the supplier community. This decline, in combination with the charges associated with our restructuring efforts, resulted in a net loss of $298 million for the year. Before these non-recurring charges, Dana's operating profit totaled $5 million.

Both sales and profitability were severely impacted by a difficult year for the global economy in general, and our key markets in particular.

A Rocky Year for the Economy and Our Markets.

The past year marked the end of the longest economic expansion in U.S. history. But, it wasn't the soft landing most of us had expected. The U.S. economy staggered toward recession, as did markets in many other countries. As *The Wall Street Journal* reported, last year was "arguably the worst for the broad market in nearly 30 years."

Within these challenges, we found opportunity.

The unspeakable attacks of September 11 stunned and saddened us all. Unfortunately, in their aftermath, many existing negative trends were intensified.

Within the automotive sector, it was apparent from the outset of 2001 that nearly a decade of solid growth had drawn to a close. A number of negative factors from the previous year spilled into 2001. Chief among these was the issue of over-capacity. Although light-vehicle sales were relatively strong for much of the past year, there was excess inventory in the supply chain. In other words, the industry had stockpiled far more vehicles than were needed. These bulging inventories led to production cuts that were both severe and erratic.

As an example, during 2001, Dana's major customers eliminated the equivalent of approximately 250 weeks of combined production spanning a variety of programs. These cuts impacted numerous platforms with substantial Dana content.

The delicate balance between sales, inventory, and production was further demonstrated during the fourth quarter, as several manufacturers offered zero-percent financing programs and special terms to stimulate sales. Customer sales surged to record monthly levels, helping to reduce excessive inventories. However, production schedules – which are critical to the supply community – were actually reduced, reflecting a growing concern for our economic malaise.

Compounding the difficulties on the light-vehicle side of our industry, the heavy-truck market experienced a catastrophic drop in volume – resulting in severe over-capacity. Two years after registering a record North American build of more than 330,000 units, heavy-truck production dropped precipitously in 2001 to less than 150,000 units. The drop from the record build of 1999 to our 2002 forecast of a 130,000-unit build rate represents the steepest percentage decline in the history of this sector.