001	2002
Net Sales	$11,096	$11,624	$12,209	$11,463	$ 9,490	**$9,504**
Income (Loss) of						
Continuing Operations	287	478	466	356	(216)	**58**
Discontinued Operations	33	56	47	(22)	(82)	**(20)**
Effect of Change in Accounting						**(220)**
Net Income (Loss)	320	534	513	334	(298)	**(182)**
Net Income (Loss) per Common Share Basic						
Continuing Operations	1.77	2.90	2.82	2.34	(1.46)	**0.39**
Discontinued Operations	0.20	0.34	0.28	(0.14)	(0.55)	**(0.13)**
Effect of Change in Accounting						**(1.49)**
Net Income (Loss)	1.97	3.24	3.10	2.20	(2.01)	**(1.23)**
Diluted						
Continuing Operations	1.74	2.87	2.80	2.32	(1.46)	**0.39**
Discontinued Operations	0.20	0.33	0.28	(0.14)	(0.55)	**(0.13)**
Effect of Change in Accounting						**(1.48)**
Net Income (Loss)	1.94	3.20	3.08	2.18	(2.01)	**(1.22)**
Cash Dividends per Common Share	1.04	1.14	1.24	1.24	0.94	**0.04**
Total Assets	9,511	10,138	11,123	11,236	10,207	**9,553**
Short-Term Debt	1,693	1,698	1,418	1,945	1,120	**287**
Long-Term Debt	1,790	1,718	2,732	2,649	3,008	**3,215**

* The information presented for years prior to 2002 has been restated to reflect the treatment of certain businesses as discontinued operations. See Note 20--Discontinued Operations for additional information.
The information for 1997 has been restated to reflect the Echlin merger, which has been accounted for as a pooling of interests.

Exhibit 21

DANA CORPORATION
Consolidated Subsidiaries
As of December 31, 2002

Dana Corporation
4500 Dorr Street
Toledo, Ohio 43615

UNITED STATES	
Dana Risk Management Services, Inc.	Ohio
Dana World Trade Corporation	Delaware
DTF Trucking, Inc.	Delaware
Flight Operations, Inc.	Delaware
Dana International Finance Inc.	Delaware
Dana International Limited	Delaware
Krizman International, Inc.	Delaware
Reinz Wisconsin Gasket Co.	Delaware
Victor Reinz Valve Seals LLC	Indiana
Wix Filtration Media Specialists, Inc.	Delaware
Wix-Helsa Company	Delaware
Dana Technology, Inc.	Michigan
DSA of America, Inc.	Michigan
Spicer Heavy Axle & Brake, Inc.	Michigan
Glacier Vandervell, Inc.	Michigan
Glacier Daido America, LLC	Ohio
Dandorr L.L.C	Delaware
Spicer Heavy Axle Holdings, Inc.	Michigan
Torque-Traction Technologies, Inc.	Ohio
Torque-Traction Integration Technologies, Inc.	Ohio
Torque-Traction Manufacturing Technologies, Inc.	Ohio
Dana Asset Funding LLC	Delaware
Dana Realty Funding LLC	Delaware
Dana Automotive Aftermarket, Inc.	Delaware
Dana Global Holdings, Inc.	Delaware
Dana International Holdings, Inc.	Delaware
Dana Investments (Barbados) SRL	Barbados
Dana Canada Limited	Canada
Dana Canada Holding Co.	Canada
Dana Canada Limited Partnership	Canada
Dana Canada Corporation	Canada
3125025 Canada Inc.	Canada
Dana Canada Inc.	Canada
Long Manufacturing Ltd.	Canada
Dana Investment GmbH	Germany
Dana Automotive Systems GmbH	Germany
Dana GmbH	Germany
Dana Holding GmbH	Germany
Reinz-Dichtungs-GmbH & Co KG	Germany
M. Friesen GmbH	Germany
Quinton Hazell Deutschland GmbH	Germany
Spicer Off-Highway GmbH	Germany
Spicer Gelenkwellenbau GmbH & Co KG	Germany
Dana (Deutschland) Grundstucksverwaltung GmbH	Germany
Spicer Gelenkwellenbau Verwaltungs GmbH	Germany
Sealed Power Europe GmbH	Germany
DCC Leasing GmbH	Germany
Dana Austria GmbH	Austria
Automotive Brake Company Inc.	Delaware
Brake Parts Inc.	Delaware
Brake Parts Puerto Rico, Inc.	Puerto Rico
Friction Inc.	Delaware

