DANA HOLDING CORP
Form 10-K
February 23, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended: December 31, 2011

Commission File Number: 1-1063

Dana Holding Corporation

(Exact name of registrant as specified in its charter)

Delaware (State of incorporation)	26-1531856 (IRS Employer Identification Number)
3939 Technology Drive, Maumee, OH (Address of principal executive offices)	43537 (Zip Code)

Registrant’s telephone number, including area code: (419) 887-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

<u>None</u>

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporate by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The aggregate market value of the common stock held by non-affiliates of the registrant, computed by reference to the average high and low trading prices of the common stock as of the closing of trading on June 30, 2011, was approximately $2,697,000,000.

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No o

APPLICABLE ONLY TO CORPORATE ISSUERS:

There were 147,521,817 shares of the registrant’s common stock outstanding at February 10, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held on April 24, 2012 are incorporated by reference into Part III.

DANA HOLDING CORPORATION – FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

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Forward-Looking Information

Statements in this report (or otherwise made by us or on our behalf) that are not entirely historical constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are indicated by words such as "anticipates," "expects," "believes," "intends," "plans," "estimates," "projects," "outlook" and similar expressions. These statements represent the present expectations of Dana Holding Corporation and its consolidated subsidiaries (Dana) based on our current information and assumptions. Forward-looking statements are inherently subject to risks and uncertainties. Our plans, actions and actual results could differ materially from our present expectations due to a number of factors, including those discussed below and elsewhere in this annual report on Form 10-K and in our other filings with the Securities and Exchange Commission (SEC). All forward-looking statements speak only as of the date made and we undertake no obligation to publicly update or revise any forward-looking statement to reflect events or circumstances that may arise after the date of this report.

PART I

(Dollars in millions, except per share amounts)

Item 1. Business

General

Dana is headquartered in Maumee, Ohio and was incorporated in Delaware in 2007. As a leading supplier of driveline products (axles, driveshafts and transmissions), power technologies (sealing and thermal-management products) and genuine service parts for vehicle manufacturers world-wide, our customer base includes virtually every major vehicle manufacturer in the global light vehicle, medium/heavy vehicle and off-highway markets. At December 31, 2011, we employed approximately 24,500 people, operated in 26 countries and had 95 major manufacturing/distribution, engineering and office facilities around the world.

As a result of Dana Corporation's emergence from Chapter 11 of the U.S. Bankruptcy Code (Chapter 11) on January 31, 2008 (the Effective Date), Dana became the successor registrant to Dana Corporation (Prior Dana) pursuant to Rule 12g-3 under the Securities Exchange Act of 1934. Prior Dana and forty of its wholly-owned subsidiaries (collectively, the Debtors) operated their businesses as debtors in possession under Chapter 11 from March 3, 2006 (the Filing Date) until emergence from Chapter 11 on the Effective Date pursuant to the Third Amended Joint Plan of Reorganization of Debtors and Debtors in Possession (as modified, the Plan). Pursuant to the Plan, the pre-petition ownership interests in Prior Dana were cancelled and all of the pre-petition claims against the Debtors were addressed in connection with our emergence from Chapter 11. The last of the pre-petition claims was resolved by the Bankruptcy Court in 2011. See Note 14 to our consolidated financial statements in Item 8 for further details. Our liability associated with these disputed claims was discharged upon our emergence from Chapter 11. Therefore, the final resolution of these disputed claims did not have an impact on our results of operations or financial condition.

The terms "Dana," "we," "our" and "us," when used in this report are references to Dana. These references include the subsidiaries of Dana unless otherwise indicated or the context requires otherwise.

Overview of our Business

Markets

We serve three primary markets:

- *Light vehicle market* — In the light vehicle market, we design, manufacture and sell light axles, driveshafts, structural products, sealing products, thermal products and related service parts for light trucks, sport utility vehicles (SUVs), crossover utility vehicles (CUVs), vans and passenger cars.
- *Medium/heavy market* — In the medium/heavy vehicle market, we design, manufacture and sell axles, driveshafts, chassis and side rails, ride controls and related modules and systems, engine sealing products, thermal products and related service parts for medium- and heavy-duty trucks, buses and other commercial vehicles.
- *Off-Highway market* — In the off-highway market, we design, manufacture and sell axles, driveshafts, suspension components, transmissions, electronic controls, related modules and systems, sealing products, thermal products and related service parts for construction machinery and leisure/utility vehicles and outdoor power, agricultural, mining, forestry and material handling equipment and a variety of nonvehicular, industrial applications.

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Segments

We have aligned our organization around three primary product line business units: On-Highway Driveline Technologies (On-Highway), Off-Highway Driveline Technologies (Off-Highway) and Power Products Technologies (Power Technologies). These businesses have global responsibility and accountability for business unit strategy, financial performance and customer satisfaction. We conduct our business through five operating segments:

- Three On-Highway operating segments — Light Vehicle Driveline (LVD) and Commercial Vehicle plus one business where operations will expire in mid-2012, Structural Products (Structures). Most of the operations of Structures were divested in March 2010. LVD sales in 2011 were $2,696 and its largest customers included Ford Motor Company (Ford), Chrysler Group (Chrysler), Hyundai Mobis, Nissan Motor Company (Nissan), Tata Motors (Tata) and General Motors Corp. (GM). Sales of the Commercial Vehicle segment were $2,245 in 2011. This segment's largest customers were PACCAR Inc. (PACCAR), Volkswagen AG (Volkswagen), Volvo Group (Volvo), Daimler AG (Daimler) and Ford. Included in the Commercial Vehicle segment is our China-based 50% equity investment in Dongfeng Dana Axle Co., Ltd. (DDAC), a joint venture with Dongfeng Motors Co., Ltd. (Dongfeng). This joint venture sells primarily to an affiliate of Dongfeng who would represent our largest Commercial Vehicle customer if this joint venture was consolidated for accounting purposes. At December 31, 2011, these segments employed approximately 15,300 people, excluding DDAC, and had 55 major facilities in 18 countries.

