DANA HOLDING CORP
Form 10-K
February 21, 2014

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, 2013
Commission File Number: 1-1063

Dana Holding Corporation
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 26-1531856 |
| (State of incorporation) | (IRS Employer Identification Number) |
| 3939 Technology Drive, Maumee, OH | 43537 |
| (Address of principal executive offices) | (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: None.

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) 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 (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated 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.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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 closing price of the common stock on June 28, 2013 was $2,819,154,284.
APPLICABLE ONLY TO CORPORATE ISSUERS:

There were 148,036,397 shares of the registrant's common stock outstanding at February 7, 2014.

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 May 2, 2014 are incorporated by reference into Part III.

DANA HOLDING CORPORATION
FORM 10-K
YEAR ENDED DECEMBER 31, 2013

Table of Contents

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 report 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 Holding Corporation (Dana) is headquartered in Maumee, Ohio and was incorporated in Delaware in 2007. As a global provider of high technology driveline (axles, driveshafts and transmissions), sealing and thermal-management products our customer base includes virtually every major vehicle manufacturer in the global light vehicle, medium/heavy vehicle and off-highway markets. At December 31, 2013, we employed approximately 23,000 people, operated in 26 countries and had 91 major facilities around the world.

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

We have aligned our organization around four operating business segments: Light Vehicle Driveline Technologies (Light Vehicle), Commercial Vehicle Driveline Technologies (Commercial Vehicle), Off-Highway Driveline Technologies (Off-Highway) and Power Technologies. These businesses have global responsibility and accountability for business commercial activities and financial performance.

External sales by operating segment for the years ended December 31, 2013, 2012 and 2011 are as follows:

| | 2013 | | | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Dollars | % of Total | | Dollars | % of Total | | Dollars | % of Total | |
| Light Vehicle | $2,549 | 37.7 | % | $2,743 | 38.0 | % | $2,696 | 35.7 | % |
| Commercial Vehicle | 1,860 | 27.5 | % | 1,960 | 27.1 | % | 2,245 | 29.8 | % |
| Off-Highway | 1,330 | 19.6 | % | 1,509 | 20.9 | % | 1,560 | 20.7 | % |
| Power Technologies | 1,030 | 15.2 | % | 1,012 | 14.0 | % | 1,042 | 13.8 | % |
| Other | | | | | | | 1 | | |
| Total | $6,769 | | | $7,224 | | | $7,544 | | |

Refer to Segment Results of Operations in Item 7 and Note 19 to our consolidated financial statements in Item 8 for further financial information about our operating segments.

1

Our business is diversified across end-markets, products and customers. The following table summarizes the markets, products and largest customers of each of our operating segments.

| Segment | Markets | Products | Largest Customers |
|---|---|---|---|
| Light Vehicle | Light vehicle market: | Front axles | Ford Motor Company |
| | Light trucks (full frame) | Rear axles | Hyundai Mobis |
| | Sport utility vehicles | Driveshafts | Tata Motors |
| | Crossover utility vehicles | Differentials | Nissan Motor Company |
| | Vans | Torque couplings | Toyota Motor Company |
| | Passenger cars | Modular assemblies | Chrysler Group |
| Commercial Vehicle | Medium/heavy vehicle market: | Axles | PACCAR |
| | Medium duty trucks | Driveshafts | AB Volvo |
| | Heavy duty trucks | Steering shafts | Volkswagen AG |
| | Buses | Suspensions | Ford Motor Company |
| | Specialty vehicles | Tire management systems | Daimler AG |
| Off-Highway | Off-Highway market: | Axles | Deere & Company |
| | Construction | Driveshafts | AGCO Corporation |
| | Earth moving | End-fittings | Manitou Group |
| | Agricultural | Transmissions | Fiat Group |
| | Mining | Torque converters | Oshkosh Corporation |
| | Forestry | Electronic controls | |
| | Rail | | |
| | Material handling | | |
| Power Technologies | Light vehicle market | Gaskets | Ford Motor Company |
| | Medium/heavy vehicle market | Cover modules | General Motors Company |
| | Off-Highway market | Heat shields | Volkswagen AG |
| | | Engine sealing systems | Caterpillar Inc. |
| | | Cooling | PSA Peugeot Citroen |
| | | Heat transfer products | |

Geographic Operations

We maintain administrative and operational organizations in North America, Europe, South America and Asia Pacific to support the operational requirements of our operating segments, 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 | Belgium | South Africa | Argentina | Australia |
| Mexico | France | Spain | Brazil | China |
| United States | Germany | Sweden | Colombia | India |
| | Hungary | Switzerland | Ecuador | Japan |
| | Italy | United Kingdom | Venezuela | South Korea |
| | Russia | | | 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 $4,210 of our 2013 consolidated sales of $6,769. A summary of sales and long-lived assets by geographic region can be found in Note 19 to our consolidated financial statements in Item 8.

Customer Dependence

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 Motor Company (Ford) was the only individual customer accounting for 10% or more of our consolidated sales in 2013. As a percentage of total sales from operations, our sales to Ford were approximately 18% in 2013 and 17% in both 2012 and 2011 and our sales to PACCAR, our second largest customer, were approximately 8% in both 2013 and 2012 and 7% in 2011.

Hyundai Mobis, Volkswagen AG and Tata Motors were our third, fourth and fifth largest customers in 2013. Our 10 largest customers collectively accounted for approximately 56% of our sales in 2013.

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 typically 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.

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 sales 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, reliability, materials and processes, sustainability and product extension.

The following table summarizes our principal competitors by operating segment.

| Segment | Principal Competitors |
|---|---|
| Light Vehicle | ZF Friedrichshafen AG |
| | GKN plc |
| | American Axle & Manufacturing Holdings, Inc. |
| | Magna International Inc. |
| | Wanxiang Group Corporation |
| | Hitachi Automotive Systems, Ltd. |
| | IFA ROTORION Holding GmbH |
| | Neapco, LLC |
| | Vertically integrated OEM operations |
| Commercial Vehicle | Meritor, Inc. |
| | American Axle & Manufacturing Holdings, Inc. |
| | Hendrickson (a subsidiary of the Boler Company) |
| | Klein Products Inc. |
| | Vertically integrated OEM operations |
| Off-Highway | Carraro Group |
| | ZF Friedrichshafen AG |
| | GKN plc |
| | Kessler + Co. |
| | Meritor, Inc. |
| | Vertically integrated OEM operations |
| Power Technologies | ElringKlinger AG |
| | Federal-Mogul Corporation |
| | Freudenberg NOK Group |
| | Behr GmbH & Co. KG |
| | Mahle GmbH |
| | Modine Manufacturing Company |
| | Valeo Group |
| | YinLun Co., LTD |
| | Denso Corporation |

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, 2013, we had eight standalone technical and engineering centers with additional research and development activities carried out at seven additional sites. Our research and development costs were $64 in 2013, $57 in 2012 and $52 in 2011. Total engineering expenses including research and development were $165 in 2013, $161 in 2012 and $155 in 2011.

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 23,000 at December 31, 2013. The following table summarizes our employment by operating segment.

| Segment | Employees |
|---|---|
| Light Vehicle | 9,200 |
| Commercial Vehicle | 5,300 |
| Off-Highway | 2,800 |
| Power Technologies | 4,500 |
| Technical and administrative | 1,200 |
| Total | 23,000 |

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 2013.

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 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) are available, free of charge, on or through our Internet website at 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 on our Internet website. Copies of these posted materials are also 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 adverse 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 2014, 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 56% of our overall sales in 2013. 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 operate in Venezuela where government exchange controls place restrictions on our ability to repatriate funds, and in Argentina, where trade-related initiatives and other government restrictions limit our ability to optimize operating effectiveness. At December 31, 2013, our net asset exposure related to Venezuela and Argentina was approximately $65 and $38 respectively, including $31 and $13 of net fixed 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 62% of our sales in 2013 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. Strengthening of the U.S. dollar against the euro and currencies of other 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.

The markets and customers we serve are subject to a substantial amount of government regulation, which often differs by state, region and country. Government regulation has arisen, and proposals for additional regulation are advanced, primarily out of concern for the environment (including concerns about the possibility of global climate change and its impact) and energy independence. We anticipate that the number and extent of these regulations, and the costs to comply with them, will increase significantly in the future.

In the U.S., vehicle fuel economy and greenhouse gas emissions are regulated under a harmonized national program administered by the National Highway Traffic Safety Administration and the Environmental Protection Agency. Other governments in the markets we serve are also creating new policies to address these same issues, including the European Union, Brazil, China and India. These government regulatory requirements could significantly affect our customers by altering their global product development plans and substantially increasing their costs, which could result in limitations on the types of vehicles they sell and the geographical markets they serve. Any of these outcomes 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 or the by-laws of the subsidiary.

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 been successful in the past recovering a significant portion of such cost increases, there is no assurance that increases in 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, natural disasters 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 sales, profitability 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 sales, profitability and customer relations.

During 2013, we advised one of our largest suppliers that we do not intend to extend our existing contractual relationship beyond the current contract expiration date of December 31, 2014. As a consequence, we have established or are in the process of establishing relationships with alternative suppliers and working with our current supplier to achieve an orderly transition. There is a risk that our operating results and customer relationships could be adversely impacted if the transition to new suppliers is not effectively executed.

We use important intellectual property in our business. If we are unable to protect our intellectual property or if a third party makes assertions against us or our customers relating to intellectual property rights, our business could be adversely affected.

We own important intellectual property, including patents, trademarks, copyrights and trade secrets, and are involved in numerous licensing arrangements. Our intellectual property plays an important role in maintaining our competitive position in a number of the markets that we serve. Our competitors may develop technologies that are similar or superior to our proprietary technologies or design around the patents we own or license. Further, as we expand our operations in jurisdictions where the protection of intellectual property rights is less robust, the risk of others duplicating our proprietary technologies increases, despite efforts we undertake to protect them. Developments or assertions by or against us relating to intellectual property rights, and any inability to protect these rights, could materially adversely impact our business and our competitive position.

We could encounter unexpected difficulties integrating acquisitions and joint ventures.

We acquired businesses and invested in joint ventures in 2012 and 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.

Several of our joint ventures operate pursuant to established agreements and, as such, we do not unilaterally control the joint venture. There is a risk that the partners' objectives for the joint venture may not be aligned, leading to potential differences over management of the joint venture that could adversely impact its financial performance and consequent contribution to our earnings. Additionally, inability on the part of our partner to satisfy its contractual obligations under the agreements could adversely impact our results of operations and financial position.

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, if our products fail to perform to specifications or cause property damage, injury or death, including a risk that asbestos related product liability claims could result in increased liabilities. (See Notes 15 and 16 to our consolidated financial statements in Item 8 for additional information on warranties and product liabilities.)

A failure of our information technology infrastructure could adversely impact our business and operations.

We recognize the increasing volume of cyber attacks and employ commercially practical efforts to provide reasonable assurance such attacks are appropriately mitigated. Each year, we evaluate the threat profile of our industry to stay abreast of trends and to provide reasonable assurance our existing countermeasures will address any new threats identified. Despite our implementation of security measures, our IT systems and those of our service providers are vulnerable to circumstances beyond our reasonable control including acts of terror, acts of government, natural disasters, civil unrest, and denial of service attacks which may lead to the theft of our intellectual property, trade secrets, or business disruption. To the extent that any disruptions or security breach results in a loss or damage to our data, or an inappropriate disclosure of confidential information, it could cause significant damage to our reputation, affect our relationships with our customers, suppliers and employees lead to claims against the company and ultimately harm our business. Additionally, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

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, 2013. 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 11 to our consolidated financial statements in Item 8 for additional information on multiemployer pension plans.)

Changes in interest rates and asset returns could increase our pension funding obligations and reduce our profitability.
We have unfunded obligations under certain of our defined benefit pension and other postretirement benefit plans. The valuation of our future payment obligations under the plans and the related plan assets are subject to significant adverse changes if the credit and capital markets cause interest rates and projected rates of return to decline. Such declines could also require us to make significant additional contributions to our pension plans in the future. A material increase in the unfunded obligations of these plans could also result in a significant increase in our pension expense in the future.

We may incur additional tax expense or become subject to additional tax exposure.

Our provision for income taxes and the cash outlays required to satisfy our income tax obligations in the future could be adversely affected by numerous factors. These factors include changes in the level of earnings in the tax jurisdictions in which we operate, changes in the valuation of deferred tax assets, changes in our plans to repatriate the earnings of our non-U.S. operations to the U.S. and changes in tax laws and regulations. Our income tax returns are subject to examination by federal, state and local tax authorities in the U.S. and tax authorities outside the U.S. The results of these examinations and the ongoing assessments of our tax exposures could also have an adverse effect on our provision for income taxes and the cash outlays required to satisfy our income tax obligations.

Our ability to utilize our net operating loss carryforwards may be limited.

Net operating tax loss carryforwards (“NOLs”) approximating $1,512 were available at December 31, 2013 to reduce future U.S. income tax liabilities. Our ability to utilize these NOLs may be limited as a result of certain change of control provisions of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). Of this amount, NOLs of approximately $775 are treated as losses incurred before the change of control upon emergence from Chapter 11 and are limited to annual utilization of $84. The balance of NOLs, treated as incurred subsequent to the change in control, were not subject to limitation as of December 31, 2012. However, there can be no assurance that trading in our shares will not effect another change in control under the Code, which would further limit our ability to utilize our available NOLs. Such limitations may cause us to pay income taxes earlier and in greater amounts than would be the case if the NOLs were not subject to limitation.