DANA CORPORATION
Consolidated Subsidiaries
As of December 31, 2002

Brake Systems, Inc.	Delaware
EPE, Inc.	California
Prattville Mfg., Inc.	Delaware
Beck/Arnley Worldparts Corp.	Delaware
Brake Realty Inc.	Delaware
Echlin-Ponce, Inc.	Delaware
Friction Materials, Inc.	Massachusetts
Iroquois Tool Systems, Inc.	Pennsylvania
Lipe Corporation	Delaware
Lipe Rollway Mexicana S.A. de C.V.	Mexico
Midland Brake, Inc.	Delaware
PAH Mexico Inc.	Delaware
W.M. Holding Company, Inc.	Delaware
EFMG LLC	Delaware
ERS LLC	Michigan
United Brake Systems Inc.	Delaware
Brake Parts Canada Inc.	Canada
Grupo Echlin Automotriz, S.A. de C.V.	Mexico
Producciones Automotrices, S.A. de C.V.	Mexico
Echlin Comercial, S.A. de C.V.	Mexico
Inversiones Echlin S.A. de C.V.	Mexico
Balatas American Brakebloks, S.A. de C.V.	Mexico
Echlin Mexicana, S.A. de C.V.	Mexico
Frenos Lusac, S.A. de C.V.	Mexico
Lusac Comfhia de Mexico, S.A. de C.V.	Mexico
Itapsa, S.A. de C.V.	Mexico
Long de Mexico, S.A. de C.V.	Mexico
Candados Universales de Mexico, S.A. de C.V.	Mexico
Echlin Industrias de Mexico, S.A. de C.V.	Mexico
Echlin Dominicana, S.A.	Dominican Republic
Echlin Australia Pty. Ltd.	Australia
Kelray Australia Pty. Ltd.	Australia
P.J. Warneford Components	Australia
Warneford & Oldfield Pty. Limited	Australia
Echlin China Limited (Hong Kong)	Hong Kong
Echlin Taiwan Ltd.	Taiwan
Dana UK Holdings Limited	United Kingdom
Echlin (Southern) Holding Ltd. (Jersey)	United Kingdom
Dana Holdings Limited	United Kingdom
Dana Spicer Europe Ltd.	United Kingdom
Dana Limited	United Kingdom
Dana Spicer Limited	United Kingdom
Dana Commercial Credit (UK) Limited	United Kingdom
Dana Capital Limited	United Kingdom
Dana Commercial Credit (June) Limited	United Kingdom
Dana Commercial Credit (September) Limited	United Kingdom
Stieber Formsprag Limited	United Kingdom
Dana UK Pension Scheme Limited	United Kingdom
Dana Manufacturing Group Pension Scheme Limited	United Kingdom
Dana UK Common Investment Fund Limited	United Kingdom
Echlin Europe Limited	United Kingdom
Quinton Hazell Plc	United Kingdom
Supra Group Limited	United Kingdom
QH Pension Trustee Limited	United Kingdom
Quinton Hazell Belgium SA	Belgium
Quinton Hazell Nederland B.V	Netherlands
Quinton Hazell Polska Sp. zo.o	Poland
Quinton Hazel Espana S.A.	Spain
Dana Automotive (Ireland) Limited	Ireland