- Off-Highway operating segment — In 2011, this segment generated sales of $1,560. The largest customers included Deere & Company, AGCO Corporation, Fiat Group, Manitou Group and Sandvik Ab. At December 31, 2011, this segment employed approximately 3,100 people and had 12 major facilities in 7 countries.

- Power Technologies operating segment — Sales in 2011 of this segment totaled $1,042. In 2011, the largest customers were Ford, GM, Caterpillar Inc., Volkswagen and PSA Peugeot Citroen. At December 31, 2011, this segment employed approximately 4,600 people and had 19 major facilities in 8 countries.

- In addition to the operating segments, there are four additional major facilities providing administrative services and five engineering facilities supporting multiple segments. At December 31, 2011, corporate and other support staff totaled approximately 1,500.

Our operating segments manufacture and market classes of similar products as shown below. See Note 18 to our consolidated financial statements in Item 8 for financial information on all of these operating segments.

Segment	Percent of Consolidated Sales 2011	2010	2009	Products	Market
LVD	35%	39%	36%	Front and rear axles, driveshafts, differentials, torque couplings and modular assemblies	Light vehicle
Commercial Vehicle	30	24	23	Axles, driveshafts, steering shafts, suspensions and tire management systems	Medium/heavy vehicle
Off-Highway	20	19	16	Axles, driveshafts and end-fittings, transmissions, torque converters and electronic controls	Off-highway
Power Technologies	14	15	14	Gaskets, cover modules, heat shields, engine sealing systems, cooling and heat transfer products	Light vehicle, medium/heavy vehicle and off-highway
Structures	1	3	11	Frames, cradles and side rails	Light and medium/heavy vehicle

Geographic Operations

We maintain administrative and operational organizations in four regions — North America, Europe, South America and Asia Pacific — to support the operational requirements of our business units, assist with the management of affiliate relations and facilitate financial and statutory reporting and tax compliance on a worldwide basis. Our operations are located in the following countries:

North America	**Europe**		**South America**	**Asia Pacific**
Canada	Austria	Italy	Argentina	Australia
Mexico	Belgium	Spain	Brazil	China
United States	France	South Africa	Colombia	India
	Germany	Sweden	Uruguay	Japan
	Hungary	Switzerland	Venezuela	Korea
		United Kingdom		Taiwan
				Thailand

Our non-U.S. subsidiaries and affiliates manufacture and sell products similar to those we produce in the United States. Operations outside the U.S. may be subject to a greater risk of changing political, economic and social environments, changing governmental laws and regulations, currency revaluations and market fluctuations than our domestic operations. See the discussion of risk factors in Item 1A.

Sales reported by our non-U.S. subsidiaries comprised $4,571 of our 2011 consolidated sales of $7,592. A summary of sales and long-lived assets by geographic region can be found in Note 18 to our consolidated financial statements in Item 8.

Customer Dependence

We have thousands of customers around the world and have developed long-standing business relationships with many of them. Our segments that operate in the automotive markets are largely dependent on light vehicle original equipment manufacturer (OEM) customers, while our Commercial Vehicle and Off-Highway segments have a broader and more geographically diverse customer base, including machinery and equipment manufacturers in addition to medium- and heavy-duty vehicle OEM customers.

Ford was the only individual customer accounting for 10% or more of our consolidated sales in 2011. As a percentage of total sales from operations, our sales to Ford were approximately 17% in 2011, 19% in 2010 and 20% in 2009 and our sales to PACCAR, our second largest customer, were approximately 7% in 2011 and 5% in 2010 and 2009.

Volkswagen, Chrysler and Daimler were our third, fourth and fifth largest customers in 2011. Our top 10 customers collectively accounted for approximately 54% of our revenues in 2011.

Loss of all or a substantial portion of our sales to Ford or other large volume customers would have a significant adverse effect on our financial results until such lost sales volume could be replaced and there is no assurance that any such lost volume would be replaced. We continue to work to diversify our customer base and geographic footprint.

Sources and Availability of Raw Materials

We use a variety of raw materials in the production of our products, including steel and products containing steel, stainless steel, forgings, castings and bearings. Other commodity purchases include aluminum, brass, copper and plastics. These materials are usually available from multiple qualified sources in quantities sufficient for our needs. However, some of our operations remain dependent on single sources for certain raw materials.

While our suppliers have generally been able to support our needs, our operations may experience shortages and delays in the supply of raw material from time to time, due to strong demand, capacity limitations, short lead times, production schedule increases from our customers and other problems experienced by the suppliers. A significant or prolonged shortage of critical components from any of our suppliers could adversely impact our ability to meet our production schedules and to deliver our products to our customers in a timely manner.

High steel and other raw material costs have had a major adverse effect on our results of operations in the past. However, pricing agreements with many of our customers provide a partial offset to the significant increases or decreases in the cost of our steel and certain other raw materials. Where formal agreements are not in place, we have generally been successful in the past in implementing price adjustments to compensate for inflationary material cost increases. Adjustments may not result in full recovery of cost increases and there may be time lags in recovery of these costs.

Seasonality

Our businesses are generally not seasonal. However, in the light vehicle market, our sales are closely related to the production schedules of our OEM customers and those schedules have historically been weakest in the third quarter of the year due to a large number of model year change-overs that occur during this period. Additionally, third-quarter production schedules in Europe are typically impacted by the summer holiday schedules and fourth-quarter production is affected globally by year-end holidays.

Backlog

Our products are generally not sold on a backlog basis since most orders may be rescheduled or modified by our customers at any time. Our product sales are dependent upon the number of vehicles that our customers actually produce as well as the timing of such production. A substantial amount of the new business we are awarded by OEMs is granted well in advance of a program launch. These awards typically extend through the life of the given program. We estimate future revenues from new business on the projected volume under these programs.

Competition

Within each of our markets, we compete with a variety of independent suppliers and distributors, as well as with the in-house operations of certain OEMs. With a renewed focus on product innovation, we differentiate ourselves through: efficiency and performance, materials and processes, sustainability and product extension.

