DANA HOLDING CORP
Form 10-Q
October 29, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-Q

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

For the quarterly period ended: September 30, 2013
Commission File Number: 1-1063

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

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

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

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

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

There were 146,904,211 shares of the registrant’s common stock outstanding at October 11, 2013.

DANA HOLDING CORPORATION – FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net sales	$1,669	$1,715	$5,145	$5,615
Costs and expenses				
Cost of sales	1,434	1,477	4,437	4,838
Selling, general and administrative expenses	97	99	305	322
Amortization of intangibles	18	18	55	56
Restructuring charges, net	8	6	14	30
Other income, net	18	2	38	9
Income from continuing operations before interest expense and income taxes	130	117	372	378
Interest expense	27	22	69	63
Income from continuing operations before income taxes	103	95	303	315
Income tax expense	34	33	96	97
Equity in earnings of affiliates	3	(2)	10	4
Income from continuing operations	72	60	217	222
Loss from discontinued operations	(1)	—	—	—
Net income	71	60	217	222
Less: Noncontrolling interests net income	3	4	15	10
Net income attributable to the parent company	68	56	202	212
Preferred stock dividend requirements	6	8	21	23
Preferred stock redemption premium	232		232	
Net income (loss) available to common stockholders	$(170)	$48	$(51)	$189
Net income (loss) per share available to parent company common stockholders:				
Basic:				
Income (loss) from continuing operations	$(1.15)	$0.32	$(0.35)	$1.28
Loss from discontinued operations	$(0.01)	$—	$—	$—
Net income (loss)	$(1.16)	$0.32	$(0.35)	$1.28
Diluted:				
Income (loss) from continuing operations	$(1.15)	$0.26	$(0.35)	$0.99
Loss from discontinued operations	$(0.01)	$—	$—	$—
Net income (loss)	$(1.16)	$0.26	$(0.35)	$0.99
Weighted-average common shares outstanding				
Basic	145.8	148.1	146.6	147.8
Diluted	145.8	214.5	146.6	214.7

Dividends declared per common share	$0.05	$0.05	$0.15	$0.15

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	$71	$60	$217	$222
Less: Noncontrolling interests net income	3	4	15	10
Net income attributable to the parent company	68	56	202	212
Other comprehensive income (loss) attributable to the parent company, net of tax:				
Currency translation adjustments	30	25	(34)	(10)
Hedging gains and losses	(1)	4	(4)	12
Investment and other gains and losses	3		(6)	1
Defined benefit plans	6	(2)	20	4
Other comprehensive income (loss) attributable to the parent company	38	27	(24)	7
Other comprehensive income (loss) attributable to noncontrolling interests, net of tax:				
Currency translation adjustments	1	2	(4)	2
Hedging gains and losses	1		1	
Other comprehensive income (loss) attributable to noncontrolling interests	2	2	(3)	2
Total comprehensive income attributable to the parent company	106	83	178	219
Total comprehensive income attributable to noncontrolling interests	5	6	12	12
Total comprehensive income	$111	$89	$190	$231

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

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

	September 30, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$1,121	$1,059
Marketable securities	105	60
Accounts receivable		
Trade, less allowance for doubtful accounts of $8 in 2013 and 2012	916	818
Other	171	170
Inventories		
Raw materials	395	388
Work in process and finished goods	379	354
Other current assets	114	104
Total current assets	3,201	2,953
Goodwill	104	101
Intangibles	253	325
Other noncurrent assets	271	324
Investments in affiliates	215	202
Property, plant and equipment, net	1,200	1,239
Total assets	$5,244	$5,144
Liabilities and equity		
Current liabilities		
Notes payable, including current portion of long-term debt	$64	$101
Accounts payable	872	766
Accrued payroll and employee benefits	166	160
Accrued restructuring costs	13	23
Taxes on income	59	63
Other accrued liabilities	172	197
Total current liabilities	1,346	1,310
Long-term debt	1,568	803
Pension and postretirement obligations	638	715
Other noncurrent liabilities	357	368
Total liabilities	3,909	3,196
Commitments and contingencies (Note 13)		
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, 4,328,537 and 5,221,199 shares outstanding	423	511
Common stock, $0.01 par value, 450,000,000 shares authorized, 145,204,001 and 148,264,067 outstanding	2	2
Additional paid-in capital	2,745	2,668
Accumulated deficit	(835)	(762)
Treasury stock, at cost (14,381,673 and 1,797,988 shares)	(277)	(25)
Accumulated other comprehensive loss	(820)	(793)
Total parent company stockholders' equity	1,238	1,843

Noncontrolling equity	97	105
Total equity	1,335	1,948
Total liabilities and equity	$5,244	$5,144