Risk Factors Related to our Securities

Provisions in our Restated Certificate of Incorporation and Bylaws 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 governing the nomination of directors, limiting who may call special stockholders' meetings and eliminating stockholder action by written consent 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 |
|---|---|---|---|---|---|
| Light Vehicle | | | | | |
| Manufacturing/Distribution | 13 | 3 | 6 | 9 | 31 |
| Commercial Vehicle | | | | | |
| Manufacturing/Distribution | 9 | 4 | 3 | 4 | 20 |
| Off-Highway | | | | | |
| Manufacturing/Distribution | 2 | 7 | | 2 | 11 |
| Power Technologies | | | | | |
| Manufacturing/Distribution | 12 | 4 | | 1 | 17 |
| Technical and Engineering Centers | 3 | | | | 3 |
| Corporate and other | | | | | |
| Administrative Offices | 3 | | | 1 | 4 |
| Technical and Engineering Centers - Multiple Segments | 2 | | | 3 | 5 |
| | 44 | 18 | 9 | 20 | 91 |

As of December 31, 2013, we operated in 26 countries and had 91 major facilities housing manufacturing and distribution operations, technical and engineering centers and administrative offices. In addition to the eight standalone technical and engineering centers in the table above, we have seven technical and engineering centers housed within manufacturing sites. We lease 33 of these manufacturing and distribution operations and a portion of four 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 areas 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 previously reported and as discussed in Note 15 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.

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 prices of our common stock as reported by the NYSE for each of our fiscal quarters during 2013 and 2012.

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| Fourth quarter | $23.46 | $18.32 | $15.66 | $12.13 |
| Third quarter | 23.17 | 19.42 | 14.74 | 11.13 |
| Second quarter | 19.76 | 15.51 | 16.60 | 12.00 |
| First quarter | 18.24 | 15.17 | 16.76 | 12.39 |

Holders of common stock — Based on reports by our transfer agent, there were approximately 4,308 registered holders of our common stock on February 7, 2014.

Stockholder return — The following graph shows the cumulative total shareholder return for our common stock since December 31, 2008. The graph compares our performance to that of the Standard & Poor’s 500 Stock Index and the Dow Jones US Auto Parts Index. The comparison assumes $100 was invested at the closing price on December 31, 2008. Each of the returns shown assumes that all dividends paid were reinvested.

Performance chart

| Index | 12/31/2008 | 12/31/2009 | 12/31/2010 | 12/31/2011 | 12/31/2012 | 12/31/2013 |
|---|---|---|---|---|---|---|
| Dana Holding Corporation | $100.00 | $1,463.50 | $2,323.45 | $1,640.35 | $2,138.98 | $2,714.46 |
| S&P 500 | 100.00 | 126.46 | 145.51 | 148.59 | 172.37 | 228.19 |
| Dow Jones US Auto Parts | 100.00 | 149.18 | 235.98 | 208.15 | 232.93 | 363.50 |

Dividends — We declared and paid four quarterly common stock dividends of five cents per share in both 2013 and 2012.

Issuer's purchases of equity securities — On October 25, 2012, our Board of Directors approved a share repurchase program of up to $250 of our outstanding shares over a two-year period. On June 28, 2013, our Board of Directors approved an expansion of the share repurchase program to up to $1,000 over the next two years. We will repurchase shares utilizing available excess cash either in the open market or through privately negotiated transactions. The stock repurchases are subject to prevailing market conditions and other considerations. Repurchased common shares will be deemed common stock held in treasury.

On August 12, 2013, we entered into an accelerated share repurchase (ASR) agreement with a third-party financial institution to repurchase $200 of our common stock. In August 2013, we paid $200 to the financial institution and received an initial delivery of 7,302,602 shares. This initial share delivery represented 80% of the ASR transaction's value at the then-current price of $21.91 per share. On October 28, 2013, the ASR transaction concluded and we received an additional 1,831,445 shares. The average price paid for the 9,134,047 shares received under the ASR was $21.90 per share.

The following table shows repurchases of our common stock for each calendar month in the quarter ended December 31, 2013.

| Calendar Month | Class or Series of Securities | Number of Shares Purchased | | Average Price Paid per Share | | Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs |
|---|---|---|---|---|---|---|---|
| October | Common | 1,831,445 | * | $21.84 | * | 1,831,445 | $220 |
| November | Common | 1,164,700 | | $19.30 | | 1,164,700 | $197 |
| December | Common | 1,360,600 | | $19.28 | | 1,360,600 | $171 |

* Shares received upon the conclusion of the ASR transaction at an implied price of $21.84 per share.

Annual meeting — We will hold an annual meeting of stockholders on May 2, 2014.

Item 6. Selected Financial Data

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010* | 2009 |
| Operating Results | | | | | |
| Net sales | $6,769 | $7,224 | $7,544 | $5,921 | $4,636 |
| Income (loss) from continuing operations before income taxes | 368 | 364 | 306 | 55 | (275) |
| Income (loss) from continuing operations | 261 | 315 | 240 | 36 | (260) |
| Loss from discontinued operations | (1) | — | (8) | (21) | (175) |
| Net income (loss) | 260 | 315 | 232 | 15 | (435) |
| | | | | | |
| Net income (loss) attributable to the parent company | $244 | $300 | $219 | $4 | $(430) |
| Preferred stock dividend requirements | 25 | 31 | 31 | 32 | 32 |
| Preferred stock redemption premium | 232 | — | — | — | — |
| Net income (loss) available to common stockholders | $(13) | $269 | $188 | $(28) | $(462) |
| | | | | | |
| Net income (loss) per share available to common stockholders | | | | | |
| Basic | | | | | |
| Income (loss) from continuing operations | $(0.08) | $1.82 | $1.34 | $(0.05) | $(2.60) |
| Loss from discontinued operations | (0.01) | — | (0.06) | (0.15) | (1.59) |
| Net income (loss) | (0.09) | 1.82 | 1.28 | (0.20) | (4.19) |
| Diluted | | | | | |
| Income (loss) from continuing operations | $(0.08) | $1.40 | $1.05 | $(0.05) | $(2.60) |
| Loss from discontinued operations | (0.01) | — | (0.03) | (0.15) | (1.59) |
| Net income (loss) | (0.09) | 1.40 | 1.02 | (0.20) | (4.19) |
| | | | | | |
| Depreciation and amortization of intangibles | $262 | $277 | $307 | $314 | $397 |
| Net cash provided by operating activities | 577 | 339 | 370 | 287 | 208 |
| Purchases of property, plant and equipment | 209 | 164 | 196 | 120 | 99 |
| | | | | | |
| Financial Position | | | | | |
| Cash and cash equivalents and marketable securities | $1,366 | $1,119 | $987 | $1,144 | $953 |
| Total assets | 5,129 | 5,144 | 5,277 | 5,101 | 5,155 |
| Long-term debt | 1,567 | 803 | 831 | 780 | 969 |
| Total debt | 1,624 | 904 | 902 | 947 | 1,003 |
| Preferred stock | 372 | 753 | 753 | 762 | 771 |
| Common stock and additional paid-in capital | 2,842 | 2,670 | 2,644 | 2,614 | 2,581 |
| Treasury stock | (366) | (25) | (9) | (4) | — |
| Total parent company stockholders' equity | 1,309 | 1,836 | 1,730 | 1,680 | 1,680 |
| Book value per share | $8.94 | $12.41 | $11.81 | $11.94 | $15.24 |
| | | | | | |
| Common Share Information | | | | | |
| Dividends declared per common share | $0.20 | $0.20 | $— | $— | $— |
| Weighted-average common shares outstanding | | | | | |
| Basic | 146.4 | 148.0 | 146.6 | 140.8 | 110.2 |
| Diluted | 146.4 | 214.7 | 215.3 | 140.8 | 110.2 |
| Market prices | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| High | $23.46 | $16.76 | $19.35 | $17.99 | $11.25 |
| Low | 15.17 | 11.13 | 9.45 | 8.95 | 0.19 |

* We revised net income attributable to the parent company and net loss available to common stockholders for the year ended December 31, 2010 to correct a $7 understatement of noncontrolling interests net income identified in the fourth quarter of 2013. Earnings per share amounts for 2010 were updated accordingly, as were parent company stockholders' equity and book value per share as of the end of 2010 through 2012.

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 our Light Vehicle Driveline (Light Vehicle), Commercial Vehicle Driveline Technologies (Commercial Vehicle) and Off-Highway Driveline Technologies (Off-Highway) operating segments. Our fourth global operating segment – 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 2013, 44% of our sales came from North American operations and 56% from operations throughout the rest of the world. Our sales by operating segment were Light Vehicle – 38%, Commercial Vehicle – 27%, Off-Highway – 20% and Power Technologies – 15%.

Operational and Strategic Initiatives

During the past three years, we have significantly improved our overall financial prospects — improving the overall profitability of our business, increasing cash flows and addressing 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 place increasing focus on profitable growth and shareholder returns.

Shareholder returns – Our strong financial position enabled us to provide returns to our common shareholders in the form of cash dividends and the reduction in the number of common share equivalents outstanding. We declared and paid four quarterly common stock dividends of five cents per share in both 2013 and 2012. During 2013, we redeemed our Series A preferred stock, the equivalent of 21 million common shares on an as converted basis, for $474 and we repurchased 17 million common shares for $337.

Technology leadership — With a clear focus on market based value drivers, global mega trends and customer sustainability objectives and requirements, we are driving innovation to create differentiated value for our customers, moving from a "product push" to a "market pull" product pipeline. We are committed to making investments and diversifying our product offerings to strengthen our competitive position in our core driveline, sealing and thermal technologies, creating value for our customers through improved fuel efficiency, emission control, electric and hybrid electric solutions, durability and cost of ownership, software integration and systems solutions. Our September 2012 strategic alliance with Fallbrook Technologies Inc. (Fallbrook) provides us the opportunity to leverage leading edge continuously variable planetary (CVP) technology into the development of advanced drivetrain and transmission solutions for customers in our end markets.

Additional engineering and operational investment is being channeled into reinvigorating our product portfolio and capitalizing on technology advancement opportunities. In 2011, we combined the North American engineering centers of our Light Vehicle and Commercial Vehicle segments, allowing us the opportunity to better share technologies among these businesses. New engineering facilities in India and China are now on line, more than doubling our engineering presence in the Asia Pacific region with state-of-the-art development and test capabilities that globally support each of our businesses. In December 2013, we announced the opening of a new technology center in Cedar Park, Texas to support our VariGlide™ CVP technology alliance development initiatives.

Geographic expansion — While growth opportunities are present in each region of the world, we have a primary focus on building our presence and local capability in the Asia Pacific region, especially India and China. In addition to new engineering facilities in India and China, a new hypoid gear manufacturing facility in India began production in 2011 and, in 2013, we commenced construction of a new gear manufacturing operation in Thailand that is scheduled to be operational in 2014. We also completed two transactions in 2011 – increasing the ownership interest in our China-based joint venture with Dongfeng Motor Co., Ltd. (Dongfeng) to 50% and acquiring 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 expanded our China off-highway activities and we believe there is considerable opportunity for growth in this market. In 2012, we opened a business development office in Moscow, Russia to focus on expanding our business opportunities in this region and, in 2013, we expanded our distribution and aftermarket capabilities supporting this market. In South America, our strategic agreement with SIFCO S.A. (SIFCO), entered in February 2011, makes us the leading full driveline supplier in the South American commercial vehicle market.

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

Selective acquisitions — Our current acquisition focus is to identify “bolt-on” acquisition opportunities like the SIFCO and AIL transactions that have a strategic fit with our existing businesses, particularly opportunities that support our growth initiatives 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 have taken significant strides to improve our profitability and margins, particularly through streamlining and rationalizing our manufacturing activities and administrative support processes, we believe additional opportunities remain to further our financial performance. We have ramped up our material cost efforts to ensure that we are rationalizing our supply base and obtaining appropriate competitive pricing. With a continued emphasis on process improvements and productivity throughout the organization, we expect cost reductions to continue contributing to future margin improvement.

Acquisitions

Fallbrook — In September 2012, we entered into a strategic alliance with Fallbrook. In connection with this transaction, we obtained an exclusive license to Fallbrook's CVP technology, allowing Dana to engineer, produce and sell driveline products using this technology for passenger and certain off-highway vehicles in the end markets Dana serves. As part of this alliance, Fallbrook will also provide Dana with development and other support through an engineering services agreement and several Fallbrook engineers have been hired by Dana. Under the exclusive license agreement, Dana paid Fallbrook $20 for the markets licensed to Dana; $7 was paid at closing, $5 was paid during the fourth quarter of 2012 and $8 was paid during the first half of 2013.

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 in 2011 and are accounting for our investment under the equity method.

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.

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 has provided selected assets and assistance to Dana to establish assembly capabilities for these systems. We are 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.

Divestitures

Divestiture of Leisure and All-Terrain Business — We completed the divestiture of our axle, differential and brake systems business serving the leisure, all-terrain and utility vehicle markets in August 2012. The total proceeds received of $8 approximated the net assets of the business following an asset impairment charge of $2 recorded in the first quarter of 2012. Sales of the divested business approximated $53 in 2011 and $32 in 2012 through the date of the divestiture.

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 for $136.

Divestiture of Structural Products business — In 2010, we completed the sale of substantially all of the assets of our Structural Products business to Metalsa S.A. de C.V. (Metalsa). We had received cash proceeds of $134 by the end of 2011 and $10 remains receivable as we work to resolve the claims presented by Metalsa. The Structural Products business that we retained generated sales of $48 in 2011 and $34 in 2012 through the August cessation date. Prior to the third quarter of 2012, Structural Products was reported as an operating segment of continuing operations. With the cessation of operations in the third quarter of 2012, the activities relating to the Structural Products operation are now reported as discontinued operations.