Light vehicle market — The principal LVD competitors include ZF Friedrichshafen AG (ZF Group), GKN plc (GKN), American Axle & Manufacturing Holdings, Inc. (American Axle), Magna International Inc. (Magna), Wanxiang Group Corporation, Hitachi Automotive Systems LTD., IFA Group (acquired Rotarian GmbH), Neapco, LLC and the captive and vertically integrated operations of various truck and auto manufacturers (e.g., Ford and Toyota).

Our principal Power Technologies competitors include ElringKlinger Ag, Federal-Mogul Corporation, Freudenberg NOK Group, Behr GmbH & Co. KG, Mahle GmbH, Modine Manufacturing Company, Valeo Group, YinLun Co., LTD and Denso Corporation.

Medium/heavy vehicle market — Our principal Commercial Vehicle competitors include Meritor, Inc., American Axle, Hendrickson (a subsidiary of the Boler Group), Klein Products Inc. and OEMs’ vertically integrated operations. Power Technologies’ competitors in this market are the same as in the light vehicle market.

Off-highway market — Our major competitors in the Off-Highway segment include Carraro Group, ZF Group, GKN, Kessler + Co., Meritor, Inc. and certain OEMs’ vertically integrated operations. Power Technologies’ competition in this market is similar to their competition in the other markets above.

Intellectual Property

Our proprietary axle, driveshaft and power technologies product lines have strong identities in the markets we serve. Throughout these product lines, we manufacture and sell our products under a number of patents that have been obtained over a period of years and expire at various times. We consider each of these patents to be of value and aggressively protect our rights throughout the world against infringement. We are involved with many product lines and the loss or expiration of any particular patent would not materially affect our sales and profits.

We own or have licensed numerous trademarks that are registered in many countries, enabling us to market our products worldwide. For example, our Spicer®, Victor Reinz® and Long® trademarks are widely recognized in their market segments.

Engineering and Research and Development

Since our introduction of the automotive universal joint in 1904, we have been focused on technological innovation. Our objective is to be an essential partner to our customers and we remain highly focused on offering superior product quality, technologically advanced products, world-class service and competitive prices. To enhance quality and reduce costs, we use statistical process control, cellular manufacturing, flexible regional production and assembly, global sourcing and extensive employee training.

We engage in ongoing engineering and research and development activities to improve the reliability, performance and cost-effectiveness of our existing products and to design and develop innovative products that meet customer requirements for new applications. We are integrating related operations to create a more innovative environment, speed product development, maximize efficiency and improve communication and information sharing among our research and development operations. At December 31, 2011, we had five major technical centers with additional research and development activities carried out at ten additional sites. Our research and development costs were $52 in 2011, $50 in 2010 and $44 in 2009. Total engineering expenses including research and development were $155 in 2011, $132 in 2010 and $119 in 2009.

Our research and development activities continue to improve customer value. For all of our markets, this means drivelines with higher torque capacity, reduced weight and improved efficiency. End-use customers benefit by having vehicles with better fuel economy and reduced cost of ownership. We are also developing a number of power technologies products for vehicular and other applications that will assist fuel cell, battery and hybrid vehicle manufacturers in making their technologies commercially viable in mass production.

Employment

Our worldwide employment was approximately 24,500 at December 31, 2011.

Environmental Compliance

We make capital expenditures in the normal course of business as necessary to ensure that our facilities are in compliance with applicable environmental laws and regulations. The cost of environmental compliance has not been a material part of capital expenditures and did not have a material adverse effect on our earnings or competitive position in 2011.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) are available, free of charge, on or through our Internet website (http://www.dana.com/investors) as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC. We also post our *Corporate Governance Guidelines, Standards of Business Conduct for Members of the Board of Directors*, Board Committee membership lists and charters, *Standards of Business Conduct* and other corporate governance materials at this website address. Copies of these posted materials are available in print, free of charge, to any stockholder upon request from: Dana Holding Corporation, Investor Relations, P.O. Box 1000, Maumee, Ohio 43537, or via telephone in the U.S. at 800-537-8823 or e-mail at InvestorRelations@dana.com. The inclusion of our website address in this report is an inactive textual reference only and is not intended to include or incorporate by reference the information on our website into this report.

Item 1A. Risk Factors

We are impacted by events and conditions that affect the light vehicle, medium/heavy vehicle and off-highway markets that we serve, as well as by factors specific to Dana. Among the risks that could materially adversely affect our business, financial condition or results of operations are the following, many of which are interrelated.

Risk Factors Related to the Markets We Serve

Failure to sustain a continuing economic recovery in the United States and elsewhere could have a substantial effect on our business.

Our business is tied to general economic and industry conditions as demand for vehicles depends largely on the strength of the economy, employment levels, consumer confidence levels, the availability and cost of credit and the cost of fuel. These factors have had and could continue to have a substantial impact on our business.

While we expect a continuing overall economic recovery in 2012, negative economic conditions such as a worsening debt crisis in Europe or rising fuel prices could adversely impact our business. Adverse developments in these conditions could reduce demand for new vehicles, causing our customers to reduce their vehicle production and, as a result, demand for our products would be adversely affected.

Our customers and suppliers could experience severe economic constraints in the future, including bankruptcy. Adverse global economic conditions and further deterioration could have a material adverse impact on our financial position and results of operations.

We could be adversely impacted by the loss of any of our significant customers, changes in their requirements for our products or changes in their financial condition.

We are reliant upon sales to several significant customers. Sales to our ten largest customers accounted for 54% of our overall revenue in 2011. Changes in our business relationships with any of our large customers or in the timing, size and continuation of their various programs could have a material adverse impact on us.

The loss of any of these customers, the loss of business with respect to one or more of their vehicle models on which we have a high component content, or a significant decline in the production levels of such vehicles would negatively impact our business, results of operations and financial condition. Pricing pressure from our customers also poses certain risks. Inability on our part to offset pricing concessions with cost reductions would adversely affect our profitability. We are continually bidding on new business with these customers, as well as seeking to diversify our customer base, but there is no assurance that our efforts will be successful. Further, to the extent that the financial condition of our largest customers deteriorates, including possible bankruptcies, mergers or liquidations, or their sales otherwise decline, our financial position and results of operations could be adversely affected.

We may be adversely impacted by changes in international legislative and political conditions.