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

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

	Nine Months Ended September 30, 2013	2012
Operating activities		
Net income	$217	$222
Depreciation	123	142
Amortization of intangibles	65	66
Amortization of deferred financing charges	4	4
Unremitted earnings of affiliates	(8)	(1)
Stock compensation expense	14	14
Deferred income taxes	5	(9)
Pension contributions, net	(56)	(204)
Interest payment received on payment-in-kind note receivable	26	
Change in working capital	(75)	(116)
Other, net	(22)	3
Net cash provided by operating activities	293	121
Investing activities		
Purchases of property, plant and equipment	(123)	(113)
Acquisition of business	(8)	(7)
Principal payment received on payment-in-kind note receivable	33	
Purchases of marketable securities	(80)	(13)
Proceeds from sales of marketable securities	28	12
Proceeds from maturities of marketable securities	7	3
Proceeds from sale of businesses	1	7
Other	8	(3)
Net cash used in investing activities	(134)	(114)
Financing activities		
Net change in short-term debt	(11)	26
Proceeds from long-term debt	811	40
Repayment of long-term debt	(55)	(14)
Deferred financing payments	(17)	
Preferred stock redemption	(474)	
Dividends paid to preferred stockholders	(23)	(23)
Dividends paid to common stockholders	(22)	(22)
Distributions to noncontrolling interests	(11)	(9)
Repurchases of common stock	(288)	
Payments to acquire noncontrolling interests	(7)	
Other	7	(1)
Net cash used in financing activities	(90)	(3)
Net increase in cash and cash equivalents	69	4
Cash and cash equivalents – beginning of period	1,059	931
Effect of exchange rate changes on cash balances	(7)	5

Cash and cash equivalents – end of period	$1,121	$940

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

Dana Holding Corporation
Index to Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements (Unaudited)
(In millions, except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies

General

Dana Holding Corporation (Dana) is headquartered in Maumee, Ohio and was incorporated in Delaware in 2007. As a leading supplier of driveline products (axles, driveshafts and transmissions), power technologies (sealing and thermal management products) and genuine service parts for vehicle manufacturers, our customer base includes virtually every major vehicle manufacturer in the global light vehicle, medium/heavy vehicle and off-highway markets.

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.

Summary of significant accounting policies

Basis of presentation — Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. These statements are unaudited, but in the opinion of management include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods. The results reported in these consolidated financial statements should not necessarily be taken as indicative of results that may be expected for the entire year. The financial information included herein should be read in conjunction with the consolidated financial statements in Item 8 of our 2012 Form 10-K.

Discontinued operations — We classify a business component that has been disposed of or classified as held for sale as discontinued operations if the cash flows of the component have been or will be eliminated from our ongoing operations and we will no longer have any significant continuing involvement in or with the component. The results of operations of our discontinued operations, including any gains or losses on disposition, are aggregated and presented on one line in the consolidated statement of operations. See Note 3 for additional information regarding our discontinued operations.

Recently adopted accounting pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance to enhance disclosures about offsetting assets and liabilities. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The guidance was effective January 1, 2013. The adoption of this guidance did not impact our financial condition or results of operations.

Recently issued accounting pronouncements

In July 2013, the FASB issued guidance to clarify financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Generally, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. An exception exists to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose. If the exception applies, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments will be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is also permitted. Adoption of this guidance will not impact our financial condition or results of operations.

In July 2013, the FASB issued guidance to provide for the inclusion of the Fed Funds Effective Swap Rate as a U.S. benchmark interest rate for hedge accounting purposes, in addition to direct Treasury obligations of the U.S. government and the London Interbank Offered Rate (LIBOR) swap rate. In addition, the guidance removes the restriction on using different benchmark interest rates for similar hedges. The guidance is effective immediately, and can be applied prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013.

In March 2013, the FASB issued guidance to clarify existing requirements for the release - the recognition of an amount in the income statement - of the cumulative translation adjustment. The guidance applies to the release of cumulative translation adjustment when an entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. It also applies to the release of the cumulative translation adjustment when there is a loss of a controlling financial interest in a foreign entity or a step acquisition involving an equity method investment that is a foreign entity. The accounting for the financial interest within a foreign entity is the same regardless of the form of the transaction. The guidance will be applied to relevant transactions that occur on or after January 1, 2014. The impact related to this guidance is not presently determinable.

In February 2013, the FASB issued guidance related to obligations resulting from joint and several liability arrangements where the amount of the obligation is fixed at the reporting date. Obligations within the scope of the guidance include certain debt arrangements and settled litigation but not contingencies, guarantees, retirement benefits or income taxes. The guidance, which is effective January 1, 2014, is not expected to impact our financial condition or results of operations.

In July 2012, the FASB issued guidance to provide an option in a company's annual indefinite-lived intangible asset impairment test to first assess qualitative factors to determine whether the existence of events and circumstances indicate that it is more likely than not that an asset is impaired. If, after assessing all events and circumstances, it is determined that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. The changes are effective for annual and interim impairment tests performed after January 1, 2013. Adoption of this guidance will not impact our financial condition or results of operations.