Segments

We manage our operations globally through four operating segments. Our Light Vehicle and Power Technologies segments primarily support light vehicle original equipment manufacturers (OEMs) with products for light trucks, SUVs, CUVs, vans and passenger cars. The Commercial Vehicle segment supports the OEMs of on-highway commercial vehicles (primarily trucks and buses), while our Off-Highway segment supports OEMs of off-highway vehicles (primarily wheeled vehicles used in construction, mining and agricultural applications).

Trends in Our Markets

Global Vehicle and Engine Production

| | | | | Actual | | |
|---|---|---|---|---|---|---|
| (Units in thousands) | Dana 2014 Outlook | | | 2013 | 2012 | 2011 |
| North America | | | | | | |
| Light Truck (Full Frame) | 3,550 | to | 3,650 | 3,623 | 3,464 | 3,181 |
| Light Vehicle Engines | 14,700 | to | 15,100 | 14,348 | 13,805 | 11,699 |
| Medium Truck (Classes 5-7) | 200 | to | 210 | 201 | 188 | 165 |
| Heavy Truck (Class 8) | 260 | to | 270 | 245 | 279 | 255 |
| Agricultural Equipment | 75 | to | 80 | 75 | 75 | 69 |
| Construction/Mining Equipment | 150 | to | 155 | 157 | 163 | 149 |
| Europe (including E. Europe) | | | | | | |
| Light Truck | 6,900 | to | 7,100 | 7,071 | 6,905 | 6,939 |
| Light Vehicle Engines | 21,000 | to | 22,000 | 20,817 | 20,426 | 20,715 |
| Medium/Heavy Truck | 380 | to | 390 | 400 | 400 | 430 |
| Agricultural Equipment | 240 | to | 250 | 244 | 255 | 240 |
| Construction/Mining Equipment | 310 | to | 320 | 298 | 322 | 320 |
| South America | | | | | | |
| Light Truck | 1,300 | to | 1,400 | 1,273 | 1,219 | 1,172 |
| Light Vehicle Engines | 3,800 | to | 4,000 | 3,696 | 3,644 | 3,739 |
| Medium/Heavy Truck | 200 | to | 210 | 221 | 172 | 219 |
| Agricultural Equipment | 55 | to | 60 | 54 | 48 | 47 |
| Construction/Mining Equipment | 18 | to | 22 | 20 | 19 | 19 |
| Asia-Pacific | | | | | | |
| Light Truck | 20,000 | to | 21,000 | 19,994 | 18,672 | 16,509 |
| Light Vehicle Engines | 45,500 | to | 46,100 | 44,577 | 42,857 | 39,693 |
| Medium/Heavy Truck | 1,500 | to | 1,600 | 1,503 | 1,492 | 1,720 |
| Agricultural Equipment | 800 | to | 850 | 788 | 750 | 682 |
| Construction/Mining Equipment | 550 | to | 570 | 555 | 614 | 615 |

North America

Light vehicle markets — Improving economic conditions during the past three years have contributed to increased light vehicle sales and production levels in North America. Release of built-up demand to replace older vehicles and greater availability of credit have also stimulated new vehicle sales. Production of approximately 14.3 million light vehicle engines in 2013 was 4% higher than 2012 production of 13.8 million engines, which was up about 18% from production of 11.7 million units in 2011. The higher production in 2013 occurred predominantly in the light truck segment, whereas production growth in 2012 was strongest in passenger cars. In the full frame light truck segment where more of our programs are focused, production was up about 5% in 2013 after increasing 9% in 2012. The higher production levels are generally reflective of higher light vehicle unit sales which were about 8% higher in 2013 than in 2012 after expanding about 14% in the prior year. Sales increases in the full frame light truck segment were 8% in 2013 and 5% in 2012. Days' supply of total light vehicles in the U.S. at the end of December 2013 was around 64 days, up slightly from 58 days at the end of 2012 and 51 days at the end of 2011. In the full frame light truck segment, inventory levels increased to 67 days at the end of 2013, as compared to 65 days at the end of 2012 and 56 days at the end of 2011.

Looking ahead to 2014, we expect that the North American markets will be relatively stable, with more modest increases in light vehicle sales and production. An improved financing environment and housing sector along with more stable fuel prices are positive developments. But unemployment levels continue to be relatively high and political tensions among the U.S. government bodies pose an element of continued uncertainty about economic growth prospects in 2014. Our current outlook for 2014 light vehicle engine production is 14.7 to 15.1 million units, a 2 to 5% increase over 2013, with full frame light truck production expected to be about the same as in 2013.

Medium/heavy vehicle markets — As with the light vehicle market, medium duty Classes 5-7 truck production increased over the past three years, but with the rate of production growth slowing in 2013. After production increased more than 40% in 2011 and 14% in 2012, production of about 201,000 units in 2013 slowed to an increase of 7% from the 188,000 units produced in 2012. In the Class 8 segment, after production increases of more than 60% in 2011 and 9% in 2012, production of about 245,000 units in 2013 declined 12% from a build of 279,000 units in 2012. Class 8 order levels were rather sluggish during the second half of 2013 as truck buyers were cautious about the overall strength of the economy and opted to hold off on replacing existing vehicles. Orders near the end of the year improved some, but as mentioned above there continues to be some uncertainty surrounding economic prospects in 2014.

With the mixed outlook surrounding the North America economy, we currently expect 2014 Class 8 production to be in the range of 260,000 to 270,000 units, which represents a 6 to 10% increase over 2013. We expect medium-duty Classes 5-7 production for 2014 to range from 200,000 to 210,000 units, which is flat to up 4% compared with 2013.

Markets Outside of North America

Light vehicle markets — European production levels the past few years have been adversely impacted by overall economic weakness brought on in part by sovereign debt concerns, high unemployment levels, governmental austerity actions in many countries and other economic factors. The region began seeing some economic stability take hold in 2013. After being down about 1% in 2012, European production of light vehicle engines and light trucks increased 2% in 2013. We expect the current economic stability to persist in 2014 with light truck production flat to up slightly and light engine production flat to up 6% from 2013. After increasing the previous two years, South American production levels weakened in 2012, with light vehicle engine production down about 3% and light truck production up 4% from 2011. Light vehicle engine production rebounded in 2013 to be up 1% over 2012 while light truck production increased another 4% from 2012. At present, we expect full year 2014 light vehicle engine production to increase 3 to 8% over 2013, with light truck production being up in the range of 2 to 10%. Production of light vehicle engines and light trucks in the Asia Pacific region were up 8% and 13% in 2012 after rebounding from production levels in 2011 that were adversely impacted by the effects of natural disasters in Japan and Thailand. Production levels improved further in 2013, with light vehicle engines up 4% and light trucks up 7% from 2012. We expect production levels in 2014 to remain solid, coming in flat to up 5% from 2013.

Medium/heavy vehicle markets — Some of the same factors referenced above that affected light vehicle markets outside of North America similarly affected the medium/heavy markets. The challenging economic environment in Europe was a primary driver of a 7% decline in medium/heavy truck production in 2012 after a more than 30% increase in 2011. With the improving market environment this past year, medium/heavy truck production in 2013 remained about the same as in 2012. We currently expect a modest decline in production levels in 2014. South American medium/heavy truck production levels were down more than 20% in 2012 due largely to overall economic weakness in the region and a pull-back in purchases caused by engine emissions changes in Brazil. With the Brazil emissions effects behind us and some improvement in economic conditions, production in 2013 was up about 28% from 2012. Our South American outlook for 2014 has medium/heavy truck production coming in about 5 to 10% lower than in 2013. Asia Pacific medium/heavy truck production in 2012 was adversely impacted by slower growth in China, coming in more than 13% lower than 2011 levels. This reduced level of production in 2012 followed a production decline of about 5% in 2011 as a consequence of the natural disasters which disrupted production that year. Pent up demand for trucks after two years of restrained production, along with some economic strengthening, contributed to increased production in 2013 of about 1%, and we expect 2014 production to be flat to up 6% from 2013.

Off-Highway Markets — Our off-highway business has a large presence outside of North America, with about 75% of its sales coming from Europe and about 12% 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 construction and agricultural equipment segments, both of which experienced increased demand in 2011 and 2012. While the agriculture market remained fairly stable in 2013, the construction/mining segment experienced considerable weakness with global production down about 8%. Our 2014 production outlook for both the agriculture and construction/mining segments is flat to up modestly when compared with 2013.

Commodity Costs

The cost of our products may be significantly impacted by changes in raw material commodity prices, the most important to us being those of various grades of steel, aluminum, copper and brass. The effects of changes in commodity prices are reflected directly in our purchases of commodities and indirectly through our purchases of products such as castings, forgings, bearings and component parts that include commodities. Most of our major customer agreements have provisions which allow us to pass the effects of significant commodity price changes through to those customers. Where such formal agreements are not present, we have historically been successful implementing price adjustments that largely compensate for the inflationary impact of material costs. Material cost changes will customarily have some impact on our financial results as contractual recoveries and inflation-based pricing adjustments typically lag the cost increases.

Higher commodity prices increased our costs by approximately $20 in 2013, $50 in 2012 and $100 in 2011, while material recovery and other pricing actions increased sales by about $30 in 2013, $110 in 2012 and $60 in 2011.

Sales, Earnings and Cash Flow Outlook

| | 2014 Outlook | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| Sales | $6,800 - $6,900 | $6,769 | $7,224 | $7,544 |
| Adjusted EBITDA | $760 - $770 | $745 | $781 | $765 |
| Free Cash Flow | $275 - $295 | $368 | $175 | $174 |

Adjusted EBITDA and Free Cash Flow are non-GAAP financial measures. See the Non-GAAP Financial Measures discussion below for definitions of our non-GAAP financial measures and reconciliations to the most directly comparable GAAP measures.

Sales in 2011 increased significantly from 2010 as market volumes bounced back from a relatively weak period of economic conditions globally. Certain acquisitions also contributed to our 2011 sales growth. During the past two years, however, we experienced uneven end user markets, with some being relatively strong and others somewhat weak, and the conditions across the regions of the world differing quite dramatically. Considering our served end markets and regional economies, on balance, the effect of market volumes on our sales has been relatively stable. Weaker international currencies relative to the U.S. dollar during the past two years were the most significant factor reducing our reported sales, while scheduled light vehicle program roll-offs also contributed to the decrease. For 2014, we expect market volumes in most of our end user markets and regions to be stable or up sightly with some currency related headwinds expected, principally in South America.

Throughout the past three years, we placed significant focus on right sizing and rationalizing our manufacturing operations, implementing other cost reduction initiatives and ensuring that customer programs were competitively priced. In combination with an improved and relatively stable global economic environment, these efforts were the primary drivers of our improved Adjusted EBITDA margin as a percent of sales. We expect to see continued benefits from increased volumes and cost and pricing actions in 2014 which will provide the basis for improved profitability.

Our cash flow in recent years benefited primarily from increased earnings and lower capital spending, more than offsetting higher working capital requirements associated with increased sale volumes, higher tax obligations and larger pension funding commitments. Free cash flow in 2012 was impacted by a $150 voluntary contribution to our U.S. pension plans. In 2013, free cash flow benefited, in part, from a strong focus on inventory reduction and other working capital efficiencies during the latter part of the year. We also benefited from the receipt of $28 of interest relating to a callable payment-in-kind note receivable. With our relatively stable sales outlook, we expect another strong year of free cash generation in 2014. With the back half of 2014 expected to be stronger than 2013, we expect higher sales will require some increased working capital. Our outlook of $275 to $295 includes expected capital spend of $210 to $230 which is up slightly from 2013. Cash taxes of about $130 and restructuring expenditures of about $40 are similar to 2013 levels. With the additional debt we added in the second half of 2013, net interest will consume cash of around $70 in 2014. Net interest in 2014 includes $40 of interest received in January 2014 from the sale of a callable payment-in-kind note receivable, which compares with $28 received in 2013 from prepayment proceeds on this note. Pension contributions are expected to be lower in 2014 at around $25 as we don't expect to make additional contributions to our U.S. plans in 2014 based on their present funding levels.

While improving our overall profitability and strengthening our financial position the past three years, we also began putting increased focus and investment into product technology and directing increased attention to the growth initiatives described in the Operational and Strategic Initiatives section above to position us for profitable future growth. Partly attributable to some of these new technologies, we have net new business that has been awarded through the end of 2013 that is expected to increase sales by $560 during 2014 through 2016, with most of that coming in the last two years. The higher returns associated with this new business are expected to help drive increased future Adjusted EBITDA margins.