DANA CORPORATION
Consolidated Subsidiaries
As of December 31, 2002

Moprod (Ireland) Limited	Ireland
Quinton Hazell Limited	Ireland
Automotive Motion Technology Limited	United Kingdom
Dana Automotive Limited	United Kingdom
Hobourn Group Pension Trust Company Limited	United Kingdom
SU Pension Trustee Limited	United Kingdom
Dana Actuator Systems Limited	United Kingdom
Whiteley Rishworth Ltd.	United Kingdom
Motaproducts Automotive (Northern Ireland) Limited	United Kingdom
Motaproducts Automotive Limited	United Kingdom
Commercial Ignition Limited	United Kingdom
Quinton Hazell Automotive Limited	United Kingdom
Quinton Hazell (Far East) Limited	United Kingdom
Echlin Automotive Systems Limited	United Kingdom
WH Components Limited	United Kingdom
Preferred Technical Group-CHA Limited	United Kingdom
Hobourn Automotive Limited	United Kingdom
SU Automotive Limited	United Kingdom
Lipe Limited	United Kingdom
Hobourn Steering Ltd.	United Kingdom
Hobourn Engineering Ltd.	United Kingdom
Hobourn Technology Ltd.	United Kingdom
Hobourn Plastics Ltd.	United Kingdom
Hobourn Leasing Ltd.	United Kingdom
Motor Hydraulics Ltd.	United Kingdom
Vehicle Components Ltd.	United Kingdom
Supra Automotive Ltd.	United Kingdom
Supra Steering & Suspension Ltd.	United Kingdom
Supra Steering Ltd.	United Kingdom
Parts Mobile Ltd.	United Kingdom
Dana Bedford 1 Limited	United Kingdom
Dana Bedford 2 Limited	United Kingdom
Dana Bedford 5 Limited	United Kingdom
Dana Bedford 3 Limited	United Kingdom
Dana Bedford 4 Limited	United Kingdom
Driveline Specialist Limited	United Kingdom
Echlin Investments (Netherlands) B.V	Netherlands
Echlin Properties (Netherlands) BV	Netherlands
Echlin Argentina S.A.	Argentina
Echlin Do Brasil Industria e Comercio Ltda.	Brazil
Fanacif Products Argentina S.A.	Argentina
Dana South Africa (Proprietary) Limited	South Africa
Electron Seventeen (Prop.) Limited	South Africa
Insom Investments (Prop.) Limited	South Africa
Miclaric Investments (Prop.) Limited	South Africa
Fanacif S.A	Uruguay
Arvis S.R.L	Uruguay
Inversora Sabana, S.A.	Venezuela
Echlin de Venezuela C.A	Venezuela
Echlin de Colombia Ltda.	Colombia
Diamond Financial Holdings, Inc.	Delaware
Findlay Properties, Inc.	Ohio
Ottawa Properties, Inc.	Michigan
Shannon Properties, Inc.	Delaware
First Shannon Realty of North Carolina, Inc.	North Carolina
Summey Building Systems, Inc.	North Carolina
Dana Credit Corporation	Delaware
Farnborough Properties Partners I Limited	Delaware
Farnborough Properties Company	United Kingdom

DANA CORPORATION
Consolidated Subsidiaries
As of December 31, 2002

Farnborough Aerospace Centre Management Limited	United Kingdom
Farnborough Properties Partners II Limited	Delaware
Farnborough Properties Partners III Limited	Delaware
Farnborough Properties Partners IV Limited	Delaware
Farnborough Airport Properties Company	United Kingdom
Dana Commercial Credit Corporation	Delaware
Camotop Five Corporation	Delaware
CCD Air Ten, Inc.	Delaware
CCD Air Eleven, Inc.	Delaware
CCD Air Twelve, Inc.	Delaware
CCD Air Thirteen, Inc.	Delaware
CCD Air Fourteen, Inc.	Delaware
CCD Air Twenty, Inc.	Delaware
CCD Air Twenty-One, Inc.	Delaware
CCD Air Twenty-Two, Inc.	Delaware
CCD Air Thirty, Inc.	Delaware
CCD Air Thirty-Two, Inc.	Delaware
CCD Air Thirty-Three, Inc.	Delaware
CCD Air Thirty-Four, Inc.	Delaware
CCD Air Thirty-Five, Inc.	Delaware
CCD Air Thirty-Six, Inc.	Delaware
CCD Air Thirty-Seven, Inc.	Delaware
CCD Air Thirty-Eight, Inc.	Delaware
CCD Air Thirty-Nine, Inc.	Delaware
CCD Air Forty, Inc.	Delaware
CCD Air Forty-One, Inc.	Delaware
Rochester FSC, Ltd.	Bermuda
CCD Air Forty-Two, Inc.	Delaware
CCD Air Forty-Four, Inc.	Delaware
CCD Air Forty-Eight, Inc.	Delaware
CCD Airway One, Inc.	Delaware
CCD Rail Two, Inc.	Delaware
CCD Rail Three, Inc.	Delaware
CCD Rail Five, Inc.	Delaware
Comprehensive Asset Services, Inc.	Delaware
Dana Business Credit Corporation	Delaware
Dana Commercial Finance Corporation	Delaware
Dana Fleet Leasing, Inc.	Delaware
DCC Company 102, Inc.	Delaware
DCC Franchise Services, Inc.	Delaware
DCC Project Finance Three, Inc.	Delaware
DCC Linden, Inc.	Delaware
DCC Project Finance Four, Inc.	Delaware
DCC Project Finance Five, Inc.	Delaware
DCC Project Finance Six, Inc.	Delaware
DCC Project Finance Ten, Inc.	Delaware
DCC Project Finance Eleven, Inc.	Delaware
Washington 10 Gas Holdings, Inc.	Delaware
Washington 10 Storage Corporation	Michigan
DCC Project Finance Twelve, Inc.	Delaware
DCC Project Finance Thirteen, Inc.	Delaware
DCC Project Finance Fourteen, Inc.	Delaware
DCC Project Finance Eighteen, Inc.	Delaware
DCC Project Finance Twenty, Inc.	Delaware
DCC Servicing, Inc.	Delaware
DCL Holding Company, Inc.	Delaware
Camotop Two Corporation	Delaware
Reherc, Inc.	Delaware
Energy Credit Corporation	Delaware

