

Management's Discussion and Analysis of Financial Condition and Results of Operations

Dollars in millions

Contractual Cash Obligations	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Long-Term Debt	\$ 3,454	\$ 446	\$ 634	\$ 192	\$ 2,182
Operating Leases	469	76	134	115	144
Unconditional Purchase Obligations	244	236	8	-	-
Total Contractual Cash Obligations	\$ 4,167	\$ 758	\$ 776	\$ 307	\$ 2,326

The unconditional purchase obligations presented are composed 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. DCC has guaranteed portions of the borrowings of its affiliates that are accounted for under the equity method. DCC's aggregate exposure under several of the guarantees is \$24. 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 \$49 and its exposure for certain of the other guaranteed obligations is limited to \$60. The term of the affiliates' financing agreements is one year. DCC anticipates that the affiliates will renew these arrangements on substantially the same terms as the current agreements. If this occurs, it is likely that DCC would provide similar guarantees. We do not expect to make any cash payments relating to these potential obligations.

At December 31, 2001, we had contingent liability for stand-by letters of credit totaling \$109 issued on our behalf by financial institutions. These letters of credit are used principally for the purpose of meeting various states' requirements in order to self-insure our workers compensation obligations. These stand-by letters of credit must 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.

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.

For some time, the vast majority of 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. The CCR continued to administer Dana's claims and provide some legal and claims adjusting support through July 31, 2001. Since February 2001, there has been no sharing of indemnity costs and we have independently controlled our legal strategy and settlements. As of August 1, 2001, our claims administration was moved to a new

organization, PACE, which is a subsidiary of Peterson Consulting, Inc. We do not expect these changes to materially affect our handling of asbestos claims or the costs thereof. However, there has been a marked increase in the number of claims filed against Dana since the CCR was reorganized. We believe that claimants are naming all former members of the CCR in individual claims, since all members of the CCR had previously participated in claims filed against any single member. As a result, many of the new claimants are parties that have no direct association with products manufactured by Dana. Since the reorganization of the CCR, a greater number of claims against Dana have been dismissed and the average cost of settlement has declined.

With respect to contingent asbestos-related product liability, we had approximately 100,000 asbestos-related claims outstanding at December 31, 2001, including approximately 27,000 claims that were settled pending payment. We have agreements with our insurance carriers providing for the payment of a significant majority of the defense and indemnity costs for pending claims as well as claims which may be filed against us in the future. At December 31, 2001, we had accrued \$102 for contingent asbestos-related product liability costs and recorded \$89 as an asset for probable recoveries from insurers for asbestos-related product liability claims, compared to \$78 accrued for such liabilities and \$67 recorded as an asset at December 31, 2000.

At December 31, 2001, \$11 was accrued for contingent non-asbestos product liability costs with no recovery anticipated from third parties; at the end of 2000, \$21 was accrued for such liabilities and \$2 recorded as an asset for probable recoveries.

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, the lower end of the range is accrued. At December 31, 2000 and 2001, the amounts accrued for contingent environmental liabilities with no recovery expected from other parties were \$40 and \$52, respectively.

At December 31, 2001, the difference between our minimum and maximum estimates for contingent liabilities, while not considered material, was \$13 for the non-asbestos product liability claims and \$2 for the environmental liability claims, compared to \$14 and \$2, respectively, at the end of 2000.

As noted above, the majority of our asbestos-related claims were administered by the CCR through February 2001, at which time the CCR was reorganized and discontinued negotiating shared settlements. Certain former CCR members have defaulted on the payment of their shares of certain of the CCR-negotiated settlements. As a result, some of the settling parties are 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, 2001, we estimated our contingent liability with respect to these matters to be approximately \$44, of which