Consolidated Results of Operations

Summary Consolidated Results of Operations (2013 versus 2012)

| | 2013 Dollars | % of Net Sales | 2012 Dollars | % of Net Sales | Increase/ (Decrease) |
|---|---|---|---|---|---|
| Net sales | $6,769 | | $7,224 | | $(455) |
| Cost of sales | 5,849 | 86.4 % | 6,250 | 86.5 % | (401) |
| Gross margin | 920 | 13.6 % | 974 | 13.5 % | (54) |
| Selling, general and administrative expenses | 410 | 6.1 % | 424 | 5.9 % | (14) |
| Amortization of intangibles | 74 | | 74 | | — |
| Restructuring charges, net | 24 | | 47 | | (23) |
| Other income, net | 55 | | 19 | | 36 |
| Income from continuing operations before interest expense and income taxes | 467 | | 448 | | 19 |
| Interest expense | 99 | | 84 | | 15 |
| Income from continuing operations before income taxes | 368 | | 364 | | 4 |
| Income tax expense | 119 | | 51 | | 68 |
| Equity in earnings of affiliates | 12 | | 2 | | 10 |
| Income from continuing operations | 261 | | 315 | | (54) |
| Loss from discontinued operations | (1) | | — | | (1) |
| Net income | 260 | | 315 | | (55) |
| Less: Noncontrolling interests net income | 16 | | 15 | | 1 |
| Net income attributable to the parent company | $244 | | $300 | | $(56) |

Sales — The following table shows changes in our sales by geographic region.

| | 2013 | 2012 | Increase/ (Decrease) | Amount of Change Due To Currency Effects | Acquisition and Divestitures | Organic Change |
|---|---|---|---|---|---|---|
| North America | $2,958 | $3,371 | $(413) | $(1) | $(32) | $(380) |
| Europe | 1,994 | 2,021 | (27) | 26 | | (53) |
| South America | 983 | 925 | 58 | (161) | | 219 |
| Asia Pacific | 834 | 907 | (73) | (23) | | (50) |
| Total | $6,769 | $7,224 | $(455) | $(159) | $(32) | $(264) |

Sales for 2013 declined 6% from 2012. Lower market volumes, particularly in our North America medium/heavy truck market and global off-highway markets, contributed about $141 to lower year-over-year sales. Scheduled roll-offs of certain North America light vehicle market programs also reduced sales by $186. Currency effects and divestitures also contributed to the lower sales, with pricing actions, principally relating to material recovery and the Venezuelan bolivar devaluation, providing a partial offset of about $63.

Most of the 2013 consolidated sales decrease occurred in North America. Scheduled roll-offs of certain light vehicle programs accounted for $186 of the decrease. The remaining sales reduction was due primarily to a decline in medium/heavy production levels of around 5% and lower off-highway market sales, partly due to the transfer of certain production to our Asia Pacific operations.

Excluding currency effects, our sales in Europe in 2013 were 3% lower than in 2012. The reduction was primarily driven by lower off-highway market production levels, primarily in the construction and mining segments, in the region as well as in other regions where we export. Partially offsetting lower volumes were increased sales from new Light Vehicle programs coming on line in 2013.

South America sales in 2013 were significantly impacted by a weaker Brazilian real and the devaluation of the Venezuelan bolivar. Adjusted for currency effects, 2013 sales were up about 24%. Growth in medium/heavy truck production of about 28%, an increase in light vehicle production of around 4% and the inflationary or devaluation related pricing recovery were the principal drivers of the organic increase in sales.

Asia Pacific sales were 8% lower than in 2012. Adverse currency effects resulted principally from a weakening of the Indian rupee and Japanese yen, partially offset by a stronger Chinese yuan. Declining economic conditions in India and Thailand contributed to this region's reduced sales, partially offset by stronger market volume in China.

Cost of sales and gross margin — Cost of sales for 2013 was 6% lower than in 2012, with cost of sales as a percent of sales of 86.4% being comparable with the 86.5% incurred in 2012. The reduction in cost is consistent with the decline in sales, due principally to weaker international currencies, scheduled light vehicle program roll-offs and lower production levels. Through continued supplier rationalization and engineering design actions, we achieved material cost reductions of approximately $70, which more than offset an increase in commodity costs of about $20. During the fourth quarter of 2013, we ceased production at our foundry in Argentina. In connection therewith, we recognized $8 of accelerated depreciation expense to adjust the foundry assets to their expected recoverable value. The additional depreciation expense, increased engineering and product development expense, and other inflationary increases largely offset the material cost savings.

Gross margin of $920 in 2013 decreased $54 from 2012, representing 13.6% of sales – slightly better than last year's gross margin percentage of 13.5%. Material cost savings offset the margin reduction attributable to the effect of lower sales volumes, inflationary increases and other costs of sales increases discussed in the preceding paragraph.

Selling, general and administrative expenses (SG&A) — SG&A expenses in 2013 were $410 (6.1% of sales) as compared to $424 (5.9% of sales) in 2012. Salary and benefits expense in 2013 was approximately $5 less than in 2012, with the remaining $9 reduction coming from selling expense and other discretionary spending.

Restructuring charges — Restructuring charges of $24 in 2013 primarily represent the impact of headcount reduction initiatives, primarily in our Light Vehicle and Commercial Vehicle businesses in Argentina and Australia as well as in our Off-Highway business in Europe. Total restructuring charges also include severance and exit costs associated with previously announced initiatives, offset in part by a $10 reversal of previously accrued obligations. New customer programs and other developments in our North American Light Vehicle and Power Technologies businesses and a decision by our European Off-Highway business to in-source the manufacturing of certain parts were the primary factors leading to the reversal of previously accrued severance obligations. Restructuring charges of $47 in 2012 related to work force reduction actions in certain of our South American manufacturing operations and the realignment of certain of our North American regional operations. Restructuring charges in 2012 also included severance and exit costs relating to previously announced actions, including a charge of $11 to accrue the estimated fair value of the remaining lease obligation associated with exiting our Kalamazoo, Michigan facility.

Other income, net — The following table shows the major components of other income, net.

| | 2013 | 2012 |
|---|---|---|
| Interest income | $25 | $24 |
| Government grants and incentives | 3 | 8 |
| Foreign exchange loss | (5) | (15) |
| Strategic transaction expenses | (4) | (10) |
| Write-off of deferred financing costs | (4) | |
| Gain on sale of marketable securities | 9 | |
| Recognition of unrealized gain on payment-in-kind note receivable | 5 | |
| Insurance and other recoveries | 13 | 2 |
| Impairment of long-lived assets | | (2) |
| Other | 13 | 12 |
| Other income, net | $55 | $19 |

Interest income in 2013 includes $3 from a favorable legal ruling related to recovery of gross receipts taxes paid in Brazil in earlier periods and higher interest earned on cash deposits, partially offset by $4 of lower interest earned on a payment-in-kind note receivable as a result of a prepayment received on the note during the second quarter of 2013. The net foreign exchange loss for 2013 includes a charge of $6 resulting from the devaluation of the Venezuelan bolivar and subsequent recoveries of $5 as the Venezuelan government allowed certain transactions existing at the date of devaluation to be settled at the former exchange rate. Strategic transaction expenses were higher during 2012 in part due to costs associated with entering into the strategic alliance with Fallbrook. During 2013 we wrote off deferred financing costs of $2 associated with our prior revolving credit facility and $2 upon the termination of our European accounts receivable backed credit facility. During 2013, we received a payment on a payment-in-kind note receivable which resulted in the recognition of $5 of an unrealized gain that resulted from the valuation of the note receivable below its callable value at emergence from bankruptcy. During 2013 we received $4 on the sale of our interest in claims pending in the liquidation proceedings of an insurer to a third party, $7 of other asbestos-related recoveries and a $2 insurance recovery related to business interruptions resulting from flooding in Thailand.

Interest expense — Interest expense was $99 and $84 in 2013 and 2012. The impact of higher average debt levels was partially offset by a lower average effective interest rate. As discussed in Note 13 to the consolidated financial statements in Item 8, we completed the sale of $750 in senior unsecured notes in July 2013. Average effective interest rates, inclusive of amortization of debt issuance costs, approximated 7.8% and 8.2% in 2013 and 2012.

Income tax expense — Income tax expense of our continuing operations was $119 and $51 in 2013 and 2012. The effective income tax rate varies from the U.S. federal statutory rate of 35% due to valuation allowances in several countries, nondeductible expenses, different statutory rates outside the U.S. and withholding taxes, as discussed in Note 17 to the consolidated financial statements in Item 8. In 2012, tax expense benefited by $54 from the release of valuation allowances in Canada and the U.K. Adjusted for valuation allowance effects, the effective income tax rate in 2013 was 34% as compared to 31% in 2012. The increase in 2013 was due in part to increased withholding tax on repatriated earnings and an increased provision for uncertain tax positions.

In the U.S. and certain other countries, our recent history of operating losses does not allow us to satisfy the “more likely than not” criterion for recognition of deferred tax assets. Therefore, there is generally no income tax recognized on the pre-tax income or losses in these jurisdictions as valuation allowance adjustments offset the associated tax effects. We believe that it is reasonably possible that up to $700 of the valuation allowances against our U.S. deferred tax assets could be released in the next twelve months.

Equity in earnings of affiliates — Equity investments provided net earnings of $12 and $2 in 2013 and 2012. Our equity in earnings of DDAC was up $8 from 2012, primarily due to increased demand in China's commercial vehicle market.

Loss from discontinued operations — Loss from discontinued operations relates to our Structural Products business. See Note 3 to our consolidated financial statements in Item 8.

Segment Results of Operations (2013 versus 2012)

Light Vehicle

| | Sales | Segment EBITDA | Segment EBITDA Margin |
|---|---|---|---|
| 2012 | $2,743 | $263 | 9.6 % |
| Volume and mix | 49 | 7 | |
| Program roll-offs | (186) | (13) | |
| Performance | 70 | (2) | |
| Currency effects | (127) | (13) | |
| 2013 | $2,549 | $242 | 9.5 % |

Adverse currency effects in our Light Vehicle segment were attributable in large part to devaluation of the Venezuelan bolivar and a weaker Argentine peso. Scheduled roll-off of certain vehicle programs additionally reduced 2013 sales by $186. Exclusive of currency effects and program roll-offs, Light Vehicle sales for 2012 were 4% higher than in 2012. A number of factors contributed to this increase, including stronger light truck production, new customer programs and increased pricing, principally to recover material, devaluation and inflationary costs.

Light Vehicle segment EBITDA of $242 was $21 lower than in 2012, with 2013 EBITDA margin of 9.5% comparable to the previous year's margin of 9.6%. The devaluation of the Venezuelan bolivar adversely affected our Light Vehicle performance in 2013 by about $16. In the first quarter of 2013, we recorded a cost of $11 for the February 2013 bolivar devaluation, which included a charge of $6 for the rate adjustment of bolivar-denominated net financial assets at the date of devaluation and $5 of increased post-devaluation operational cost. Translating full year 2013 bolivar-denominated activities at the devalued rate reduced EBITDA by about $38. Pricing actions to mitigate this adverse devaluation effect contributed recovery of about $28, with currency gains of $5 from settlement of transactions at the pre-devaluation rate providing additional recovery. Program roll-offs reduced EBITDA by $13. Partially offsetting these adverse effects were $20 of material cost savings and $7 of EBITDA benefit associated with higher sales volume on continuing programs. Pricing and material recovery actions largely covered commodity and inflation-related cost increases.

Commercial Vehicle

| | Sales | Segment EBITDA | Segment EBITDA Margin |
|---|---|---|---|
| 2012 | $1,960 | $199 | 10.2 % |
| Volume and mix | (40) | (9) | |
| Performance | (9) | 2 | |
| Currency effects | (51) | 2 | |
| 2013 | $1,860 | $194 | 10.4 % |

Reduced sales from currency effects in our Commercial Vehicle segment were due primarily to a weaker Brazilian real. After adjusting for the effects of currency, 2013 sales in our Commercial Vehicle segment were down about 3% from 2012. Lower Class 8 truck production in North America of 12% was the primary driver of the currency-adjusted sales reduction, partially offset by growth in medium/heavy truck production of about 28% in South America.

Commercial Vehicle segment EBITDA in 2013 of $194 was $5 lower than in 2012, with EBITDA margin of 10.4% for 2013 being slightly better than the margin of 10.2% in 2012. Lower sales volumes reduced EBITDA by about $9. Material cost savings of $23 was partially offset by lower material recoveries from customers of $9 and an increase in operating costs of $12, due in part to costs associated with the wind down of our foundry operation in Argentina.

Off-Highway

| | Sales | Segment EBITDA | Segment EBITDA Margin |
|---|---|---|---|
| 2012 | $1,509 | $189 | 12.5 % |
| Volume and mix | (179) | (54) | |
| Divestiture | (32) | | |
| Performance | 5 | 27 | |
| Currency effects | 27 | 1 | |
| 2013 | $1,330 | $163 | 12.3 % |

Sales, net of currency effects, in our Off-Highway segment were down about 14% from 2012. Sales in 2012 included $32 related to a leisure and all-terrain business that was divested in 2012 and about $50 that was in-sourced in 2013 by one of our customers. The remaining reduction was due principally to lower original equipment and aftermarket mining demand.

Off-Highway segment EBITDA of $163 was $26 lower than in 2012, resulting in EBITDA margins of 12.3% in 2013 compared to 12.5% in 2012. Lower overall sales volume which reduced EBITDA by $54 was partially offset by material cost savings of about $18, a reduction in warranty cost of $6 and pricing actions of $5.

Power Technologies

| | Sales | Segment EBITDA | Segment EBITDA Margin |
|---|---|---|---|
| 2012 | $1,012 | $137 | 13.5 % |
| Volume and mix | 30 | 9 | |
| Performance | (4) | 6 | |
| Currency effects | (8) | (2) | |
| 2013 | $1,030 | $150 | 14.6 % |

Power Technologies primarily serves the light vehicle market, but also sells product to the medium/heavy truck and off-highway markets. Sales in 2013, net of currency effects, were up 3% reflecting stronger global light engine production demand.

Segment EBITDA of $150 increased by $13 from 2012, improving EBITDA margin to 14.6% in 2013 as compared to 13.5% in 2012. Higher sales volumes benefited EBITDA by about $9 and material cost savings contributed another $9. Pricing actions and other items provided a partial offset.