Note 2. Acquisitions and Divestitures

Fallbrook — On September 10, 2012, we entered into a strategic alliance with Fallbrook Technologies Inc. (Fallbrook). Among the agreements executed was an exclusive license agreement allowing Dana to engineer, produce and sell transmission components and other advanced powertrain solutions with Fallbrook’s continuously variable planetary (CVP) technology for passenger and certain off-highway vehicles in the end markets Dana serves. The exclusive license agreement, along with an engineering services agreement and key engineers hired from Fallbrook, provide Dana with intellectual property, processes, techniques, technical data, training, designs and drawings related to the development, application, use, manufacture and production of the CVP technology. The transaction with Fallbrook has been accounted for as a business combination.

Dana paid Fallbrook $20 under the exclusive license agreement 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. The aggregate fair value of the assets acquired of $20 has been allocated to intangible assets used in research and development activities which are initially classified as indefinite-lived with $12 and $8 assigned to our Off-Highway and Light Vehicle Driveline (LVD) operating segments, respectively. We used the multi-period excess earnings method, an income approach, to value the intangible assets used in research and development activities.

Divestiture of Structural Products business — In March 2010, we sold substantially all of the assets of our Structural Products business to Metalsa S.A. de C.V. (Metalsa). Approximately $12 of the proceeds was paid into escrow. The agreement provided for those funds to be released to Dana by June 2012; however, the buyer has presented claims to the escrow agent seeking indemnification from Dana. The escrow agent is precluded from releasing the funds held in escrow until Dana and the buyer resolve the issues underlying the claims. The parties are pursuing an arbitration process to resolve the issues with arbitration currently expected to take place during the fourth quarter. Dana does not presently believe that any obligation to indemnify the buyer will be material.

Other — We completed the divestiture of our axle, differential and brake systems business serving the leisure, all-terrain and utility vehicle markets in August 2012. Proceeds of $7 and $1 received in the third and fourth quarters of 2012 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 $32 in 2012 through the date of the disposition.

Note 3. Discontinued Operations

The sale of substantially all of the assets of our Structural Products business in 2010 excluded the facility in Longview, Texas and its employees and manufacturing assets related to a significant customer contract. The customer contract was satisfied and operations concluded in August 2012. As a result of the cessation of all operations, the former Structural Products business has been presented as discontinued operations in the accompanying financial statements.

The results of the discontinued operations were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Sales	$—	$8	$—	$34
Cost of sales	1	7	2	30
Restructuring charges, net		1	1	3
Other income (expense), net			3	(1)
Pre-tax loss	(1)	—	—	—
Income tax expense	—	—	—	—
Loss from discontinued operations	$(1)	$—	$—	$—

The Longview facility was sold in March 2013 for an amount that approximated its carrying value. A previously closed plant in Canada remains on the balance sheet with a book value of $4 at September 30, 2013. Other assets and liabilities related to the discontinued operations at September 30, 2013 were not material.

Note 4. Goodwill and Other Intangible Assets

Goodwill — Our goodwill is assigned to our Off-Highway operating segment. The changes in the carrying amount of goodwill are due to currency fluctuations.

Components of other intangible assets —

		September 30, 2013			December 31, 2012		
	Weighted Average Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets							
Core technology	7	$94	$ (79)	$15	$93	$ (69)	$24
Trademarks and trade names	16	4	(1)	3	4	(1)	3
Customer relationships	8	530	(380)	150	538	(325)	213
Non-amortizable intangible assets							
Trademarks and trade names		65		65	65		65
Used in research and development activities		20		20	20		20
		$713	$ (460)	$253	$720	$ (395)	$325

The net carrying amounts of intangible assets, other than goodwill, attributable to each of our operating segments at September 30, 2013 were as follows: LVD — $15, Power Technologies — $22, Commercial Vehicle — $136 and Off-Highway — $80.

Amortization expense related to amortizable intangible assets —

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Charged to cost of sales	$4	$4	$10	$10
Charged to amortization of intangibles	18	18	55	56
Total amortization	$22	$22	$65	$66

The following table provides the estimated aggregate pre-tax amortization expense related to intangible assets for each of the next five years based on September 30, 2013 exchange rates. Actual amounts may differ from these estimates due to such factors as currency translation, customer turnover, impairments, additional intangible asset acquisitions and other events.

	Remainder of 2013	2014	2015	2016	2017
Amortization expense	$22	$50	$22	$20	$17

Note 5. Restructuring of Operations

Our restructuring activities primarily include rationalizing our operating footprint by consolidating facilities, positioning operations in lower cost locations and reducing overhead costs. Restructuring expense includes costs associated with current and previously announced actions and is comprised of contractual and noncontractual separation costs and exit costs, including costs associated with lease continuation obligations and certain operating costs of facilities that we are in the process of closing.