DANA CORPORATION
Consolidated Subsidiaries
As of December 31, 2002

Energy Services Credit Corporation	Delaware
Energy Services Nevada, Inc.	Delaware
GSP I Corporation	Oregon
Iron Rhino, Inc.	Delaware
Iron Rhino Construction Equipment, Inc.	Delaware
Iron Rhino Industrial Equipment, Inc.	Delaware
Iron Rhino Logistics, Inc.	Delaware
Iron Rhino Material Handling, Inc.	Delaware
Isom & Associates, Inc.	Delaware
JVPro One, Inc.	Delaware
Kodiak Energy, Inc.	Delaware
Leased Equipment, Inc.	Delaware
Lease Recovery, Inc.	Delaware
Midwest Housing Investments J.V., Inc.	Delaware
Potomac Leasing Company	Delaware
REBAC, Inc.	Delaware
Rebacker One, Inc.	Texas
REBNEC Three, Inc.	Delaware
REBNEC Five, Inc.	Delaware
REBNEC Nine, Inc.	Delaware
ReDade, Inc.	Delaware
Redison, Inc.	Delaware
REFIRST, Inc.	Delaware
REFREEZE, Inc.	Delaware
REHAT, Inc.	Delaware
RENAT, Inc.	Delaware
RENOVO One, Inc.	Delaware
RENOVO Three, Inc.	Delaware
RENOVO Five, Inc.	Delaware
RENOVO Seven, Inc.	Delaware
RENOVO Nine, Inc.	Delaware
RENOVO Eleven, Inc.	Delaware
RENOVO Thirteen, Inc.	Delaware
Letovon Rosehill One Pty Limited	Australia
Letovon Rosehill Two Pty Limited	Australia
Letovon St. Kilda One Pty Limited	Australia
Letovon St. Kilda Two Pty Limited	Australia
RENOVO Fifteen, Inc.	Delaware
RENOVO Seventeen, Inc.	Delaware
ReSun, Inc.	Delaware
RETRAM, Inc.	Delaware
Seismiq, Inc.	Delaware
Shannon Supermarket Investors, Inc.	Delaware
STSN, Inc.	Delaware
DCC Canada Inc.	Canada
Shannon Canada Inc.	Canada
Rock Energy Limited	Gibraltar
Five Star Piccadilly Limited	Jersey
Dana Lease Finance Corporation	Delaware
Camotop One Corporation	Delaware
CCD Air Four, Inc.	Delaware
CCD Air Five, Inc.	Delaware
CCD Air Seven, Inc.	Delaware
CCD Air Eight, Inc.	Delaware
CCD Air Nine, Inc.	Delaware
CCD Air Forty-Three, Inc.	Delaware
CCD Airway Two, Inc.	Delaware
CCD Rail One, Inc.	Delaware
CCD Rail Four, Inc.	Delaware