We operate in 26 countries around the world and we depend on significant foreign suppliers and customers. Further, we have several growth initiatives that are targeting emerging markets like China and India. Legislative and political activities within the countries where we conduct business, particularly in emerging markets and less developed countries, could adversely impact our ability to operate in those countries. The political situation in a number of countries in which we operate could create instability in our contractual relationships with no effective legal safeguards for resolution of these issues, or potentially result in the seizure of our assets.

We may be adversely impacted by the strength of the U.S. dollar relative to the currencies in the other countries in which we do business.

Approximately 60% of our sales in 2011 were from operations located in countries other than the U.S. Currency variations can have an impact on our results (expressed in U.S. dollars). Currency variations can also adversely affect margins on sales of our products in countries outside of the U.S. and margins on sales of products that include components obtained from affiliates or other suppliers located outside of the U.S. The U.S. dollar has generally strengthened during the second half of 2011. Continued strengthening against the euro and many other currencies of countries in which we have operations could adversely affect our results reported in U.S. dollars. We use a combination of natural hedging techniques and financial derivatives to mitigate foreign currency exchange rate risks. Such hedging activities may be ineffective or may not offset more than a portion of the adverse financial impact resulting from currency variations.

We may be adversely impacted by new laws, regulations or policies of governmental organizations related to increased fuel economy standards and reduced greenhouse gas emissions, or changes in existing ones.

It is anticipated that the number and extent of governmental regulations related to fuel economy standards and greenhouse gas emissions, and the costs to comply with them, will increase significantly in the future. In the U.S., the Energy Independence and Security Act of 2007 requires significant increases in the Corporate Average Fuel Economy (CAFE) requirements applicable to cars and light trucks beginning with the 2011 model year. In April 2010, the National Highway Traffic Safety Administration and the Environmental Protection Agency issued a joint rulemaking, which regulates greenhouse gas pollution reduction and enhanced fuel efficiency of motor vehicles. The program covers model years 2012-2016 and mandates an increase in CAFE standards by five percent each year through 2016. The agreement requires that passenger vehicles achieve an industry standard of 35.5 miles per gallon (mpg) by 2016, an average increase of eight miles per gallon per vehicle from the 2011 requirements. Standards proposed in July 2011 for cars and light trucks for model years 2017-2025 would require performance equivalent to 54.5 mpg in 2025 while reducing allowed greenhouse gas emissions to 163 grams per mile from 250 grams per mile. In addition, a growing number of states are adopting regulations that establish carbon dioxide emission standards that effectively impose similarly increased fuel economy standards for new vehicles sold in those states. Compliance costs for our customers could require them to alter their spending, research and development plans, curtail sales, cease production or exit certain market segments characterized by lower fuel efficiency. Any of these actions could adversely affect our financial position and results of operations.

Company-Specific Risk Factors

We have taken, and continue to take, cost-reduction actions. Although our process includes planning for potential negative consequences, the cost-reduction actions may expose us to additional production risk and could adversely affect our sales, profitability and ability to attract and retain employees.

We have been reducing costs in all of our businesses and have discontinued product lines, exited businesses, consolidated manufacturing operations and positioned operations in lower cost locations. The impact of these cost-reduction actions on our sales and profitability may be influenced by many factors including our ability to successfully complete these ongoing efforts, our ability to generate the level of cost savings we expect or that are necessary to enable us to effectively compete, delays in implementation of anticipated workforce reductions, decline in employee morale and the potential inability to meet operational targets due to our inability to retain or recruit key employees.

We operate as a holding company and depend on our subsidiaries for cash to satisfy the obligations of the holding company.

Dana Holding Corporation is a holding company. Our subsidiaries conduct all of our operations and own substantially all of our assets. Our cash flow and our ability to meet our obligations depend on the cash flow of our subsidiaries. In addition, the payment of funds in the form of dividends, intercompany payments, tax sharing payments and otherwise may be subject to restrictions under the laws of the countries of incorporation of our subsidiaries.

Labor stoppages or work slowdowns at Dana, key suppliers or our customers could result in a disruption in our operations and have a material adverse effect on our businesses.

We and our customers rely on our respective suppliers to provide parts needed to maintain production levels. We all rely on workforces represented by labor unions. Workforce disputes that result in work stoppages or slowdowns could disrupt operations of all of these businesses which in turn could have a material adverse effect on the supply of, or demand for the products we supply our customers.

We could be adversely affected if we are unable to recover portions of commodity costs (including costs of steel, other raw materials and energy) from our customers.

We continue to work with our customers to recover a greater portion of our material cost increases. While we have achieved some success in these efforts to date, there is no assurance that commodity costs will not adversely impact our profitability in the future.

We could be adversely affected if we experience shortages of components from our suppliers or if disruptions in the supply chain lead to parts shortages for our customers.

A substantial portion of our annual cost of sales is driven by the purchase of goods and services. To manage and reduce these costs, we have been consolidating our supplier base. As a result, we are dependent on single sources of supply for some components of our products. We select our suppliers based on total value (including price, delivery and quality), taking into consideration their production capacities and financial condition and we expect that they will be able to support our needs. However, there is no assurance that adverse financial conditions, including bankruptcies of our suppliers, reduced levels of production or other problems experienced by our suppliers will not result in shortages or delays in their supply of components to us or even in the financial collapse of one or more such suppliers. If we were to experience a significant or prolonged shortage of critical components from any of our suppliers, particularly those who are sole sources, and were unable to procure the components from other sources, we would be unable to meet our production schedules for some of our key products and to ship such products to our customers in a timely fashion, which would adversely affect our revenues, margins and customer relations.

Adverse economic conditions, natural disasters and other factors can similarly lead to financial distress or production problems for other suppliers to our customers which can create disruptions to our production levels. Any such supply-chain induced disruptions to our production are likely to create operating inefficiencies that will adversely affect our revenues, margins and customer relations.

We could encounter unexpected difficulties integrating acquisitions and joint ventures.