During the third quarter of 2013, we approved additional headcount reduction programs, primarily attributable to our Commercial Vehicle operation in Argentina. Including costs associated with this action and with other previously announced initiatives, restructuring expense during the third quarter of 2013 was $8, including $3 of severance and related benefits costs and $5 of exit costs.

During the first and second quarters of 2013, we implemented certain headcount reduction initiatives, primarily in our Light Vehicle and Commercial Vehicle businesses in Argentina and Australia. New customer programs and other developments in our North American Light Vehicle business and a decision by our European Off-Highway business to in-source the manufacturing of certain parts resulted in the reversal of previously accrued severance obligations. During the first nine months of 2013, restructuring expense was $14, net of the aforementioned reversals, and was attributable to the cost of newly implemented and previously announced initiatives. Including an additional $1 associated with discontinued operations, the total cost represents $6 of severance and related benefits costs and $9 of exit costs.

During the third quarter of 2012, we implemented certain cost reduction programs, including a headcount reduction program at certain of our South American manufacturing operations and the realignment of our North American regional operations. Total restructuring expense in the third quarter of 2012 to recognize these costs as well as costs associated with previously announced initiatives was $6. Including an additional $1 of costs associated with discontinued operations, the total cost represented $4 of severance and related benefits costs and $3 of exit costs.

During the first and second quarters of 2012, we implemented and recognized the costs of specific headcount reduction initiatives, primarily associated with certain of our South American operations. Additionally, we exited our Kalamazoo, Michigan facility and recognized the fair value of the associated lease continuation obligation. During the first nine months of 2012, restructuring expense to recognize the costs of these actions as well as costs associated with other previously announced initiatives was $30. Including an additional $3 associated with discontinued operations, the total cost represented $15 of severance and related benefits costs and $18 of exit costs.

Restructuring charges and related payments and adjustments —

	Employee Termination Benefits	Exit Costs	Total
Balance at June 30, 2013, including noncurrent portion	$14	$11	$25
Activity during the period:			
Charges to restructuring	4	6	10
Adjustments of accruals	(1)	(1)	(2)
Cash payments	(5)	(4)	(9)
Balance at September 30, 2013, including noncurrent portion	$12	$12	$24
Balance at December 31, 2012, including noncurrent portion	$27	$13	$40
Activity during the period:			
Charges to restructuring	14	9	23
Adjustments of accruals	(8)	(1)	(9)
Discontinued operations charges		1	1
Cash payments	(21)	(10)	(31)
Balance at September 30, 2013, including noncurrent portion	$12	$12	$24

At September 30, 2013, the accrued employee termination benefits relate to the reduction of approximately 300 employees to be completed over the next three years. The exit costs relate primarily to lease continuation obligations. We estimate cash expenditures to approximate $7 in the fourth quarter of 2013 and $17 thereafter.

Cost to complete — The following table provides project-to-date and estimated future expenses for completion of our pending restructuring initiatives.

	Expense Recognized			Future
	Prior to 2013	2013	Total to Date	Cost to Complete
LVD	$18	$5	$23	$6
Power Technologies	9		9	2
Commercial Vehicle	19	9	28	8
Off-Highway	8	(2)	6	1
Corporate		2	2	
Discontinued operations	4	1	5	4
Total	$58	$15	$73	$21

The future cost to complete includes estimated separation costs, primarily those associated with one-time benefit programs, and exit costs, including lease continuation costs, equipment transfers and other costs which are required to be recognized as closures are finalized or as incurred during the closure.

Note 6. Stockholders' Equity

Series A and Series B preferred stock — Dividends on our 4.0% Series A Convertible Preferred Stock (Series A preferred stock) and 4.0% Series B Convertible Preferred Stock (Series B preferred stock) are accrued monthly and are payable in cash as approved by the Board of Directors. Preferred dividends accrued but not paid were $4 and $8 at September 30, 2013 and December 31, 2012.

In August 2013, we paid $474 to redeem our Series A preferred stock, including $3 of redemption costs. The amount paid exceeded the $242 carrying value of our Series A preferred stock. The $232 redemption premium was charged directly to accumulated deficit on our balance sheet. The redemption premium is treated like a dividend on preferred stock and deducted from net income attributable to the parent company in arriving at net income (loss) available to common stockholders.

During the first nine months of 2013, holders of 892,662 shares of Series B preferred stock elected to convert those preferred shares into common stock and received 7,541,105 shares. The common stock issued included shares to satisfy the

---

accrued dividends owed to the converting preferred stockholders. Based on the market price of Dana common stock on the date of conversion, the fair value of the conversions totaled $158.

Common stock — Our Board of Directors declared a quarterly cash dividend of five cents per share of common stock in the first, second and third quarters of 2013. Dividends accrue on restricted stock units granted under our stock compensation program and will be paid in cash or additional units only when the underlying units vest.