DCC Fiber, Inc.	Delaware
DCC Project Finance Seven, Inc.	Delaware
DCC Project Finance Eight, Inc.	Delaware
DCC Project Finance Fifteen, Inc.	Delaware
DCC Project Finance Sixteen, Inc.	Delaware
DCC Project Finance Nineteen, Inc.	Delaware
DCC Spacecom Two, Inc.	Delaware
DCC Sugar Heart, Inc.	Delaware
DCC Vendorcom, Inc.	Delaware
DLF Company 101, Inc.	Delaware
JVQ Capital One, Inc.	Delaware
Provicar, Inc.	Delaware
Rebaker Two, Inc.	Delaware
REBNEC One, Inc.	Delaware
REBNEC Two, Inc.	Delaware
REBNEC Four, Inc.	Delaware
REBNEC Six, Inc.	Delaware
REBNEC Ten, Inc.	Delaware
REBNEC Twelve, Inc.	Delaware
Recap, Inc.	Delaware
Rehold, Inc.	Delaware
RENOVO Two, Inc.	Delaware
RENOVO Four, Inc.	Delaware
RENOVO Six, Inc.	Delaware
RENOVO Eight, Inc.	Delaware
RENOVO Twelve, Inc.	Delaware
RERSEY, Inc.	Delaware
RESAMM, Inc.	Delaware
REVA, Inc.	Delaware
Northavon Investments Limited	Jersey
Dorr Leasing Corporation	Delaware
CCD Air Fifty, LLC	Delaware
Automotive Controls Corp.	Connecticut
Auto Parts Acquisition LLC	Delaware
BWD Automotive Corporation	Delaware
Long USA LLC	Texas
Long Automotive LLC	Delaware
Long Cooling LLC	Delaware
Pacer Industries, Inc.	Missouri
Ristance Corporation	Indiana
Engine Controls Distribution Services, Inc.	Delaware
Coupled Products, Inc.	Delaware
Hose & Tubing, Inc.	Delaware
Tecnologia de Mocion Controlada S.A. de C.V.	Mexico
Dana Heavy Axle Mexico S.A. de C.V.	Mexico
PTG Mexico, S. de R.L. de C.V.	Mexico
PTG Servicios, S. de R.L. de C.V.	Mexico
Wrenford Insurance Company Limited	Bermuda
Dana Foreign Sales Corporation	U.S. Virgin Islands
Dana Australia (Holdings) Pty. Ltd.	Australia
Dana Australia Pty. Ltd.	Australia
Spicer Axle Structural Components Australia Pty. Ltd.	Australia
Spicer Axle Australia Pty Ltd.	Australia
Dana Australia Trading Pty. Ltd.	Australia
Dana New Zealand, Ltd.	New Zealand
Gearmax (Pty) Ltd.	South Africa
Dana (Wuxi) Technology Co. Ltd.	China
Dana Hong Kong Limited	Hong Kong
Kentning Industries Limited	Hong Kong

DANA CORPORATION
Consolidated Subsidiaries
As of December 31, 2002

P.T. Spicer Indonesia	Indonesia
PT Spicer Axle Indonesia	Indonesia
Dana Japan, Ltd.	Japan
Dana Korea Co. Ltd.	Korea
Spicer Philippines Manufacturing Co.	Philippines
ROC–Spicer Ltd.	Taiwan
ROC Spicer Investment Co. Ltd.	British Virgin Islands
Shenyang Spicer Driveshaft Corporation Limited	China
Fujian Spicer Drivetrain System Co., Ltd.	China
Dantean (Thailand) Company, Limited	Thailand
Parish Structural Products (Thailand) Limited	Thailand
Dana Spicer (Thailand) Limited	Thailand
Dana Belgium N.V.	Belgium
Spicer Off-Highway Belgium N.V.	Belgium
Warner Electric (Belgium) SA	Belgium
Dana Chassis Systems Limited	United Kingdom
Dana SAS	France
Perfect Circle Europe S.A.	France
Societe de Reconditionnement Industriel de Moteurs S.A.	France
Spicer France SarL	France
Glacier Vandervell SAS	France
Nobel Plastiques S.A.	France
Nobel Plastiques Iberica S.A.	Spain
Quinton Hazell SarL	France
Quinton Hazell France SARL	France
IP Marti SNC	France
Dana Finance S.A.	France
Nobel Teknik France SNC	France
Spicer India Limited	India
Dana India Private Limited	India
Dana Italia, SpA	Italy
Spicer Italcardano SpA	Italy
Quinton Hazell Italia SpA	Italy
D.E.H. Holdings SARL	Luxembourg
Dana Finance (Ireland) Limited	Ireland
Dana Europe Holdings B.V.	Netherlands
Spicer Netherland B.V.	Netherlands
Superior Electric Nederland B.V.	Netherlands
Wix Filtron Sp. zo.o.	Poland
Dana Automocion, S.A.	Spain
Spicer Ayra Cardan S.A.	Spain
Spicer Nordiska Kardan AB	Sweden
Dana Europe S.A.	Switzerland
Glacier Tribometal Slovakia a.s.	Slovakia
Dana Holdings SRL	Argentina
Dana Argentina S.A.	Argentina
Dana San Juan S.A.	Argentina
Dana San Luis S.A.	Argentina
Farlock Argentina S.A.	Argentina
Cerro de los Médanos S.A. I.C.	Argentina
Transmissiones Homocineticas Argentina S.A.	Argentina
ECASOL S.A.	Uruguay
Spicer Ejes Pesados S.A.	Argentina
Dana Equipamentos Ltda.	Brazil
Dana-Albarus, S.A. Industrial E Comercio	Brazil
Pellegrino Distribuidora de Autopecas Ltda.	Brazil
Albarus S.A. Comercial e Exportadora	Brazil
UBALI S.A.	Uruguay
Dana Industrial Ltda.	Brazil

