While our issues in the light- and heavy-vehicle marketplaces can be largely attributed to "outside forces," some of our struggles in the automotive aftermarket are still associated with internal issues related to the former Echlin warehouse consolidation project. Nevertheless, an experienced Dana aftermarket team has made solid progress over the past 18 months – fine-tuning its strategic plan, improving order-fill and delivery performance, and scaling the operations to more prudently meet present and future demand.

Looking ahead, we see this market being essentially flat for Dana in 2002. But it's encouraging to note that the aftermarket typically provides greater stability during a recession. Plus, there are a number of signals pointing to recovery in the longer term. Favorable vehicle demographics such as an aging vehicle population, a large number of vehicles entering the prime repair window, and unperformed maintenance estimated to be as much as $70 billion, should yield increased future demand for our related products. In addition, a number of timely and appropriate price increases should enable Dana to realize greater returns from some of our premium aftermarket products.

Dana Takes Action.

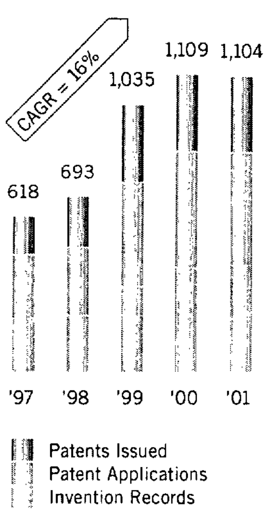
In response to these extraordinary circumstances, Dana initiated a series of major actions in October, including:

- A $445 million (after tax) restructuring of the company's operations involving the closure or consolidation of more than 30 facilities;
- A workforce reduction directly impacting more than 15 percent of our people worldwide;
- A reduction of the fourth-quarter dividend from 31 cents to one cent per share; and
- Plans to sell the businesses of our leasing services unit, Dana Commercial Credit (DCC).

While extremely difficult, each of these decisions was nonetheless essential to our future success.

The most recent workforce reductions announced in October came on the heels of more than 10,000 layoffs during the preceding 18 months. Unfortunately, there's an inescapable relationship between customer production and our staffing levels. These actions affected not only those who left the company, but also those who remained – as many of our people have been asked to take on new or additional responsibilities. Clearly, the progress Dana has made amid these difficult circumstances is due to the ongoing efforts of our exceptional people.

For many of you reading this letter, the decision to reduce the fourth-quarter dividend was perhaps the most disappointing action of all. With a 65-year heritage of paying quarterly dividends without a reduced or missed payment, this action clearly did not come lightly.



Dana's accelerated emphasis on innovation and technology has driven solid growth in patent activity.