Share repurchase program — On October 25, 2012, our Board of Directors approved a share repurchase program of 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. The stock repurchases are subject to prevailing market conditions and other considerations.

Under the program, we spent $88 to repurchase 5,075,740 shares of our common stock during the first nine months of 2013 through open market and privately negotiated transactions.

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 the third quarter of 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. These shares have been included in common stock held in treasury as of the applicable delivery date. The remaining 20% of the ASR transaction's value, or $40, has been deducted from additional paid-in-capital in the accompanying consolidated balance sheet as of September 30, 2013, and will be transferred to common stock held in treasury upon settlement of the ASR transaction. The ultimate number of shares to be repurchased and the final price paid per share under the ASR transaction will generally be based on the average of the daily volume-weighted average prices of our common stock during the term of the ASR agreement, less an agreed upon discount. At settlement, if the ultimate number of shares to be repurchased exceeds the number of shares initially delivered, we will receive additional shares from the financial institution. If the ultimate number of shares to be repurchased is less than the number of shares initially delivered, we have the contractual right to either deliver additional shares or cash equal to the value of those shares to the financial institution. The ASR agreement has a maximum term of three and a half months, but may conclude earlier at the option of the third-party financial institution.

Taking into account the Series A preferred stock redemption and the ASR transaction, $220 remained available under the program for future share repurchases as of September 30, 2013.

Changes in equity —

Three Months Ended September 30,	2013 Attributable to Parent	2013 Attributable to Non-controlling Interests	2013 Total Equity	2012 Attributable to Parent	2012 Attributable to Non-controlling Interests	2012 Total Equity
Balance, June 30	$1,813	$98	$1,911	$1,851	$99	$1,950
Total comprehensive income	106	5	111	83	6	89
Preferred stock dividends	(6)		(6)	(8)		(8)
Common stock dividends	(7)		(7)	(7)		(7)
Distributions to noncontrolling interests		(6)	(6)		(1)	(1)
Common stock share repurchases	(2)		(2)			
Accelerated share repurchase	(200)		(200)			
Preferred stock redemption	(474)		(474)			
Repurchase of equity awards	(2)		(2)			
Stock compensation	10		10	4		4
Balance, September 30	$1,238	$97	$1,335	$1,923	$104	$2,027
Nine Months Ended September 30,						
Balance, December 31	$1,843	$105	$1,948	$1,737	$101	$1,838
Total comprehensive income	178	12	190	219	12	231
Preferred stock dividends	(21)		(21)	(23)		(23)
Common stock dividends	(22)		(22)	(22)		(22)
Distributions to noncontrolling interests		(11)	(11)		(9)	(9)
Common stock share repurchases	(88)		(88)			
Accelerated share repurchase	(200)		(200)			
Preferred stock redemption	(474)		(474)			
Repurchase of equity awards	(2)		(2)			
Adjustments to paid-in capital for purchase of noncontrolling interests	6		6			
Adjustments to other comprehensive income for purchase of noncontrolling interests	(3)		(3)			
Purchase of noncontrolling interests		(9)	(9)			
Stock compensation	25		25	13		13
Stock withheld for employee taxes	(4)		(4)	(1)		(1)
Balance, September 30	$1,238	$97	$1,335	$1,923	$104	$2,027

Changes in components of Accumulated Other Comprehensive Income (Loss) (AOCI) of the parent —

	Parent Company Stockholders				
	Foreign Currency Translation	Hedging	Investments	Defined Benefit Plans	Accumulated Other Comprehensive Income (Loss)
Balance, June 30, 2013	$(266)	$1	$3	$(596)	$(858)
Other comprehensive income (loss):					
Currency translation adjustments	30				30
Holding gains (losses)			3		3
Reclassification of amount to net income (a)		(1)			(1)
Amortization of net actuarial losses included in net periodic benefit cost (b)				6	6
Other comprehensive income (loss)	30	(1)	3	6	38
Balance, September 30, 2013	$(236)	$—	$6	$(590)	$(820)
Balance, June 30, 2012	$(227)	$(2)	$11	$(452)	$(670)
Other comprehensive income (loss):					
Currency translation adjustments	25				25
Holding gains (losses)		4			4
Reclassification of amount to net income (a)		1			1
Plan amendments				(6)	(6)
Amortization of net actuarial losses included in net periodic benefit cost (b)				4	4
Tax expense		(1)			(1)
Other comprehensive income (loss)	25	4	—	(2)	27
Balance, September 30, 2012	$(202)	$2	$11	$(454)	$(643)
Balance, December 31, 2012	$(198)	$3	$12	$(610)	$(793)
Other comprehensive income (loss):					
Currency translation adjustments	(34)				(34)
Holding gains (losses)		2	2		4
Reclassification of amount to net income (a)		(6)	(8)		(14)
Venezuelan bolivar devaluation				2	2
Amortization of net actuarial losses included in net periodic benefit cost (b)				18	18
Other comprehensive income (loss)	(34)	(4)	(6)	20	(24)
Adjustment for purchase of noncontrolling interests	(4)	1			(3)
Balance, September 30, 2013	$(236)	$—	$6	$(590)	$(820)
Balance, December 31, 2011	$(192)	$(10)	$10	$(458)	$(650)
Other comprehensive income (loss):					
Currency translation adjustments	(10)				(10)
Holding gains (losses)		8	1		9
Reclassification of amount to net income (a)		7			7
Plan amendments				(6)	(6)
Net actuarial loss				(1)	(1)
				11	11