We acquired businesses and invested in joint ventures in 2011, and we expect to complete additional investments in the future that complement or expand our businesses. The success of this strategy will depend on our ability to successfully complete these transactions or arrangements, to integrate the businesses acquired in these transactions and to develop satisfactory working arrangements with our strategic partners in the joint ventures. We could encounter unexpected difficulties in completing these transactions and integrating the acquisitions with our existing operations. We also may not realize the degree or timing of benefits anticipated when we entered into a transaction.

We could be adversely impacted by the costs of environmental, health, safety and product liability compliance.

Our operations are subject to environmental laws and regulations in the U.S. and other countries that govern emissions to the air; discharges to water; the generation, handling, storage, transportation, treatment and disposal of waste materials; and the cleanup of contaminated properties. Historically, other than an EPA settlement as part of our bankruptcy proceedings, environmental costs related to our former and existing operations have not been material. However, there is no assurance that the costs of complying with current environmental laws and regulations, or those that may be adopted in the future, will not increase and adversely impact us.

There is also no assurance that the costs of complying with current laws and regulations, or those that may be adopted in the future, that relate to health, safety and product liability matters will not adversely impact us. There is also a risk of warranty and product liability claims, as well as product recalls, in the commercial, off-highway and light vehicle markets if our products fail to perform to specifications or cause property damage, injury or death. (See Notes 14 and 15 of our consolidated financial statements in Item 8 for additional information on warranties and product liabilities.)

We participate in certain multiemployer pension plans which are not fully funded.

We contribute to certain multiemployer defined benefit pension plans for our union-represented employees in the U.S. in accordance with our collective bargaining agreements. Contributions are based on hours worked except in cases of layoff or leave where we generally contribute based on 40 hours per week for a maximum of one year. The plans are not fully funded as of December 31, 2011. We could be held liable to the plans for our obligation, as well as those of other employers, due to our participation in the plans. Contribution rates could increase if the plans are required to adopt a funding improvement plan, if the performance of plan assets does not meet expectations or as a result of future collectively bargained wage and benefit agreements. (See Note 10 of our consolidated financial statements in Item 8 for additional information on multiemployer pension plans).

Risk Factors Related to our Securities

Provisions in our Restated Certificate of Incorporation, Bylaws and Shareholders Agreement may discourage a takeover attempt.

Certain provisions of our Restated Certificate of Incorporation and Bylaws, as well as the General Corporation Law of the State of Delaware, may have the effect of delaying, deferring or preventing a change in control of Dana. Such provisions, including those regulating the nomination of directors, limiting who may call special stockholders' meetings and eliminating stockholder action by written consent, together with the terms of our outstanding preferred stock, may make it more difficult for other persons, without the approval of our board of directors, to make a tender offer or otherwise acquire substantial amounts of common stock or to launch other takeover attempts that a stockholder might consider to be in such stockholder's best interest.

Item 1B. Unresolved Staff Comments

-None-

Item 2. Properties

Type of Facility	North America	Europe	South America	Asia/ Pacific	Total
Administrative Offices	3			1	4
Engineering - Multiple Groups	1			1	2
LVD					
Manufacturing/Distribution	15	3	6	10	34
Commercial Vehicle					
Manufacturing/Distribution	9	4	3	4	20
Off-Highway					
Manufacturing/Distribution	3	7		2	12
Power Technologies					
Manufacturing/Distribution	14	4		1	19
Engineering	3				3
Structures					
Manufacturing/Distribution	1				1

Total Dana	49	18	9	19	95

As of December 31, 2011, we operated in 26 countries and had 95 major manufacturing/distribution, engineering and office facilities. We lease 36 of these manufacturing and distribution operations and a portion of 2 others and own the remainder of our facilities. We believe that all of our property and equipment is properly maintained.

Our corporate headquarters facilities are located in Maumee, Ohio. This facility and other facilities in the greater Detroit, Michigan and Toledo, Ohio area house functions that have global or North American regional responsibility for finance and accounting, treasury, risk management, legal, human resources, procurement and supply chain management, communications and information technology.

Item 3. Legal Proceedings

As a result of Dana Corporation's emergence from Chapter 11 of the U.S. Bankruptcy Code (Chapter 11) on January 31, 2008 (the Effective Date), Dana became the successor registrant to Dana Corporation (Prior Dana) pursuant to Rule 12g-3 under the Securities Exchange Act of 1934. Prior Dana and forty of its wholly-owned subsidiaries (collectively, the Debtors) operated their businesses as debtors in possession under Chapter 11 from March 3, 2006 (the Filing Date) until emergence from Chapter 11 on the Effective Date pursuant to the Third Amended Joint Plan of Reorganization of Debtors and Debtors in Possession (as modified the Plan). Pursuant to the Plan, the pre-petition ownership interests in Prior Dana were cancelled and all of the pre-petition claims against the Debtors were addressed in connection with our emergence from Chapter 11. The last of the pre-petition claims were resolved by the Bankruptcy Court in 2011. See Note 14 to our consolidated financial statements in Item 8 for further details. Our liability associated with these disputed claims was discharged upon our emergence from Chapter 11. Therefore, the final resolution of these disputed claims did not have an impact on our results of operations or financial condition.

As previously reported and as discussed in Note 14 to our consolidated financial statements in Item 8, we are a party to various pending judicial and administrative proceedings that arose in the ordinary course of business.

After reviewing the currently pending lawsuits and proceedings (including the probable outcomes, reasonably anticipated costs and expenses 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.

Item 4. Mine Safety Disclosure

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market information — Our common stock trades on the New York Stock Exchange (NYSE) under the symbol "DAN." The following table shows the high and low sales prices of our common stock as reported by the NYSE for each of our fiscal quarters during 2011 and 2010.

	2011		2010	
	High	Low	High	Low
Fourth quarter	$15.45	$9.45	$17.99	$12.06
Third quarter	19.00	9.82	12.79	8.95
Second quarter	18.96	15.64	14.10	9.27
First quarter	19.35	16.30	13.30	9.22

Holders of common stock — Based on reports by our transfer agent, there were approximately 5,655 registered holders of our common stock on February 10, 2012.