DANA CORPORATION
Consolidated Subsidiaries
As of December 31, 2002

Suzuki Comercial Ltda.	Brazil
Warner Electric do Brasil Ltda.	Brazil
Dana do Brasil Ltda.	Brazil
Dana Industrias Ltda.	Brazil
Industria De Ejes Y Transmissiones S.A.	Colombia
Transejes Transmissiones Homocineticas de Colombia S.A.	Colombia
Repsa S.A.	Colombia
Transejes C.D. Ltda.	Colombia
Transcar Ltda.	Colombia
Transmotor Ltda.	Colombia
Talesol S.A.	Uruguay
C.A. Danaven	Venezuela
Tuboauto, C.A.	Venezuela
Tubos Venzolanos, C.A.	Venezuela
T.S.P	Cayman Islands
Blenville, S.A.	Panama
Danaven Rubber Products, C.A.	Venezuela
Distribuidora S.H.F., C.A.	Venezuela
TRINASA, S.A.	Panama
Asesoramiento Contable y Administrativo, S.A.	Venezuela
Juntas Homocineticas Venzolanas	Venezuela
Embargues Automotrices, S.A.	Venezuela
MSP Ltd.	Cayman Islands
Axlecay Limited	Cayman Islands
JUNCAY	Cayman Islands
Metalmechanic Equipment Supply S.A.	Panama
Expo Service Corporation	Delaware

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-67307, 333-42239, 333-23733, 333-22935, 333-00539, 333-58121, and 333-18403) and in the Registration Statements on Form S-8 (Nos. 333-59442, 333-69449, 333-84417, 333-52773, 333-50919, 333-64198, 333-37435, 33-22050 and 333-59442) and in the Registration Statements on Form S-4 (Nos. 333-76012, and 333-96793) of Dana Corporation of our report dated February 10, 2003 relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 10, 2003 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Toledo, Ohio
February 21, 2003

Exhibit 24

POWER OF ATTORNEY

The undersigned directors and/or officers of Dana Corporation hereby constitute and appoint Joseph M. Magliochetti, Robert C. Richter, Richard J. Westerheide, Michael L. DeBacker and M. Jean Hardman, and each of them, severally, their true and lawful attorneys-in-fact with full power for and on their behalf to execute the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, including any and all amendments thereto, in their names, places and stead in their capacity as directors and/or officers of the Corporation, and to file the same with the Securities and Exchange Commission on behalf of the Corporation under the Securities and Exchange Act of 1934, as amended.

This Power of Attorney automatically ends as to each appointee upon the termination of his or her service with the Corporation.

In witness whereof, the undersigned have executed this instrument on February 11, 2003.

/s/ B. F. Bailar B. F. Bailar	/s/ M. R. Marks M. R. Marks
/s/ A. C. Baillie A. C. Baillie	/s/ R. B. Priory R. B. Priory
/s/ E. M. Carpenter E. M. Carpenter	/s/ F. M. Senderos F. M. Senderos
/s/ E. Clark E. Clark	/s/ M. L. DeBacker M. L. DeBacker
/s/ C. W. Grisé C. W. Grisé	/s/ M. J. Hardman M. J. Hardman
/s/ G. H. Hiner G. H. Hiner	/s/ R. C. Richter R. C. Richter
/s/ J. P. Kelly J. P. Kelly	/s/ R. J. Westerheide R. J. Westerheide
/s/ J. M. Magliochetti J. M. Magliochetti	

Exhibit 99-A

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Dana Corporation (the "Company") on Form 10-K for the year ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

February 24, 2003

/s/ Joseph M. Magliochetti

Joseph M. Magliochetti
Chief Executive Officer

/s/ Robert C. Richter

Robert C. Richter
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure document.