Amortization of net actuarial losses included in net periodic benefit cost (b)					
Tax expense		(3)			(3)
Other comprehensive income (loss)	(10)	12	1	4	7
Balance, September 30, 2012	$(202)	$2	$11	$(454)	$(643)

(a) Foreign currency contract and investment reclassifications are included in other income, net.
(b) See Note 9 for additional details.

During the first quarter of 2013, Dana purchased the noncontrolling interests in three of its subsidiaries for $7. Dana maintained its controlling financial interest in each of the subsidiaries and accounted for the purchases as equity transactions. The difference between the fair value of the consideration paid and the carrying value of the noncontrolling interests was recognized as additional paid-in capital of the parent company. At the time of the purchases the subsidiaries had accumulated other comprehensive income. Accumulated other comprehensive income of the parent company has been adjusted to reflect the ownership interest change with a corresponding offset to additional paid-in capital of the parent company.

Note 7. Earnings per Share

Reconciliation of the numerators and denominators of the earnings per share calculations —

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Income from continuing operations	$72	$60	$217	$222
Less: Noncontrolling interests	3	4	15	10
Less: Preferred stock dividend requirements	6	8	21	23
Less: Preferred stock redemption premium	232		232	
Income (loss) from continuing operations available to common stockholders - Numerator basic	(169)	48	(51)	189
Preferred stock dividend requirements		8		23
Numerator diluted	$(169)	$56	$(51)	$212
Net income (loss) available to common stockholders - Numerator basic	$(170)	$48	$(51)	$189
Preferred stock dividend requirements		8		23
Numerator diluted	$(170)	$56	$(51)	$212
Weighted-average number of shares outstanding - Denominator basic	145.8	148.1	146.6	147.8
Employee compensation-related shares, including stock options		1.7		2.2
Conversion of preferred stock		64.7		64.7
Denominator diluted	145.8	214.5	146.6	214.7

The share count for diluted earnings per share is computed on the basis of the weighted-average number of common shares outstanding plus the effects of dilutive common stock equivalents (CSEs) outstanding during the period. We excluded 0.1 million and 1.6 million CSEs from the calculations of diluted earnings per share for the respective quarters ended September 30 and 0.4 million and 1.1 million CSEs from the calculations of diluted earnings per share for the respective year-to-date periods ended September 30 as the effect of including them would have been anti-dilutive. In addition, we excluded CSEs that satisfied the definition of potentially dilutive shares of 1.7 million and 1.6 million for the quarter and nine months ended September 30, 2013 since there was no net income available to common stockholders for these periods.

We excluded 7.3 million and 16.3 million shares related to the assumed conversion of our Series A preferred stock for the quarter and nine months ended September 30, 2013, and 38.8 million and 42.1 million shares related to the assumed conversion of our Series B preferred stock for the same periods, along with the adjustment for the related dividend requirements, as the conversions would have been anti-dilutive for these periods.

Note 8. Stock Compensation

The Compensation Committee of our Board of Directors approved the grant of stock options, stock appreciation rights (SARs) and restricted stock units (RSUs) shown in the table below during the first nine months of 2013.

	Granted (In millions)	Weighted-average Per Share Exercise Price	Grant Date Fair Value
Stock options	0.9	$16.21	$7.46
SARs	0.2	$16.19	$7.45
RSUs	0.5		$16.28

Stock options and SARs related to 1.5 million shares were exercised and an insignificant number of shares were forfeited in 2013. We received $14 of cash from the exercise of stock options and we paid $4 of cash to settle SARs and performance share units during 2013. We also issued 0.2 million in RSUs and 0.4 million in performance shares based on vesting.

We estimated fair values for options and SARs granted during 2013 using the following key assumptions as part of the Black-Scholes option pricing model. The expected term was estimated using the simplified method because the limited period of time our common stock has been publicly traded provides insufficient historical exercise data. The risk-free rate was based on U.S. Treasury security yields at the time of grant. The dividend yield was calculated by dividing the expected annual dividend by the average stock price of our common stock over the prior year. The expected volatility was estimated using a combination of the historical volatility of similar entities and the implied volatility of our exchange-traded options.