Stockholder return — The following graph shows the cumulative total stockholder return for our common stock during the period from February 1, 2008 to December 31, 2011. Five-year historical data is not presented since we emerged from Chapter 11 on January 31, 2008 and the stock performance of Dana is not comparable to the stock performance of Prior Dana. The graph also shows the cumulative returns of the S&P 500 Index and the Dow Jones US Auto Parts Index. The comparison assumes $100 was invested at the closing price on February 1, 2008 (the date our new common stock began trading on the NYSE). Each of the indices shown assumes that all dividends paid were reinvested.

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Performance chart

Index

	2/1/2008	12/31/2008	12/31/2009	12/31/2010	12/31/2011
Dana Holding Corporation	$100.00	$ 5.83	$ 85.35	$ 135.51	$ 95.67
S&P500	100.00	67.02	84.76	97.52	99.58
Dow Jones US Auto Parts	100.00	50.83	75.84	119.96	105.81

Dividends — We did not declare or pay any common stock dividends during 2011 or 2010.

Issuer's purchases of equity securities — The following table presents information with respect to repurchases of common stock made by us during the quarter ended December 31, 2011. These shares were delivered to us by employees as payment for withholding taxes due upon the distribution of stock awards.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
10/1/11 - 10/31/11	1,232	$ 12.47	—	—
11/1/11 - 11/30/11	99,735	14.12	—	—
12/1/11 - 12/31/11	493	12.53	—	—

Annual meeting — We will hold an annual meeting of stockholders on April 24, 2012.

Item 6. Selected Financial Data

	Dana				Prior Dana	
	Year Ended December 31,			Eleven Months Ended December 31,	One Month Ended January 31,	Year Ended December 31,
(In millions except share and per share amounts)	2011	2010	2009	2008	2008	2007
Net sales	$7,592	$6,109	$5,228	$ 7,344	$751	$ 8,721
Income (loss) from continuing operations before income taxes	$296	$35	$(454)	$ (549)	$914	$ (387)
Income (loss) from continuing operations	$232	$15	$(435)	$ (667)	$717	$ (423)
Loss from discontinued operations				(4)	(6)	(118)
Net income (loss)	232	15	(435)	(671)	711	(541)
Less: Noncontrolling interests net income (loss)	13	4	(5)	6	2	10
Net income (loss) attributable to the parent company	$219	$11	$(430)	$ (677)	$709	$ (551)
Income (loss) per share from continuing operations available to parent company stockholders						
Basic	$1.28	$(0.15)	$(4.19)	$ (7.02)	$4.77	$ (2.89)
Diluted	$1.02	$(0.15)	$(4.19)	$ (7.02)	$4.75	$ (2.89)
Loss per share from discontinued operations attributable to parent company stockholders						
Basic	$—	$—	$—	$ (0.04)	$(0.04)	$ (0.79)
Diluted	$—	$—	$—	$ (0.04)	$(0.04)	$ (0.79)
Net income (loss) per share available to parent company stockholders						
Basic	$1.28	$(0.15)	$(4.19)	$ (7.06)	$4.73	$ (3.68)
Diluted	$1.02	$(0.15)	$(4.19)	$ (7.06)	$4.71	$ (3.68)
Cash dividends per common share	$—	$—	$—	$ —	$—	$ —
Common Stock Data						
Weighted-average common shares outstanding						
Basic	146.6	140.8	110.2	100.1	149.9	150.3
Diluted	215.3	140.8	110.2	100.1	150.4	150.3
Stock price						
High	$19.35	$17.99	$11.25	$ 13.30		$ 2.51
Low	$9.45	$8.95	$0.19	$ 0.34		$ 0.02

Note: Information for Prior Dana is not comparable to the information shown for Dana due to our emergence from Chapter 11 on January 31, 2008.

	At December 31,				
	Dana				Prior Dana
	2011	2010	2009	2008	2007
Summary of Financial Position					
Total assets	$5,306	$5,101	$5,155	$5,607	$6,425
Notes payable, including current portion of long-term debt	$71	$167	$34	$70	$1,183
Long-term debt	$831	$780	$969	$1,181	$19
Liabilities subject to compromise					$3,511
Preferred stock	$753	$762	$771	$771	$—
Common stock, additional paid-in-capital, accumulated deficit and accumulated other comprehensive loss	984	925	910	1,257	(782)
Total parent company stockholders' equity (deficit)	$1,737	$1,687	$1,681	$2,028	$(782)
Book value per share	$11.85	$11.98	$15.25	$20.28	$(5.22)

Note: Information for Prior Dana is not comparable to the information shown for Dana due to our emergence from Chapter 11 on January 31, 2008.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions)

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with the financial statements and accompanying notes in Item 8.

Management Overview

We are a global provider of high technology driveline, sealing and thermal-management products for virtually every major vehicle manufacturer in the on-highway and off-highway markets. Our driveline products – axles, driveshafts and transmissions – are delivered through the Light Vehicle Driveline (LVD) and Commercial Vehicle segments of our global On-Highway Driveline Technologies (On-Highway) business unit and through our Off-Highway Driveline Technologies (Off-Highway) business unit. Our third global business unit – Power Products Technologies (Power Technologies) – is the center of excellence for the sealing and thermal technologies that span all customers in our on-highway and off-highway markets. We have a diverse customer base and geographic footprint which minimizes our exposure to individual market and segment declines. In 2011, 45% of our sales came from North American operations and 55% from operations throughout the rest of the world. Our On-Highway business accounted for 65% of our global sales, the Off-Highway business represented 20%, Power Technologies accounted for 14% and Structures was 1%.

Operational and Strategic Initiatives

During the past three years, we have significantly improved our financial condition — reducing debt, raising additional equity, improving the profitability of customer programs and eliminating structural costs. We have also strengthened our leadership team and streamlined our operating segments to focus on our core competencies of driveline technologies, sealing systems and thermal management. As a result, we believe that we are well-positioned to put increasing focus on profitable growth.

While we intend to continue aggressively reducing cost and streamlining our business operations, our future strategy includes several growth initiatives directed at strengthening the competitiveness of our products through innovation and technology, geographic expansion, aftermarket opportunities and selective acquisitions.

