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. 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 (2001 versus 2000)

Our worldwide sales decreased $2,046 in 2001 to $10,271, a 17% decline from the $12,317 recorded in 2000. The decline included $113 related to the effect of divestitures, net of acquisitions, and $232 of adverse effects of currency fluctuations. Excluding these effects, worldwide sales decreased $1,701 or 14%. Our worldwide experience was largely based on our volume in the U.S., where 2001 sales of $6,863 represented a decline of $1,689 or 20% versus the prior year. Excluding the net effect of acquisitions and divestitures, U.S. sales declined $1,538 or 18%.

Overall sales outside the U.S. fared better, slipping $357 or 9% compared to last year. Nearly two-thirds of the decline resulted from the strengthening of the U.S. dollar relative to foreign currencies since last year. The currencies accounting for the largest components of the approximately $232 adverse impact were the Brazilian real ($87), the euro ($44), the Canadian dollar ($30), the Australian dollar ($24), and the British pound ($21). Excluding the adverse effects of currency fluctuations and acquisitions and divestitures, sales decreased $89 or 2%. The net decline related to acquisitions and divestitures was $36.

Sales by region for the year were as follows:

	2000	**2001**	% Change	% Change Excluding Acquisitions & Divestitures
North America	$9,449	**$7,684**	(19)	(17)
Europe	1,947	**1,704**	(12)	(11)
South America	563	**553**	(2)	(15)
Asia Pacific	358	**330**	(8)	(9)

Sales in North America decreased $1,765 or 19% for the period. Excluding the effect of divestitures, the decline was $1,614 or 17%. As noted above, the relative weakness of the Canadian dollar accounted for $30 of the reduction in sales. European sales were down 9% in local currency but conversion to U.S. dollars pared another $69 for a total decline of $243 or 12%. Sales lost through divestitures exceeded the amount added through acquisitions by $39. South American sales improved 16% in local currencies and net acquisitions added $73, but sales were down $10 or 2% after absorbing $100 of adverse currency effects. Sales in Asia Pacific were down $28 as $35 of adverse currency impact was partially offset by local growth of $3 and a $4 net effect of acquisitions and divestitures.

Our Strategic Business Units (SBUs) – Automotive Systems Group (ASG), Automotive Aftermarket Group (AAG), Engine and Fluid Management Group (EFMG), Commercial Vehicle Systems (CVS), Off-Highway Systems Group (OHSG) and Dana Credit Corporation (DCC) – represent our business segments. We realigned certain businesses within our SBU structure in 2001. The most significant change was consolidating our Engine Systems and Fluid Systems Groups into the newly created EFMG. Our segment information has been restated to reflect the changes made to the SBU alignment in 2001.

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 facilities that have been closed or sold and operations not assigned to the SBUs.

	2000	**2001**	% Change	% Change Excluding Acquisitions & Divestitures
ASG	$4,522	**$3,717**	(18)	(20)
AAG	2,768	**2,538**	(8)	(7)
EFMG	2,400	**2,137**	(11)	(10)
CVS	1,598	**1,118**	(30)	(27)
OHSG	786	**621**	(21)	(20)
Other	243	**140**	(42)	(32)

ASG incurred a sales decline in 2001 of $805 or 18% when compared to 2000. The North American region experienced $742 of this shortfall. The decline 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. Sales in both markets were generally flat in the first quarter of 2001 when compared to the fourth quarter of 2000, but demand was sporadic and margins were adversely affected by the high volume of production shift cancellations by our OE customers. The production schedules improved in the second quarter of 2001 in terms of volume but still displayed some of the irregularities of the first quarter. In the third quarter, the number of production shifts cancelled by our OE customers was nearly identical to what we experienced in the first quarter of 2001, as our customers countered excess dealer inventories with incentives and reduced production. Record incentives late in the year were effective in reducing the overall dealer inventories of our customers to a 15-year low, but production levels declined further. 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 regions reported an aggregate sales decrease of $63. Sales in Europe were down $49 as an adverse currency impact of $19 and $42 of organic declines (organic decline being the residual change after excluding the effects of acquisitions, divestitures and currency changes) more than offset acquisition benefits of $12. Sales in South America were $10 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 $49. Sales in Asia Pacific were flat with currency declines of $29 offsetting acquisition impact of $21 and modest organic growth.