Summary Consolidated Results of Operations (2012 versus 2011)

| | 2012 Dollars | % of Net Sales | 2011 Dollars | % of Net Sales | Increase/ (Decrease) |
|---|---|---|---|---|---|
| Net sales | $7,224 | | $7,544 | | $(320) |
| Cost of sales | 6,250 | 86.5% | 6,647 | 88.1% | (397) |
| Gross margin | 974 | 13.5% | 897 | 11.9% | 77 |
| Selling, general and administrative expenses | 424 | 5.9% | 407 | 5.4% | 17 |
| Amortization of intangibles | 74 | | 77 | | (3) |
| Restructuring charges, net | 47 | | 82 | | (35) |
| Other income, net | 19 | | 54 | | (35) |
| Income from continuing operations before interest expense and income taxes | 448 | | 385 | | 63 |
| Interest expense | 84 | | 79 | | 5 |
| Income from continuing operations before income taxes | 364 | | 306 | | 58 |
| Income tax expense | 51 | | 87 | | (36) |
| Equity in earnings of affiliates | 2 | | 21 | | (19) |
| Income from continuing operations | 315 | | 240 | | 75 |
| Loss from discontinued operations | — | | (8) | | 8 |
| Net income | 315 | | 232 | | 83 |
| Less: Noncontrolling interests net income | 15 | | 13 | | 2 |
| Net income attributable to the parent company | $300 | | $219 | | $81 |

Sales — The following table shows changes in our sales by geographic region.

| | 2012 | 2011 | Increase/ (Decrease) | Amount of Change Due To Currency Effects | Acquisition and Divestitures | Organic Change |
|---|---|---|---|---|---|---|
| North America | $3,371 | $3,337 | $34 | $(12) | $(15) | $61 |
| Europe | 2,021 | 2,094 | (73) | (167) | | 94 |
| South America | 925 | 1,334 | (409) | (110) | 11 | (310) |
| Asia Pacific | 907 | 779 | 128 | (33) | 18 | 143 |
| Total | $7,224 | $7,544 | $(320) | $(322) | $14 | $(12) |

Sales for 2012 declined 4% from 2011, principally due to overall weakening of several international currencies against the U.S. dollar which reduced sales by $322. The net impact of acquisitions and divestitures added $14, while the organic change – the impact on sales attributable primarily to market volume, pricing and mix – decreased sales by $12. Pricing actions, principally relating to material recovery, increased sales in 2012 by $108, with market volume and scheduled program roll-offs resulting in reduced sales of $120.

The increase in sales in North America during 2012, adjusted for the effects of currency and a divestiture, totaled $61 – a 2% increase on 2011 sales. The growth was largely due to increased OEM production levels in the light vehicle and medium/heavy truck markets. Full frame light truck production levels were 8% higher in 2012 while medium/heavy truck production was up 11%. Partially offsetting the overall market volume increases was the scheduled roll-off of certain light vehicle programs.

Excluding currency effects, our 2012 sales in Europe were 4% higher than in 2011. New customer programs in Light Vehicle and Off-Highway, increased aftermarket sales and Off-Highway export sales were the primary drivers of the organic sales increase, more than offsetting the effects of lower light vehicle and medium/heavy truck production levels.

South America sales in 2012 were adversely impacted by currency and significantly lower market demand. With medium/heavy truck production down 23% and light vehicle production down 1%, lower production levels were the principal factor in sales exclusive of currency effects being 23% lower than in 2011.

The AIL acquisition in the second quarter of 2011 contributed $18 of the Asia Pacific 2012 sales increase. The organic sales growth of 18% in Asia Pacific primarily reflects the improving production levels in the region as compared to 2011 along with increased sales from new customer programs.

Cost of sales and gross margin — Cost of sales for 2012 was about 6% lower than in 2011. As with sales, the reduction was in large part caused by the effects of weaker international currencies, and the lower volume that drove a reduction in sales of about $120 also contributed to the decrease. With the larger reduction in costs than sales, we reduced cost of sales as a percent of sales to 86.5% in 2012 from 88.1% in 2011. Through continued supplier rationalization and engineering design actions, we achieved incremental material cost reductions of approximately $30, which partially offset higher commodity costs of about $50. Product quality improvements contributed to a reduction in warranty costs in 2012 of $8. The remaining cost improvements were primarily attributable to the completion of additional restructuring initiatives and a continued drive for operational cost savings throughout the organization.

Gross margin of $974 in 2012 increased $77 over 2011, representing 13.5% of sales in 2012 as compared to 11.9% of sales in 2011. In addition to the above-mentioned reductions to cost of sales, gross margins as a percent of sales in 2012 benefited from the scheduled roll-off in 2012 of lower margin customer programs and improved pricing and material recovery actions which improved gross margin by about $108.

Selling, general and administrative expenses (SG&A) — SG&A expenses in 2012 were $424 (5.9% of sales) as compared to $407 (5.4% of sales) in 2011. Contributing to the higher costs were increases in certain benefit costs such as stock compensation which increased by $7. Asbestos-related expenses in 2012 were higher by $6, due in part to a settlement with one of our insurers that favorably impacted expense in 2011. The remaining increase is due in part to some higher cost to support our growth initiatives.

Restructuring charges, net — Restructuring charges in both 2012 and 2011 were primarily employee separation costs and exit costs associated with workforce reduction actions and facility closures. Restructuring expense in 2012 was $35 lower as most of our facility rationalization and consolidation plans were completed in 2011. Expenses in 2012 related primarily to some continued work force reductions and costs associated with previously announced actions. In the second quarter of 2012, we ceased use of our Commercial Vehicle facility in Kalamazoo, Michigan and recognized a charge of $11 to accrue the estimated fair value of the remaining lease obligation. In the first quarter of 2011, we entered into an agreement to settle the lease obligation associated with our Light Vehicle facility in Yennora, Australia. The cost associated with this settlement approximated $20.

Other income, net — The following table shows the major components of other income, net.

| | 2012 | 2011 |
|---|---|---|
| Interest income | $24 | $27 |
| Government grants and incentives | 8 | 10 |
| Foreign exchange loss | (15) | |
| Strategic transaction expenses | (10) | (10) |
| Loss on extinguishment of debt | | (39) |
| Write-off of deferred financing costs | | (14) |
| Gain on sale of equity investments | | 60 |
| Gain on sale of marketable securities | | 3 |
| Insurance and other recoveries | 2 | 9 |
| Impairment of long-lived assets | (2) | (5) |
| Other | 12 | 13 |
| Other income, net | $19 | $54 |

Our 2011 results included a charge of $53 for the write-off of unamortized original issue discount and deferred financing costs associated with refinancing our term facility and modifying our credit facilities, a gain of $60 on the sale of our GETRAG equity interests, a credit of $6 from settlement of an asbestos-related claim with an insurance company in liquidation proceedings and an impairment charge of $5 that was recorded in connection with the sale of the axle, differential and brake systems business serving the leisure, all-terrain and utility vehicle markets, as more fully described in Notes 2, 13 and 15 to the consolidated financial statements in Item 8.

Interest expense — Interest expense was $84 for 2012 and $79 for 2011. The higher interest expense in 2012 is due to higher average debt levels and a higher average effective interest rate on outstanding debt. The average effective interest rate, inclusive of amortization of debt issuance costs, approximated 8.2% for 2012 as compared to 8.0% in 2011.

Income tax expense — Income tax expense of our continuing operations was $51 and $87 in 2012 and 2011. The effective income tax rate varies from the U.S. federal statutory rate of 35% primarily due to the effects of adjustments to valuation allowances in several countries (including the U.S.), nondeductible expenses, different statutory rates outside the U.S. and withholding taxes as discussed in Note 17 to the consolidated financial statements in Item 8.

In the U.S. and certain other countries, our recent history of operating losses does not allow us to satisfy the “more likely than not” criterion for recognition of deferred tax assets. Therefore, there is generally no income tax recognized on the pre-tax income or losses in these jurisdictions as valuation allowance adjustments offset the associated tax effects.

Tax expense in 2012 includes a benefit of $54 for the release of valuation allowances relating to Canada and the U.K. In 2011, tax expense was favorably impacted by $8 for valuation allowance releases in Spain and Mexico and by $12 for the recovery of taxes paid in India in connection with our bankruptcy reorganization in 2008.

Equity in earnings of affiliates — Equity investments provided net earnings of $2 and $21 in 2012 and 2011. Certain equity interests in GETRAG businesses that contributed $8 of earnings in 2011 were sold in September 2011. Our equity in earnings of DDAC was down $9 from 2011, primarily due to weakening demand in China’s commercial vehicle market. Dana Rexroth Transmission Systems was formed during the fourth quarter of 2011. Dana’s share of losses in 2012 was $2 higher than in 2011, as the venture continued its product development efforts.

Loss from discontinued operations — Loss from discontinued operations relates to our Structural Products business. See Note 3 to our consolidated financial statements in Item 8.

Segment Results of Operations (2012 versus 2011)

Light Vehicle

| | Sales | Segment EBITDA | Segment EBITDA Margin |
|---|---|---|---|
| 2011 | $2,696 | $262 | 9.7 % |
| Volume and mix | 162 | 16 | |
| Program roll offs | (80) | (3) | |
| Performance | 31 | | |
| Currency effects | (66) | (12) | |
| 2012 | $2,743 | $263 | 9.6 % |

Our Light Vehicle segment serves the light vehicle market. Exclusive of currency effects, Light Vehicle sales for 2012 were 4% higher than in 2011. Stronger light vehicle production levels in North America, principally on certain full frame light truck platforms, and new customer programs were the primary drivers of the year-over-year currency-adjusted sales increase. Partially offsetting those benefits were lower production levels in South America and the scheduled roll-off of certain vehicle programs in North and South America.

Light Vehicle segment EBITDA of $263 was essentially flat with prior year EBITDA of $262, with EBITDA margin of 9.6% in 2012 being comparable to 2011 margin of 9.7%. Higher sales, resulting from stronger market production levels, net of scheduled program roll-offs, increased year-over-year earnings by about $13. Pricing and material recovery action contributions of $31 were offset by higher net material costs of approximately $26 and other items.

Commercial Vehicle

| | Sales | Segment EBITDA | Segment EBITDA Margin |
|---|---|---|---|
| 2011 | $2,245 | $218 | 9.7 % |
| Volume and mix | (260) | (50) | |
| Acquisitions | 29 | | |
| Performance | 62 | 43 | |
| Currency effects | (116) | (12) | |
| 2012 | $1,960 | $199 | 10.2 % |

After adjusting for the effects of currency movements, 2012 sales in our Commercial Vehicle segment were down about 8% compared to 2011. Our significant medium/heavy truck presence in South America was adversely impacted by a changeover in emission regulations in Brazil. Along with other factors, this contributed to lower production levels in South America of more than 20% versus the comparative period. Partially offsetting the lower sales in South America were stronger 2012 North America medium/heavy truck production levels which were up about 11% compared to 2011.

Commercial Vehicle segment EBITDA in 2012 of $199 was $19 lower than 2011, with EBITDA margin of 10.2% for 2012 up 50 basis points from 9.7% of sales in 2011. Lower sales volumes were the primary reason for reduced EBITDA, decreasing profit by about $50 as compared to last year. Pricing action contributions of $62, primarily associated with material cost recovery, were partially offset by higher net material costs of $13 and other items.

Off-Highway

| | Sales | Segment EBITDA | Segment EBITDA Margin |
|---|---|---|---|
| 2011 | $1,560 | $166 | 10.6 % |
| Volume and mix | 44 | 8 | |
| Divestiture | (15) | | |
| Performance | 19 | 33 | |
| Currency effects | (99) | (18) | |
| 2012 | $1,509 | $189 | 12.5 % |

Sales, net of currency effects, in our Off-Highway segment were up 3% from 2011. Global demand levels in the construction and agriculture segments of this market were up about 5% from 2011. The divestiture-related sales reduction is attributable to the divestiture of a leisure and all-terrain business during the second half of 2012.

In our Off-Highway segment, 2012 EBITDA was up $23 from 2011, resulting in EBITDA margins of 12.5% in 2012 compared to 10.6% in 2011. The EBITDA improvement was driven by stronger overall sales volume, which contributed $8, pricing and material recovery actions which added around $19 and net material cost saving of about $15.

Power Technologies

| | Sales | Segment EBITDA | Segment EBITDA Margin |
|---|---|---|---|
| 2011 | $1,042 | $139 | 13.3 % |
| Volume and mix | 15 | 1 | |

| | | | | |
|---|---|---|---|---|
| Performance | (4 | ) | | |
| Currency effects | (41 | ) | (3 | ) | |
| 2012 | $1,012 | $137 | 13.5 | % |

Power Technologies primarily serves the light vehicle market, but also sells product to the medium/heavy truck and off-highway markets. Sales in 2012, net of currency effects, were up 1%. Stronger North America and Asia Pacific production levels more than offset the weaker production in Europe and South America.

In the Power Technologies segment, EBITDA of $137 was $2 lower than in 2011. EBITDA as a percent of sales was 13.5% in 2012 compared to 13.3% in 2011. Sales volumes had a minimal impact on year-over-year profit. Net material cost savings of about $7 and a reduction in warranty cost of $3 were offset by pricing reductions of $4 and net costs associated with other items.

Non-GAAP Financial Measures

Adjusted EBITDA

We have defined adjusted EBITDA as earnings from continuing and discontinued operations before interest, taxes, depreciation, amortization, non-cash equity grant expense, restructuring expense and other nonrecurring items (gain/loss on debt extinguishment or divestitures, impairment, etc.). Adjusted EBITDA is a primary driver of cash flows from operations and a measure of our ability to maintain and continue to invest in our operations and provide shareholder returns. Adjusted EBITDA should not be considered a substitute for income before income taxes, net income or other results reported in accordance with GAAP. Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

The following table provides a reconciliation of segment EBTIDA and adjusted EBITDA to net income.