Strengthening the competitiveness of our products — We are committed to making investments and diversifying our product offerings to strengthen our competitive position in these core technologies. We've prioritized our focus on innovation around these core technologies because of the opportunities to create value for our customers through improved fuel efficiency, emission control, electric and hybrid electric solutions, durability and cost of ownership.

Additional engineering and operational investment is being channeled into reinvigorating our product portfolio and capitalizing on technology advancement opportunities. In 2010, we combined the North American engineering centers of our LVD and Commercial Vehicle segments, allowing us the opportunity to better share technologies among these businesses. In 2011, commitments to new engineering facilities in India and China are more than doubling our engineering presence in the Asia Pacific region with state-of-the-art design and test capabilities that globally support each of our businesses.

Geographic expansion — Although there are growth opportunities in each region, we have a primary focus in the Asia Pacific region, especially India and China. In addition to new engineering facilities in India and China, during the second quarter of 2011 a new hypoid gear manufacturing facility in India began production and we completed two transactions – our planned investment in our China-based joint venture with Dongfeng Motor Co., Ltd. (Dongfeng) and the acquisition of the axle drive head and final assembly business from our Axles India Limited (AIL) joint venture – which significantly increased our commercial vehicle driveline presence in the region. We have experienced considerable success in the China off-highway and industrial markets and we believe there is considerable opportunity for future growth in these markets. In South America, our strategic agreement with SIFCO S.A. (SIFCO) completed in February 2011 makes us the leading full driveline supplier in the South American commercial vehicle market.

Aftermarket opportunities — We have established a global group dedicated to identifying and developing aftermarket growth opportunities that leverage the capabilities within our existing businesses — targeting increased future aftermarket revenues as a percent of consolidated sales.

Selective acquisitions — Our current acquisition focus is to identify “bolt-on” acquisition opportunities like the strategic agreement with SIFCO and the AIL acquisition completed this year that have a strategic fit with our existing businesses, particularly opportunities that would support the other growth initiatives discussed above and enhance the value proposition of our customer product offerings. Any potential acquisition will be evaluated in the same manner we currently consider customer program opportunities — with a disciplined financial approach designed to ensure profitable growth.

Cost management – Although we’ve taken significant strides to improve our margins, particularly through streamlining and rationalizing our manufacturing activities and rationalizing our administrative support processes, additional opportunities remain. We have ramped up our material cost efforts to ensure that we’re rationalizing our supply base and obtaining appropriate competitive pricing. Further, we’re putting a major focus on reducing product complexity – something that not only improves our cost, but brings added value to our customers through more efficient assembly processes. With a continued emphasis on process improvements and productivity throughout the organization, we expect cost reductions to continue contributing to future margin improvement.

Acquisitions

SIFCO — In February 2011, we entered into an agreement with SIFCO, a leading producer of steer axles and forged components in South America. In return for a payment of $150 to SIFCO, we acquired the distribution rights to SIFCO’s commercial vehicle steer axle systems as well as an exclusive long-term supply agreement for key driveline components. Additionally, SIFCO will provide selected assets and assistance to Dana to establish assembly capabilities for these systems. We are now responsible for all customer relationships, including marketing, sales, engineering and assembly. The addition of truck and bus steer axles to our product offering in South America effectively positions us as the leading full-line supplier of commercial vehicle drivelines — including front and rear axles, driveshafts and suspension systems — in South America. This acquisition contributed $390 to 2011 sales.

Dongfeng Dana Axle — In June 2011, we paid $124 to increase our equity investment in Dongfeng Dana Axle Co., Ltd. (DDAC) from 4% to 50%. Our investment in DDAC is being accounted for on the equity method. DDAC is the primary supplier of truck axles to Dongfeng. DDAC offers a complete range of truck axles in the Chinese market, including drive, steer, tandem, and hub-reduction axles for light-, medium- and heavy-duty trucks, as well as buses.

Axles India — In June 2011, we acquired the axle drive head and final assembly business of our AIL equity affiliate for $13. This business contributed $14 to our 2011 sales.

Dana Rexroth Transmission Systems — In October 2011, we formed a 50/50 joint venture with Bosch Rexroth to develop and manufacture advanced powersplit drive transmissions for the off-highway market. We contributed $8 to the venture and are accounting for our investment under the equity method.

Divestitures

Divestiture of GETRAG Entities — On September 30, 2011, we completed the divestitures of our 49% equity interest in GETRAG Corporation and our 42% equity interest in GETRAG Dana Holding GmbH (together the GETRAG Entities) for $136.

Divestiture of Structural Products business — In December 2009, we signed an agreement to sell substantially all of the assets of our Structural Products business to Metalsa S.A. de C.V. (Metalsa), the largest vehicle frame and structures supplier in Mexico. We completed the sale in 2010 for a selling price of $148. We received cash proceeds of $118 during 2010 and $16 in 2011. The remaining proceeds are held in escrow pending resolution of claims presented by the buyer. The Structural Products business that we retained, which generated sales of $48 in 2011, is expected to conclude operations in mid-2012.

Segments

We manage our operations globally through five operating segments. Our LVD, Power Technologies and Structures segments primarily support light vehicle original equipment manufacturers (OEMs) with products for light trucks, SUVs, CUVs, vans and passenger cars. As indicated above, the Structural Products business is expected to cease operations in mid-2012. The Commercial Vehicle and Off-Highway operating segments support the OEMs of on-highway commercial vehicles (primarily trucks and buses) and off-highway vehicles (primarily wheeled vehicles used in construction and agricultural applications).

The reporting of our operating segment results was reorganized in the first quarter of 2011 in line with changes in our management structure. Certain operations in South America were moved from the LVD segment to the Commercial Vehicle segment as the activities of these operations had become more closely aligned with the commercial vehicle market. The results of these segments have been retroactively adjusted to conform to the current reporting structure.