	Options	SARs
Expected term (in years)	6.00	6.00
Risk-free interest rate	1.07 %	1.07 %
Dividend yield	1.41 %	1.41 %
Expected volatility	55.80 %	55.80 %

We recognized stock compensation expense of $5 and $4 during the third quarter of 2013 and 2012 and $14 in both of the nine-month periods of 2013 and 2012. At September 30, 2013, the total unrecognized compensation cost related to the nonvested awards granted and expected to vest was $23. This cost is expected to be recognized over a weighted-average period of 1.9 years.

Note 9. Pension and Postretirement Benefit Plans

We have a number of defined contribution and defined benefit, qualified and nonqualified, pension plans covering eligible employees. Other postretirement benefits (OPEB), including medical and life insurance, are provided for certain employees upon retirement.

Components of net periodic benefit costs —

	Pension 2013		2012		OPEB - Non-U.S.	
Three Months Ended September 30,	U.S.	Non-U.S.	U.S.	Non-U.S.	2013	2012
Interest cost	$18	$3	$21	$3	$2	$1
Expected return on plan assets	(29)		(28)			
Service cost		1		1		
Amortization of net actuarial loss	5	1	4			
Net periodic (benefit) cost	$(6)	$5	$(3)	$4	$2	$1
Nine Months Ended September 30,						
Interest cost	$56	$9	$64	$9	$4	$4
Expected return on plan assets	(87)		(84)	(1)		

Service cost		4		3		
Amortization of net actuarial loss	15	3	11			
Net periodic (benefit) cost	$(16)	$16	$(9)	$11	$4	$4

We have contributed $40 to the U.S. pension plans during 2013.

Note 10. Marketable Securities

	September 30, 2013			December 31, 2012		
	Cost	Unrealized Gain (Loss)	Fair Value	Cost	Unrealized Gain (Loss)	Fair Value
U.S. government securities	$27	$—	$27	$7	$—	$7
Corporate securities	30		30	11		11
Certificates of deposit	17		17	16		16
Other	31		31	25	1	26
Total marketable securities	$105	$—	$105	$59	$1	$60

U.S. government securities include bonds issued by government-sponsored agencies and Treasury notes. Corporate securities include both debt and equity securities. Other consists of investments in mutual and index funds. U.S. government securities, corporate debt and certificates of deposit maturing in one year or less, after one year through five years and after five years total $18, $55 and $1 at September 30, 2013.

Note 11. Financing Agreements

Long-term debt at —

	Interest Rate	September 30, 2013	December 31, 2012
Senior Notes due February 15, 2019	6.500%	$400	$400
Senior Notes due February 15, 2021	6.750%	350	350
Senior Notes due September 15, 2021	5.375%	450	
Senior Notes due September 15, 2023	6.000%	300	
Other indebtedness		102	109
Total		1,602	859
Less: current maturities		34	56
Total long-term debt		$1,568	$803

The weighted-average interest rate on the senior notes was 6.12% at September 30, 2013. Interest on the senior notes is payable semi-annually.

Senior notes — In July 2013, we completed the sale of $750 in senior unsecured notes (the New Senior Notes). Interest on the New Senior Notes is payable on March 15 and September 15 of each year beginning on March 15, 2014. Net proceeds of the offering totaled $734. Financing costs of $16 were recorded as deferred costs and are being amortized to interest expense over the life of the New Senior Notes. A portion of the net proceeds from the offering were used to repurchase all of our outstanding Series A preferred stock and to fund the ASR transaction. The remaining net proceeds will be used to fund our previously authorized share repurchase program and for other general corporate purposes.

We may redeem some or all of the New Senior Notes at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest to the redemption date, if redeemed during the 12-month period commencing on September 15 of the years set forth below:

Year	Redemption Price September 2021 Notes		September 2023 Notes	
2016	104.031	%		
2017	102.688	%		
2018	101.344	%	103.000	%
2019	100.000	%	102.000	%
2020	100.000	%	101.000	%
2021			100.000	%
2022			100.000	%

Prior to September 15, 2016 for the Senior Notes due September 2021 Notes (the September 2021 Notes) and prior to September 15, 2018 for the Senior Notes due September 2023 Notes (the September 2023 Notes), we may redeem some or all of such notes at a price equal to the principal amount thereof, plus accrued and unpaid interest, plus a “make-whole” premium. We have not separated the make-whole premium from the underlying debt instrument to account for it as a derivative instrument as the economic characteristics and the risks of this embedded derivative are clearly and closely related to the economic characteristics and risks of the underlying debt.