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Segment EBITDA | | | |
| Light Vehicle | $242 | $263 | $262 |
| Commercial Vehicle | 194 | 199 | 218 |
| Off-Highway | 163 | 189 | 166 |
| Power Technologies | 150 | 137 | 139 |
| Total Segment EBITDA | 749 | 788 | 785 |
| Corporate expense and other items, net | (2) | (11) | (21) |
| Structures EBITDA | (2) | 4 | 1 |
| Adjusted EBITDA | 745 | 781 | 765 |
| Depreciation and amortization | (262) | (275) | (302) |
| Restructuring | (24) | (47) | (82) |
| Interest expense, net | (74) | (60) | (52) |
| Structures EBITDA | 2 | (4) | (1) |
| Other* | (19) | (31) | (22) |
| Income from continuing operations before income taxes | 368 | 364 | 306 |
| Income tax expense | 119 | 51 | 87 |
| Equity in earnings of affiliates | 12 | 2 | 21 |
| Income from continuing operations | 261 | 315 | 240 |
| Loss from discontinued operations | (1) | — | (8) |
| Net income | $260 | $315 | $232 |

* Other includes write-off of deferred financing costs, recognition of unrealized gain on payment-in-kind note receivable, loss on extinguishment of debt, strategic transaction expenses, stock compensation expense, loss on sales of assets, impairment of long-lived assets, and gain on sale of equity investment. See Note 19 to our consolidated financial statements in Item 8 for additional details.

Free Cash Flow

We have defined free cash flow as cash provided by operating activities less purchases of property, plant and equipment. We believe this measure is useful to investors in evaluating the operational cash flow of the company inclusive of the spending required to maintain the operations. Free cash flow is neither intended to represent nor be an alternative to the measure of net cash provided by operating activities reported under GAAP. Free cash flow may not be comparable to similarly titled measures reported by other companies.

The following table reconciles free cash flow to net cash flows provided by operating activities.

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Net cash provided by operating activities | $577 | $339 | $370 |
| Purchases of property, plant and equipment | (209) | (164) | (196) |
| Free cash flow | $368 | $175 | $174 |

Liquidity

Our global liquidity at December 31, 2013 was as follows:

| | |
|---|---|
| Cash and cash equivalents | $1,256 |
| Less: Deposits supporting obligations | (23) |
| Available cash | 1,233 |
| Additional cash availability from revolving facility | 231 |
| Marketable securities | 110 |
| Total global liquidity | $1,574 |

Cash deposits are maintained to provide credit enhancement for certain agreements and are reported as part of cash and cash equivalents. For most of these deposits, the cash may be withdrawn if a comparable security is provided in the form of letters of credit. Accordingly, these deposits are not considered to be restricted.

Marketable securities are included as a component of global liquidity as these investments can be readily liquidated at our discretion.

Cash and marketable securities of a wholly-owned subsidiary, Dana Companies, LLC, of $107 at December 31, 2013 can be transferred out of this subsidiary only if approved by its independent board member. Accordingly, accessing this component of global liquidity is uncertain.

The components of our December 31, 2013 consolidated cash balance were as follows:

| | U.S. | Non-U.S. | Total |
|---|---|---|---|
| Cash and cash equivalents | $411 | $698 | $1,109 |
| Cash and cash equivalents held as deposits | 2 | 21 | 23 |
| Cash and cash equivalents held at less than wholly-owned subsidiaries | 3 | 121 | 124 |
| Consolidated cash balance | $416 | $840 | $1,256 |

A portion of the non-U.S. cash and cash equivalents is utilized for working capital and other operating purposes. Several countries have local regulatory requirements that significantly restrict the ability of our operations to repatriate this cash. Beyond these restrictions, there are practical limitations on repatriation of cash from certain subsidiaries because of the resulting tax withholdings and subsidiary by-law restrictions which could limit our ability to access cash and other assets.

Effective December 31, 2013, we terminated our €75 European accounts receivable backed credit facility.

The principal sources of liquidity available for our future cash requirements are expected to be (i) cash flows from operations, (ii) cash and cash equivalents on hand and (iii) borrowings from our revolving facility. We believe that our overall liquidity and operating cash flow will be sufficient to meet our anticipated cash requirements for capital expenditures, working capital, debt obligations, common stock repurchases and other commitments during the next twelve months. While uncertainty surrounding the current economic environment could adversely impact our business, based on our current financial position, we believe it is unlikely that any such effects would preclude us from maintaining sufficient liquidity.

At December 31, 2013, we had no borrowings under the revolving facility but we had utilized $62 for letters of credit. Based on our borrowing base collateral, we had availability as of that date under the revolving facility of $231 after deducting the outstanding letters of credit.

In July 2013, we completed the sale of $750 in senior unsecured notes. Net proceeds of the offering totaled $734. Net proceeds of $474 were used to repurchase all of our outstanding 4.0% Series A Convertible Preferred Stock (Series A preferred stock). In addition, net proceeds of $200 were used to fund an accelerated share repurchase (ASR) agreement with a third-party financial institution. The remaining net proceeds were used to fund our previously authorized share repurchase program and for other general corporate purposes.

At December 31, 2013, we were in compliance with the covenants of our financing agreements. Under the revolving facility and the senior notes, we are required to comply with certain incurrence-based covenants customary for facilities of these types. The incurrence-based covenants in the revolving facility permit us to, among other things, (i) issue foreign subsidiary indebtedness, (ii) incur general secured indebtedness and (iii) incur additional unsecured debt so long as the pro forma minimum fixed charge coverage ratio is at least 1.0:1.0. We may also make dividend payments in respect of our common stock as well as certain investments and acquisitions so long as there is (i) at least $100 of pro forma excess borrowing availability or (ii) at least $75 of pro forma excess borrowing availability and the pro forma minimum fixed charge coverage ratio is at least 1.0:1.0. The indenture governing the senior notes includes similar incurrence-based covenants that may subject us to additional specified limitations.

On October 25, 2012, our Board of Directors approved a share repurchase program for up to $250 of our outstanding shares of common stock over a two-year period. On June 28, 2013, our Board of Directors approved an expansion of the share repurchase program to up to $1,000 over the next two years. We plan to repurchase shares utilizing available excess cash either in the open market or through privately negotiated transactions. The stock repurchases are subject to prevailing market conditions and other considerations. Through December 31, 2013, we have repurchased 8,666,640 shares in the open market or through privately negotiated transactions for a total of $152, including $137 paid in 2013 to acquire 7,601,040 shares. On August 12, 2013, we entered into an ASR agreement with a third-party financial institution to repurchase $200 of our common stock. In the third quarter of 2013, we paid $200 to the financial institution and received an initial delivery of 7,302,602 shares. This initial delivery represented 80% of the ASR transaction's value at the then-current price of $21.91 per share. On October 28, 2013, the ASR transaction was completed and Dana received an additional 1,831,445 shares. Taking into account the Series A preferred stock redemption, $171 remained available for further share repurchases as of December 31, 2013.

In February 2013, the Venezuelan government announced a devaluation of its currency from 4.3 bolivars to the U.S. dollar to 6.3 bolivars to the U.S. dollar. Based on our net monetary assets denominated in bolivars at the time of the devaluation, we recorded a charge resulting from the devaluation of $6 in our results for the quarter ended March 31, 2013. In connection with the devaluation, the Venezuelan government provided that certain transactions committed to prior to the devaluation could be settled at the former exchange rate. Settlement of transactions at the former exchange rate resulted in gains of $6 in 2013. The operating environment in Venezuela continues to be challenging, reflecting economic uncertainty and our limited ability to convert bolivars to U.S. dollars. As of December 31, 2013, we had $43 of bolivar denominated cash and cash equivalent balances and $36 of U.S. dollar exchange requests pending with the Commission for Administration of Foreign Exchange. If the Venezuelan government further devalued its currency from 6.3 bolivars to the U.S. dollar to 9.5 bolivars to the U.S. dollar, a 34% devaluation, we would record a charge of approximately $9 based on the bolivar denominated net asset position of our Venezuelan operations as of December 31, 2013.

From time to time, depending upon market, pricing and other conditions, as well as our cash balances and liquidity, we may seek to acquire our notes or other indebtedness or other securities, including shares of our preferred stock, through open market purchases, privately negotiated transactions, tender offers, exchange offers, redemption or otherwise, upon such terms and at such prices as we may determine (or as may be provided for in the indentures governing the notes), for cash, securities or other consideration. There can be no assurance that we will pursue any such transactions in the future, as the pursuit of any alternative will depend upon numerous factors such as market conditions, our financial performance and the limitations applicable to such transactions under our financing and governance documents.

Cash Flow

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Cash provided by (used for) changes in working capital | $104 | $21 | $(121) |
| Other cash provided by operations | 473 | 318 | 491 |
| Net cash provided by operating activities | 577 | 339 | 370 |
| Net cash used in investing activities | (222) | (161) | (344) |
| Net cash used in financing activities | (150) | (55) | (148) |
| Net increase (decrease) in cash and cash equivalents | $205 | $123 | $(122) |

The table above summarizes our consolidated statement of cash flows. During 2013 we received a $61 payment on a payment-in-kind note receivable. The payment included $33 of principal and $28 of interest, $26 of which relates to prior years. The principal portion of the payment has been classified as cash provided by investing activities and the interest portion has been classified as cash provided by operating activities.

Operating activities — Exclusive of working capital, other cash provided by operations was $473 during 2013 compared to $318 during 2012 and $491 during 2011. The increase during 2013 was primarily attributable to $40 of contributions to the U.S. defined benefit pension plans in 2013 as compared to $212 in 2012 and the receipt in April 2013 of $28 of interest on a payment-in-kind note receivable, partially offset by lower operating earnings and higher cash taxes. The decrease in 2012 was due primarily to $212 of contributions to the U.S. defined benefit pension plans in 2012 as compared to $30 in 2011 and an increased use of cash for the payment of income taxes, partially offset by higher operating earnings.

Working capital generated cash of $104 in 2013 as compared to $21 in 2012. Cash of $12 and $146 was generated from declining receivables in 2013 and 2012. We also generated cash of $50 and $38 from lower inventory levels in 2013 and 2012. Increases in accounts payable and other net liabilities provided cash of $43 in 2013 while decreases in accounts payable and other net liabilities used cash of $163 in 2012.

Working capital generated cash of $21 in 2012 versus using cash of $121 in 2011. Lower sales levels in 2012 as compared to 2011 resulted in decreased levels of receivables and inventories. Cash of $146 was generated from declining receivables in 2012 versus a use of $258 to finance increased receivables in 2011. We also generated $38 from lower inventory levels versus a use of cash of $99 to fund higher inventory levels in 2011. Largely offsetting the generation of cash resulting from decreased levels of receivables and inventories in 2012 was a $163 use of cash to reduce accounts payable and other net liabilities. In 2011, the cash used for higher receivables and inventory was partially offset by cash provided by increases in accounts payable and other net liabilities of $236, which was reduced by a payment of $25 in 2011 for satisfaction of an accrued warranty settlement.

Investing activities — During 2013, we paid $8 related to our strategic alliance with Fallbrook. As discussed above, during 2013 we received a payment on a payment-in-kind note receivable which included $33 of principal. During 2013, we purchased $84 of marketable securities, which was funded in part by the $61 payment received on the note receivable and $8 of proceeds received on maturing marketable securities. Also during 2013, we received proceeds of $28 on the sale of marketable securities. During 2012, we paid $12 related to our strategic alliance with Fallbrook and we received proceeds of $8 from the sale of our axle, differential and brake systems business serving the leisure, all-terrain and utility vehicle markets. During 2012, we purchased $18 of marketable securities, reinvesting a portion of the $6 of proceeds received on maturing marketable securities and the $15 received on the sale of marketable securities. In 2011, we paid $150 to enter our strategic agreement with SIFCO, $124 to increase our ownership in DDAC, $13 to acquire the axle drive head and final assembly business of Axles India and $8 to form a joint venture, Dana Rexroth Transmission Systems, with Bosch Rexroth. The sale of our GETRAG equity interests in 2011 provided $136. The sale of the Structural Products business provided $16 of proceeds in 2011 under the earn-out provision of the sale agreement. During 2011, we purchased $44 of marketable securities, which was funded in part by

$26 of proceeds received on maturing marketable securities and $15 received on the sale of marketable securities. Expenditures for property, plant and equipment in 2013 were $209 as compared to $164 in 2012 and $196 in 2011.

Financing activities — During 2013, we completed the sale of $750 in senior unsecured notes and paid financing costs of $14 related to our senior unsecured notes and $3 to amend our revolving facility. Additionally, during 2013 we used cash of $337 to repurchase common shares and $474 to redeem our Series A preferred stock under our $1,000 share repurchase program and paid $7 to purchase the noncontrolling interests in our United Kingdom subsidiaries. During 2012, we increased borrowings primarily in international locations experiencing historically favorable interest rates and used $15 to repurchase common stock. We used cash of $867 in 2011 to refinance our term debt. In connection with the refinancing, we received proceeds from the issuance of Senior Notes of $750 and used $26 for issuance costs associated with the term debt refinancing and restructuring of other financing arrangements. We used $28, $31 and $31 for dividend payments to preferred stockholders in 2013, 2012 and 2011. We used $30 for dividend payments to common stockholders in 2013 and 2012. Distributions to noncontrolling interest totaled $11, $11 and $9 in 2013, 2012 and 2011.