Trends in Our Markets

Global Vehicle Production

				Actual		
(Units in thousands)	Dana 2012 Outlook			2011	2010	2009
North America						
Light Vehicle (Total)	13,800	to	14,100	13,125	11,941	8,583
Light Truck (excl. CUV/Minivan)	3,500	to	3,700	3,625	3,520	2,593
Medium Truck (Class 5-7)	170	to	180	167	116	93
Heavy Truck (Class 8)	280	to	290	255	152	118
Europe (including E. Europe)						
Light Vehicle	19,000	to	19,500	20,089	19,094	16,516
Medium/Heavy Truck	400	to	420	430	325	204
South America						
Light Vehicle	4,300	to	4,500	4,318	4,173	3,693
Medium/Heavy Truck	230	to	240	219	191	132
Asia-Pacific						
Light Vehicle	41,000	to	42,000	36,803	37,046	28,932
Medium/Heavy Truck	1,700	to	1,800	1,575	1,714	1,135
Off-Highway – Global (year-over-year)						
Agricultural Equipment	+0	to	+5%	+15 to +20%	+2 to +5%	-35 to -40%

Construction Equipment	+5 to +10%	+20 to +25%	+20 to +25%	-70 to -75%

North America

Light vehicle markets — Production levels in North America have steadily increased the past three years from the depressed economic environment of 2008 and early 2009. Production levels began the upward climb in the second half of 2009 as GM and Chrysler emerged from bankruptcy reorganization and the overall economy began to rebound. With gradually improving economic conditions during the past two years, production levels of light vehicles in North America continued to strengthen. Production in 2011 of 13.1 million units was 10% higher than in 2010, while production of 11.9 million units in 2010 was up 39% from 2009. In the light truck pickup, van and SUV segment where more of our programs are focused, 2011 production increased a more modest 3% in 2011 after rebounding significantly in 2010 – up more than 35% from 2009. The higher 2011 production levels reflect the higher light vehicle unit sales which increased around 9% in 2011 and 10% in 2010, with the light truck pickup, van and SUV segment posting sales increases of around 10% in 2011 and 15% in 2010. Since the economic recovery beginning in the second half of 2009, production levels in the region have generally been adjusted to coincide with sales levels, keeping inventory levels relatively constant. Days supply of total light vehicles at the end of 2011 were around 51, compared to days supply of 55 and 53 at the end of 2010 and 2009. Inventory levels in the light truck pickup, van and SUV segment were 56 days at the end 2011, as compared to 62 days at the end of 2010 and 2009.

On the economic front, consumer sentiment has been rather mixed this past year with unemployment levels, the housing sector and fuel prices at times creating some concern about the sustainability of continued economic recovery. Although improvement or stability in these factors contributed to consumer confidence levels improving near the end of 2011, these factors continue to pose some risk and uncertainty to near-term vehicle production levels. On balance, we are expecting a modest level of economic strengthening in North America in 2012, with full year light vehicle production levels projected to be up about 5 to 7% over 2011 and light truck pickup, van and SUV segment production expected to be comparable with 2011.

Medium/heavy vehicle markets — As with the light vehicle market, medium/heavy truck production has steadily increased over the past three years. Heavy-duty Class 8 truck production of about 255,000 units in 2011 was more than 60% higher than in 2010, which was up 29% from 2009. While medium-duty Classes 5-7 production has not been as strong, this segment also experienced solid improvement with 2011 production levels being up more than 40% and 2010 production being up about 25%.

With the continued improvement in the North American economy and some pent up end user demand, order levels for medium/heavy commercial trucks have continued to be strong this past year. Consequently, our outlook for 2012 has Class 8 production being around 280,000 to 290,000 units, an increase of 10 to 14%, and medium-duty Classes 5-7 production coming in at around 170,000 to 180,000 units, an increase of 2 to 8%.

Markets Outside of North America

Light vehicle markets — Improvement in the overall global economic environment has favorably impacted production levels the past three years in regions outside North America. In 2011, increased production levels outside North America were tempered in Europe by softness brought on in part by sovereign debt concerns and in Asia by the effects of natural disasters that disrupted vehicle production. Despite recent weakness, for the full year 2011 production levels in Europe increased about 5% from the previous year, after increasing about 16% in 2010 from 2009. In South America, production was up about 4% in 2011, after increasing around 13% the previous year. Asia Pacific production levels, which were adversely impacted by the earthquake in Japan early in 2011 and by floods in Thailand later in the year, still came in at a level that was generally comparable with 2010. In 2010, production levels in Asia Pacific were strong – about 28% higher than in 2009. Looking ahead to 2012, we expect that the lingering sovereign debt concerns in Europe, among other factors, will adversely affect production levels. As such, we expect European production levels will be down slightly in 2012. In South America, we are anticipating a relatively steady or modestly improving economy resulting in 2012 light vehicle production levels that will be about the same or up slightly from 2011. In the Asia Pacific region, 2012 production levels are expected to increase in the range of 11 to 14% as production levels return to normal following the natural disasters in 2011 and the benefits of overall continued economic strengthening manifest.

Medium/heavy vehicle markets — The same factors referenced above that affected light vehicle markets outside of North America similarly affected the medium/heavy markets. Medium/heavy production in Europe was up more than 30% in 2011, following a production increase of about 59% the previous year. South American production strengthened about 15% in 2011, after being up 45% in 2010. Production in Asia Pacific declined about 8% as a consequence of the natural disasters disrupting 2011 production, after being up more than 50% the previous year. For 2012, we expect a weaker European economy will lead to medium/heavy vehicle production levels being down 2 to 7% from 2011. In South America, we expect production levels to be 5 to 10% higher than in 2011, and in Asia Pacific we expect production to rebound 8 to 14%.

Off-Highway Markets

Our off-highway business has a large presence outside of North America, with about 70% of its sales coming from Europe and 10% from South America and Asia Pacific combined. We serve several segments of the diverse off-highway market, including construction, agriculture, mining and material handling. Our largest markets are the European and North American construction and agricultural equipment segments — both of which experienced increased demand in 2010 and 2011. Our outlook for these markets for 2012 has demand levels ranging from comparable to up 5% in the agriculture segment and up 5 to 10% in the construction segment.

Sales, Earnings and Cash Flow Outlook

	2012 Outlook	2011	2010	2009
Sales	$8,000+	$7,592	$6,109	$5,228