



We are also acutely aware that many Dana shareholders have come to depend on healthy dividend payments. However, at the same time, our broader responsibility to the company and its investors is to ensure that Dana represents a solid, long-term investment. In the midst of such daunting circumstances, it was not appropriate to maintain what was one of the highest yields among the S&P 500 at the time of this action.

In the near term, the cash flow benefit will help us focus our financial resources on strengthening our balance sheet. But we are not abandoning the dividend. To the contrary, as conditions allow, we intend to reward shareholders with a dividend rate that appropriately relates to our performance.

Finally, given the expected duration of the downturn in our markets – and its direct impact on the ability of DCC to conduct transactions – we are pursuing the sale of the businesses of Dana Commercial Credit. We believe these very successful businesses will be served well as part of a different corporate structure where the cost of capital is more competitive.

The Good News.

In addition to our restructuring actions, Dana made important progress in a number of other key areas during 2001.

We increased our emphasis on innovation and technology, as combined invention records, patent applications, and patents awarded continued an impressive five-year growth trend illustrated in the chart at left. This innovation is feeding the development of performance-enhancing traction technologies, electronic vehicle-control systems, intelligent cooling systems, and many more new technologies.

For example, Dana also continued to grow its role in the research and development of fuel-cell technology. Fuel cells have the potential to eventually replace internal combustion engines. Dana has established fuel-cell support centers in Canada, Germany, and the United States, where engineers are working to develop technology and high-volume production methods for numerous components and subsystems. Our first steps toward becoming a supplier of systems to the fuel-cell industry will be in the residential and industrial markets. Fuel cell-based home heating systems are expected to reach relatively widespread production within the next three years. Automotive applications should follow during the latter part of this decade.

Chemical Technician Markus Lemm (six years of service) monitors a fuel-cell stack at Dana's Neu-Ulm, Germany, Fuel Cell Support Center. Dana has established fuel cell support centers in three countries where engineers are developing technology and high-volume production methods for numerous components and subsystems.