Contractual Obligations

We are obligated to make future cash payments in fixed amounts under various agreements. The following table summarizes our significant contractual obligations as of December 31, 2013.

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| Contractual Cash Obligations | Total | 2014 | 2015 - 2016 | 2017 - 2018 | After 2018 |
| Long-term debt(1) | $1,599 | $32 | $54 | $8 | $1,505 |
| Interest payments(2) | 710 | 100 | 190 | 185 | 235 |
| Leases(3) | 201 | 59 | 58 | 33 | 51 |
| Unconditional purchase obligations(4) | 119 | 117 | 1 | 1 | |
| Pension contribution(5) | 14 | 14 | | | |
| Retiree health care benefits(6) | 64 | 6 | 12 | 13 | 33 |
| Uncertain income tax positions(7) | | | | | |
| Total contractual cash obligations | $2,707 | $328 | $315 | $240 | $1,824 |

Notes:

(1) Principal payments on long-term debt and capital lease obligations in place at December 31, 2013.

(2) These amounts represent future interest payments based on the debt and capital leases in place at December 31, 2013 and the interest rates applicable to such obligations.

(3) Operating leases related to real estate, vehicles and other assets.

(4) The unconditional purchase obligations presented are comprised principally of commitments for procurement of fixed assets and the purchase of raw materials.

(5) This amount represents estimated 2014 minimum required contributions to our global defined benefit pension plans. We have not estimated pension contributions beyond 2014 due to the significant impact that return on plan assets and changes in discount rates might have on such amounts.

(6) This amount represents estimated payments under our non-U.S. retiree health care programs. Obligations under the non-U.S. retiree health care programs are not fixed commitments and will vary depending on various factors, including the level of participant utilization and inflation. Our estimates of the payments to be made in the future consider recent payment trends and certain of our actuarial assumptions.

(7) We are not able to reasonably estimate the timing of payments related to uncertain tax positions because the timing of settlement is uncertain. The above table does not reflect unrecognized tax benefits at December 31, 2013 of $101. See Note 17 to our consolidated financial statements in Item 8 for additional discussion.

Preferred dividends accrued but not paid were $4 at the end of 2013 and $8 at the end of 2012.

At December 31, 2013, we maintained cash balances of $23 on deposit with financial institutions to support surety bonds, letters of credit and bank guarantees and to provide credit enhancements for certain lease agreements. Surety bonds enable us to self-insure our workers compensation obligations. We accrue the estimated liability for workers compensation claims, including incurred but not reported claims. Accordingly, no significant impact on our financial condition would result if the surety bonds were called.

Contingencies

For a summary of litigation and other contingencies, see Note 15 to our consolidated financial statements in Item 8. We believe that any liabilities beyond the amounts already accrued that may result from these contingencies will not have a material adverse effect on our liquidity, financial condition or results of operations.

Critical Accounting Estimates

The preparation of our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires us to use estimates and make judgments and assumptions about future events that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. Considerable judgment is often involved in making these determinations. Critical estimates are those that require the most difficult, subjective or complex judgments in the preparation of the financial statements and the accompanying notes. We evaluate these estimates and judgments on a regular basis. We believe our assumptions and estimates are reasonable and appropriate. However, the use of different assumptions could result in significantly different results and actual results could differ from those estimates. The following discussion of accounting estimates is intended to supplement the Summary of Significant Accounting Policies presented as Note 1 to our consolidated financial statements in Item 8.

Income taxes — Accounting for income taxes is complex, in part because we conduct business globally and therefore file income tax returns in numerous tax jurisdictions. Significant judgment is required in determining the income tax provision, uncertain tax positions, deferred tax assets and liabilities and the valuation allowances recorded against our net deferred tax assets. A valuation allowance is provided when, in our judgment based upon available information, it is more likely than not that a portion of such deferred tax assets will not be realized. To make this assessment, we consider the historical and projected future taxable income or loss in different tax jurisdictions and we review our tax planning strategies. We have recorded valuation allowances against deferred tax assets in the U.S. and other foreign jurisdictions where realization has been determined to be uncertain. Since future financial results may differ from previous estimates, periodic adjustments to our valuation allowances may be necessary.

At December 31, 2013, we have a valuation allowance against deferred tax assets in the U. S. When evaluating the continued need for this valuation allowance we consider all components of comprehensive income, and we weight the positive and negative evidence, putting greater reliance on objectively verifiable historical evidence than projections of future profitability that are dependent on actions that have not taken place as of the assessment date. We also consider the pro forma effects on historical profitability of actions occurring in the year of assessment that have a sustained effect on future profitability, as well as the effect on historical profits of nonrecurring events. These effects included items such as the lost future interest income resulting from the prepayment on and subsequent sale of the payment-in-kind callable note receivable and the additional interest expense resulting from the $750 senior unsecured notes payable issued in July 2013. A sustained period of profitability after giving pro forma effect to implemented actions and nonrecurring events along with positive expectations for future profitability are necessary for a determination that a valuation allowance should be released. Our U.S. operations have experienced improved profitability in recent years, but our analysis of the comprehensive income of the U.S. operations, as adjusted for pro forma effects of 2013 developments, results in a cumulative loss in recent years as of December 31, 2013. Therefore, we have not achieved a level of sustained historical profitability that would, in our judgment, support a release of the valuation allowance at December 31, 2013. Although we expect our U.S. operations to generate profits in the future, this positive evidence is not given as much weight in our analysis as the objectively verifiable lack of sustained historical profitability. To the extent we achieve the forecast level of sustainable profits in our 2014 outlook and our projected profits beyond 2014 are sufficiently positive, it is reasonably possible that we could release up to $700 of the valuation allowances against our U.S. deferred tax assets in the next twelve months. Until released, the income tax effect of any reported U.S. profit will effectively reduce net deferred tax assets and the associated valuation allowance.

In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is less than certain. We are regularly under audit by the various applicable tax authorities. Although the outcome of tax audits is always uncertain, we believe that we have appropriate support for the positions taken on our tax returns and that our annual tax provisions include amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. See additional discussion of our deferred tax assets and liabilities in Note 17 to our consolidated financial statements in Item 8.

Retiree benefits — Accounting for pensions and other postretirement benefits (OPEB) involves estimating the cost of benefits to be provided well into the future and attributing that cost to the time period each employee works. These plan expenses and obligations are dependent on assumptions developed by us in consultation with our outside advisers such as actuaries and other consultants and are generally calculated independently of funding requirements. The assumptions used, including inflation, discount rates, investment returns, life expectancies, turnover rates, retirement rates, future compensation levels and health care cost trend rates, have a significant impact on plan expenses and obligations. These assumptions are regularly reviewed and modified when appropriate based on historical experience, current trends and the future outlook. Changes in one or more of the underlying assumptions could result in a material impact to our consolidated financial statements in any given period. If actual experience differs from expectations, our financial position and results of operations in future periods could be affected.

The inflation assumption is based on an evaluation of external market indicators. Retirement, turnover and mortality rates are based primarily on actual plan experience. Health care cost trend rates are developed based on our actual historical claims experience, the near-term outlook and an assessment of likely long-term trends. For our largest plans, discount rates are based upon the construction of a theoretical bond portfolio, adjusted according to the timing of expected cash flows for the future obligations. A yield curve is developed based on a subset of these high-quality fixed-income investments (those with yields between the 40th and 90th percentiles). The projected cash flows are matched to this yield curve and a present value developed which is then calibrated to develop a single equivalent discount rate. Pension benefits are funded through deposits with trustees that satisfy, at a minimum, the applicable funding regulations. For our largest defined benefit pension plans, expected investment rates of return are based upon input from the plans' investment advisers and actuary regarding our expected investment portfolio mix, historical rates of return on those assets, projected future asset class returns, the impact of active management and long-term market conditions and inflation expectations. We believe that the long-term asset allocation on average will approximate the targeted allocation and we regularly review the actual asset allocation to periodically re-balance the investments to the targeted allocation when appropriate. OPEB benefits are funded as they become due.

Actuarial gains or losses may result from changes in assumptions or when actual experience is different from that expected. Under the applicable standards, those gains and losses are not required to be immediately recognized in our results of operations as expense, but instead may be deferred as part of accumulated other comprehensive income (AOCI) and amortized into expense over future periods.

Our U.S. defined benefit pension plans comprise 85% of our consolidated defined benefit pension obligations at December 31, 2013. These plans are frozen and no service-related costs are being incurred. Changes in our net obligations are principally attributable to changing discount rates and the performance of plan assets. Pension obligations are valued using discount rates established annually in consultation with our outside actuarial advisers using a theoretical bond portfolio, adjusted according to the timing of expected cash flows for our future obligations. Declining discount rates increase the present value of future pension obligations – a 25 basis point decrease in the discount rate would increase our U.S. pension liability by about $52. When establishing expected long-term rates of return on pension plan assets, we consider historical performance and forward looking return estimates reflective of our portfolio mix and expected investment strategy. Our investment strategy and portfolio complexion is described in Note 11 of the consolidated financial statements in Item 8. Although actual returns in 2013 were below our assumed long-term rate of return, actual returns in the three years preceding 2013 exceeded our expectations. Based on the portion of assets directed to fixed income, immunizing type investments, we are continuing to use 7.0% as our expected return on plan assets for 2014.

At December 31, 2013, we have $452 of unrecognized losses relating to our U.S. pension plans. Actuarial gains and losses – primarily the result of discount rate changes and differences between actual and expected asset returns – are deferred in AOCI and amortized to expense following the corridor approach. We use the average remaining service period of active participants unless almost all of the plan's participants are inactive, in which case we use the average remaining life expectancy of inactive participants.

Actuarial gains and losses can also impact required cash contributions. Based on the current funded status of our U.S. plans, there are no minimum contribution requirements for 2014. We currently expect 2014 contributions in plans outside the U.S. to approximate $14.

See Note 11 to our consolidated financial statements in Item 8 for additional discussion of our pension and OPEB obligations.

Goodwill and other indefinite-lived intangible assets — Our goodwill and other indefinite-lived intangible assets are tested for impairment as of October 31 of each year for all of our reporting units, and more frequently if events occur or circumstances change that would warrant such a review. We make significant assumptions and estimates about the extent and timing of future cash flows, growth rates and discount rates. The cash flows are estimated over a significant future period of time, which makes those estimates and assumptions subject to a high degree of uncertainty. We also utilize market valuation models which require us to make certain assumptions and estimates regarding the applicability of those models to our assets and businesses. We use our internal forecasts, which we update quarterly, to make our cash flow projections. These forecasts are based on our knowledge of our customers' production forecasts, our assessment of market growth rates, net new business, material and labor cost estimates, cost recovery agreements with customers and our estimate of savings expected from our restructuring activities.

The most likely factors that would significantly impact our forecasts are changes in customer production levels and loss of significant portions of our business. We believe that the assumptions and estimates used in the assessment of the goodwill in our Off-Highway reporting unit and our other indefinite-lived intangible assets as of October 31, 2013 were reasonable. There is a significant excess of fair value over the carrying value of these assets at December 31, 2013.

Long-lived assets with definite lives — We perform impairment assessments on our property, plant and equipment and our definite-lived intangible assets whenever events and circumstances indicate that the carrying amounts of the assets may not be recoverable. When indications are present, we compare the estimated future undiscounted net cash flows of the operations to which the assets relate to the carrying amounts of such assets. We utilize the cash flow projections discussed above for property, plant and equipment and amortizable intangibles. We group the assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the undiscounted future cash flows using the life of the primary assets. If the carrying amounts of the long-lived assets are not recoverable from future cash flows and exceed their fair value, an impairment loss is recognized to reduce the carrying amounts of the long-lived assets to their fair value. Fair value is determined based on discounted cash flows, third party appraisals or other methods that provide appropriate estimates of value. Determining whether a triggering event has occurred, performing the impairment analysis and estimating the fair value of the assets require numerous assumptions and a considerable amount of management judgment. We are evaluating strategic opportunities for a portion of our business in Argentina. During the fourth quarter of 2013, we ceased using the assets of this operation and recognized $8 of additional depreciation expense to adjust the assets to their estimated recoverable value of $1 at December 31, 2013. Depending on the ultimate course of action, as determined by management and accepted by the Argentina government, further impairment of these assets could be triggered.

Warranty — Costs related to product warranty obligations are estimated and accrued at the time of sale with a charge against cost of sales. Warranty accruals are evaluated and adjusted as appropriate based on occurrences giving rise to potential warranty exposure and associated experience. Warranty accruals and adjustments require significant judgment, including a determination of our involvement in the matter giving rise to the potential warranty issue or claim, our contractual requirements, estimates of units requiring repair and estimates of repair costs. If actual experience differs from expectations, our financial position and results of operations in future periods could be affected.

Contingency reserves — We have numerous other loss exposures, such as asbestos claims and litigation. Establishing loss reserves for these matters requires the use of estimates and judgment in regards to risk exposure and ultimate liability. In the case of legal contingencies, estimates are made of the likely outcome of legal proceedings and potential exposure where reasonably determinable based on the information presently known to us. New information and developments in these matters could materially affect our recorded liabilities. Estimates of potential liability associated with asbestos claims are influenced by a number of factors, including legislative and legal developments to reduce submission of claims without merit, our success in litigating and resolving claims, developments with incidence of disease manifested as a consequence of asbestos, developments with and availability of bankruptcy trusts and other asbestos claim defendants, and the costs incurred by us to successfully defend and resolve asbestos claims. Additionally, we use a fifteen-year time horizon to estimate our probable asbestos liability.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to fluctuations in foreign currency exchange rates, commodity prices for products we use in our manufacturing and interest rates. To reduce our exposure to these risks, we maintain risk management controls to monitor these risks and take appropriate actions to attempt to mitigate such forms of market risks.

Foreign currency exchange rate risk — The majority of our foreign currency exposures are associated with cross-currency intercompany loans, intercompany and third party sales and purchase transactions and third party debt. We use forward contracts to manage foreign currency exchange rate risks associated primarily with a portion of our forecasted foreign currency-denominated sales and purchase transactions and with certain foreign currency-denominated assets and liabilities. We also use currency swaps to manage foreign currency exchange rate risks associated with certain intercompany loans. Foreign currency exposures are reviewed monthly and natural offsets are considered prior to entering into derivative instruments.

Changes in the fair value of derivative instruments treated as cash flow hedges are reported in OCI. Deferred gains and losses are reclassified to earnings in the same period in which the underlying transactions affect earnings. Changes in the fair value of derivative instruments not treated as cash flow hedges are recognized in earnings in the period in which those changes occur. Changes in the fair value of derivative instruments associated with product-related transactions are recorded in cost of sales, while those associated with non-product transactions are recorded in other income, net. See Note 14 to our consolidated financial statements in Item 8.

The following table summarizes the sensitivity of the fair value of our derivative instruments, including forward contracts and currency swaps, at December 31, 2013 to a 10% change in foreign exchange rates (versus the currencies presented).

| | 10% Increase in Rates Gain (Loss) | 10% Decrease in Rates Gain (Loss) |
|---|---|---|
| Foreign currency rate sensitivity: | | |
| Forward contracts and currency swaps | | |
| Long U.S. dollars | $(28) | $28 |
| Short U.S. dollars | $4 | $(4) |
| Long euros (short other than U.S. dollar) | $(18) | $18 |
| Short euros (long other than U.S. dollar) | $4 | $(4) |
| Other, net | $(1) | $1 |

Approximately one-half of our long U.S. dollar instruments and nearly all of our long euro instruments serve to mitigate a portion of the foreign exchange risk associated with recorded intercompany loans receivable and payable with a U.S. dollar equivalent amount of approximately $450 at December 31, 2013. Such recorded amounts were not significant at December 31, 2012. The remaining instruments are associated with forecasted transactions.

Commodity price risk — We do not utilize derivative contracts to manage commodity price risk. Our overall strategy is to pass through commodity risk to our customers in our pricing agreements. A substantial portion of our customer agreements include contractual provisions for the pass-through of commodity price movements. In instances where the risk is not covered contractually, we have generally been able to adjust customer pricing to recover commodity cost increases.

Interest rate risk — Our long-term debt portfolio consists mostly of fixed-rate instruments. Currently, we do not hold any derivative contracts that hedge our interest exposures but may consider such strategies in the future.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Dana Holding Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Dana Holding Corporation and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(3) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Toledo, Ohio

February 21, 2014

37

Dana Holding Corporation
Consolidated Statement of Operations
(In millions except per share amounts)

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Net sales | $6,769 | $7,224 | $7,544 |
| Costs and expenses | | | |
| Cost of sales | 5,849 | 6,250 | 6,647 |
| Selling, general and administrative expenses | 410 | 424 | 407 |
| Amortization of intangibles | 74 | 74 | 77 |
| Restructuring charges, net | 24 | 47 | 82 |
| Other income, net | 55 | 19 | 54 |
| Income from continuing operations before interest expense and income taxes | 467 | 448 | 385 |
| Interest expense | 99 | 84 | 79 |
| Income from continuing operations before income taxes | 368 | 364 | 306 |
| Income tax expense | 119 | 51 | 87 |
| Equity in earnings of affiliates | 12 | 2 | 21 |
| Income from continuing operations | 261 | 315 | 240 |
| Loss from discontinued operations | (1) | — | (8) |
| Net income | 260 | 315 | 232 |
| Less: Noncontrolling interests net income | 16 | 15 | 13 |
| Net income attributable to the parent company | 244 | 300 | 219 |
| Preferred stock dividend requirements | 25 | 31 | 31 |
| Preferred stock redemption premium | 232 | | |
| Net income (loss) available to common stockholders | $(13) | $269 | $188 |
| | | | |
| Net income (loss) per share available to parent company common stockholders: | | | |
| Basic: | | | |
| Income (loss) from continuing operations | $(0.08) | $1.82 | $1.34 |
| Loss from discontinued operations | $(0.01) | $— | $(0.06) |
| Net income (loss) | $(0.09) | $1.82 | $1.28 |
| | | | |
| Diluted: | | | |
| Income (loss) from continuing operations | $(0.08) | $1.40 | $1.05 |
| Loss from discontinued operations | $(0.01) | $— | $(0.03) |
| Net income (loss) | $(0.09) | $1.40 | $1.02 |
| | | | |
| Weighted-average common shares outstanding | | | |
| Basic | 146.4 | 148.0 | 146.6 |
| Diluted | 146.4 | 214.7 | 215.3 |
| | | | |
| Dividends declared per common share | $0.20 | $0.20 | $— |

The accompanying notes are an integral part of the consolidated financial statements.

Dana Holding Corporation
Consolidated Statement of Comprehensive Income
(In millions)

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Net income | $260 | $315 | $232 |
| Less: Noncontrolling interests net income | 16 | 15 | 13 |
| Net income attributable to the parent company | 244 | 300 | 219 |
| | | | |
| Other comprehensive income (loss) attributable to the parent company, net of tax: | | | |
| Currency translation adjustments | (40) | (6) | (92) |
| Hedging gains and losses | (4) | 13 | (10) |
| Investment and other gains and losses | (9) | 2 | (4) |
| Defined benefit plans | 122 | (152) | (48) |
| Other comprehensive income (loss) attributable to the parent company | 69 | (143) | (154) |
| | | | |
| Other comprehensive income (loss) attributable to noncontrolling interests, net of tax: | | | |
| Currency translation adjustments | (5) | 1 | (1) |
| Hedging gains and losses | 1 | | |
| Investment and other gains and losses | | | (1) |
| Defined benefit plans | | (1) | |
| Other comprehensive loss attributable to noncontrolling interests | (4) | — | (2) |
| | | | |
| Total comprehensive income attributable to the parent company | 313 | 157 | 65 |
| Total comprehensive income attributable to noncontrolling interests | 12 | 15 | 11 |
| Total comprehensive income | $325 | $172 | $76 |

The accompanying notes are an integral part of the consolidated financial statements.

Dana Holding Corporation
Consolidated Balance Sheet
(In millions except share and per share amounts)

| | 2013 | 2012 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | $1,256 | $1,059 |
| Marketable securities | 110 | 60 |
| Accounts receivable | | |
| Trade, less allowance for doubtful accounts of $7 in 2013 and $8 in 2012 | 793 | 818 |
| Other | 223 | 170 |
| Inventories | 670 | 742 |
| Other current assets | 113 | 104 |
| Total current assets | 3,165 | 2,953 |
| Goodwill | 106 | 101 |
| Intangibles | 227 | 325 |
| Other noncurrent assets | 196 | 324 |
| Investments in affiliates | 210 | 202 |
| Property, plant and equipment, net | 1,225 | 1,239 |
| Total assets | $5,129 | $5,144 |
| | | |
| Liabilities and equity | | |
| Current liabilities | | |
| Notes payable, including current portion of long-term debt | $57 | $101 |
| Accounts payable | 804 | 766 |
| Accrued payroll and employee benefits | 161 | 160 |
| Accrued restructuring costs | 14 | 23 |
| Taxes on income | 35 | 63 |
| Other accrued liabilities | 197 | 197 |
| Total current liabilities | 1,268 | 1,310 |
| Long-term debt | 1,567 | 803 |
| Pension and postretirement obligations | 530 | 715 |
| Other noncurrent liabilities | 351 | 368 |
| Total liabilities | 3,716 | 3,196 |
| Commitments and contingencies (Note 15) | | |
| Parent company stockholders' equity | | |
| Preferred stock, 50,000,000 shares authorized | | |
| Series A, $0.01 par value, zero and 2,500,000 shares outstanding | — | 242 |
| Series B, $0.01 par value, 3,803,774 and 5,221,199 shares outstanding | 372 | 511 |
| Common stock, $0.01 par value, 450,000,000 shares authorized, 145,338,342 and 148,264,067 outstanding | 2 | 2 |
| Additional paid-in capital | 2,840 | 2,668 |
| Accumulated deficit | (812) | (769) |
| Treasury stock, at cost (18,742,288 and 1,797,988 shares) | (366) | (25) |
| Accumulated other comprehensive loss | (727) | (793) |
| Total parent company stockholders' equity | 1,309 | 1,836 |
| Noncontrolling equity | 104 | 112 |
| Total equity | 1,413 | 1,948 |

| | | |
|---|---|---|
| Total liabilities and equity | $5,129 | $5,144 |

The accompanying notes are an integral part of the consolidated financial statements.

Dana Holding Corporation
Consolidated Statement of Cash Flows
(In millions)

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Operating activities | | | |
| Net income | $260 | $315 | $232 |
| Depreciation | 175 | 190 | 217 |
| Amortization of intangibles | 87 | 87 | 90 |
| Amortization of deferred financing charges | 5 | 5 | 6 |
| Loss on extinguishment of debt | | | 39 |
| Write off of deferred financing costs | 4 | | 14 |
| Gain on sale of equity investments | | | (60) |
| Unremitted earnings of affiliates | (2) | 1 | (18) |
| Stock compensation expense | 16 | 19 | 12 |
| Deferred income taxes | (10) | (80) | (14) |
| Pension contributions, net | (60) | (220) | (15) |
| Interest payment received on payment-in-kind note receivable | 26 | | |
| Change in working capital | 104 | 21 | (121) |
| Change in other noncurrent assets and liabilities | (3) | (3) | (13) |
| Other, net | (25) | 4 | 1 |
| Net cash provided by operating activities | 577 | 339 | 370 |
| | | | |
| Investing activities | | | |
| Purchases of property, plant and equipment | (209) | (164) | (196) |
| Acquisition of businesses | (8) | (12) | (163) |
| Principal payment received on payment-in-kind note receivable | 33 | | |
| Purchases of marketable securities | (84) | (18) | (44) |
| Proceeds from sales of marketable securities | 28 | 15 | 15 |
| Proceeds from maturities of marketable securities | 8 | 6 | 26 |
| Payments to acquire interest in equity affiliates | | | (132) |
| Proceeds from sale of equity investments | | | 136 |
| Proceeds from sale of businesses | 1 | 8 | 16 |
| Other | 9 | 4 | (2) |
| Net cash used in investing activities | (222) | (161) | (344) |
| | | | |
| Financing activities | | | |
| Net change in short-term debt | (14) | 4 | 26 |
| Proceeds from long-term debt | 817 | 51 | 765 |
| Repayment of long-term debt | (57) | (32) | (880) |
| Deferred financing payments | (17) | | (26) |
| Preferred stock redemption | (474) | | |
| Dividends paid to preferred stockholders | (28) | (31) | (31) |
| Dividends paid to common stockholders | (30) | (30) | |
| Distributions to noncontrolling interests | (11) | (11) | (9) |
| Repurchases of common stock | (337) | (15) | |
| Payments to acquire noncontrolling interests | (7) | | |
| Other | 8 | 9 | 7 |
| Net cash used in financing activities | (150) | (55) | (148) |

| | | | |
|---|---|---|---|
| Net increase (decrease) in cash and cash equivalents | 205 | 123 | (122) |
| Cash and cash equivalents - beginning of period | 1,059 | 931 | 1,090 |
| Effect of exchange rate changes on cash balances | (8) | 5 | (37) |
| Cash and cash equivalents - end of period | $1,256 | $1,059 | $931 |

The accompanying notes are an integral part of the consolidated financial statements.

41

Dana Holding Corporation
Consolidated Statement of Stockholders' Equity
(In millions)

| | Parent Company Stockholders' | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | Common Stock | Additional Paid-In Capital | Accumulated Deficit | Treasury Stock | Accumulated Other Compre-hensive (Loss) | Parent Company Stockholders' Equity | Non-controlling Interests | Total Equity |
| Balance, December 31, 2010 | $762 | $ 1 | $ 2,613 | $ (1,196 ) | $ (4 ) | $ (496 ) | $ 1,680 | $ 106 | $ 1,786 |
| Net income | | | | 219 | | | 219 | 13 | 232 |
| Other comprehensive loss | | | | | | (154 ) | (154 ) | (2 ) | (156 ) |
| Preferred stock dividends ($4.00 per share) | | | | (31 ) | | | (31 ) | | (31 ) |
| Distributions to noncontrolling interests | | | | | | | — | (9 ) | (9 ) |
| Share conversion | (9 ) | | 9 | | | | — | | — |
| Stock compensation | | | 21 | | | | 21 | | 21 |
| Stock withheld for employees taxes | | | | | (5 ) | | (5 ) | | (5 ) |
| Balance, December 31, 2011 | 753 | 1 | 2,643 | (1,008 ) | (9 ) | (650 ) | 1,730 | 108 | 1,838 |
| Net income | | | | 300 | | | 300 | 15 | 315 |
| Other comprehensive loss | | | | | | (143 ) | (143 ) | — | (143 ) |
| Preferred stock dividends ($4.00 per share) | | | | (31 ) | | | (31 ) | | (31 ) |
| Common stock dividends ($0.20 per share) | | | | (30 ) | | | (30 ) | | (30 ) |
| Distributions to noncontrolling interests | | | | | | | — | (11 ) | (11 ) |
| Common stock share repurchases | | | | | (15 ) | | (15 ) | | (15 ) |
| Stock compensation | | 1 | 25 | | | | | | |