At any time prior to September 15, 2016, we may redeem up to 35% of original aggregate principal amount of each of the September 2021 Notes and September 2023 Notes in an amount not to exceed the amount of proceeds of one or more equity offerings, at a price equal to 105.375% (for the September 2021 Notes) and 106.000% (for the September 2023 Notes) of the principal amount of such notes, plus accrued and unpaid interest thereon, provided that at least 50% of the original aggregate principal amount of the September 2021 Notes (for redemptions of September 2021 Notes) and September 2023 Notes (for redemptions of September 2023 Notes) remain outstanding after giving effect to any such redemption.

Revolving facility — On June 20, 2013, we received commitments from existing lenders for a $500 amended and restated revolving credit facility (the Amended Revolving Facility) which expires on June 20, 2018. In connection with Amended Revolving Facility, we paid $3 in deferred financing costs to be amortized to interest expense over the life of the facility. We wrote off $2 of previously deferred financing costs associated with our prior revolving credit facility to other income, net.

The Amended Revolving Facility is guaranteed by all of our domestic subsidiaries except for Dana Credit Corporation and Dana Companies, LLC and their respective subsidiaries (the guarantors) and grants a first priority lien on Dana's and the guarantors' accounts receivable and inventories and, under certain circumstances, to the extent Dana and the guarantors grant a first-priority lien on certain other assets and property, a second-priority lien on such other assets and property.

Advances under the Amended Revolving Facility bear interest at a floating rate based on, at our option, the base rate or London Interbank Offered Rate (LIBOR) (each as described in the revolving credit agreement) plus a margin based on the undrawn amounts available under the agreement as set forth below:

Remaining Borrowing Availability	Base Rate		LIBOR Rate	
Greater than $350	0.50	%	1.50	%
Greater than $150 but less than or equal to $350	0.75	%	1.75	%
$150 or less	1.00	%	2.00	%

Commitment fees are applied based on the average daily unused portion of the available amounts under the Amended Revolving Facility. If the average daily unused portion of the revolving facility is less than 50%, the applicable fee will be 0.25% per annum. If the average daily unused portion of the revolving facility is equal to or greater than 50%, the applicable fee will be 0.375% per annum. Up to $300 of the revolving facility may be applied to letters of credit, which reduces availability. We pay a fee for issued and undrawn letters of credit in an amount per annum equal to the applicable LIBOR margin based on quarterly average availability under the revolving facility and a per annum fronting fee of 0.125%, payable quarterly.

There were no borrowings under the revolving facility at September 30, 2013 but we had utilized $64 for letters of credit. Based on our borrowing base collateral of $346, we had potential availability at September 30, 2013 under the revolving facility of $282 after deducting the outstanding letters of credit.

European receivables loan facility — Certain of our European subsidiaries participate in an accounts receivable backed credit facility (the European Facility) which permits borrowings of up to €75 ($101 at the September 30, 2013 exchange rate). Availability through the European Facility is subject to the existence of adequate levels of supporting accounts receivable. Advances from the European Facility bear interest based on the LIBOR applicable to the currency in which each advance is denominated or an Alternate Base Rate (as defined). We pay a fee on the unused amount of the European Facility, in addition to other customary fees. At September 30, 2013, we had no borrowings under the European Facility. As of September 30, 2013, we had potential availability of $95 based on the effective borrowing base. The European Facility expires in March 2016.

Debt covenants — At September 30, 2013, we were in compliance with the covenants of our financing agreements. Under the Amended Revolving Facility and the senior notes, we are required to comply with certain incurrence-based covenants customary for facilities of these types.

Note 12. Fair Value Measurements and Derivatives

In measuring the fair value of our assets and liabilities, we use market data or assumptions that we believe market participants would use in pricing an asset or liability including assumptions about risk when appropriate. Our valuation techniques include a combination of observable and unobservable inputs.

Fair value measurements on a recurring basis — Assets and liabilities that are carried in our balance sheet at fair value are as follows:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets	Significant Inputs Observable	Significant Inputs Unobservable
September 30, 2013	Total	(Level 1)	(Level 2)	(Level 3)
Notes receivable - noncurrent asset	$77	$—	$—	$77
Marketable securities - current asset	105	61	44	
Currency forward contracts - current asset	2		2	
Currency forward contracts - current liability	3		3	
Currency swaps - noncurrent asset	1		1	
December 31, 2012				
Notes receivable - noncurrent asset	$129	$—	$—	$129
Marketable securities - current asset	60	37	23	
Currency forward contracts - current asset	4		4	
Currency forward contracts - current liability	1		1	

Changes in Level 3 recurring fair value measurements —

	Three Months Ended September 30,		Nine Months Ended September 30,	
Notes receivable, including current portion	2013	2012	2013	2012
Beginning of period	$75	$122	$129	$116
Accretion of value (interest income)	2	4	9	11
Payment received			(61)	
Other				(1)
End of period	$77	$126	$77	$126

The notes receivable balance represents a payment-in-kind callable note, due 2019, obtained in connection with a divestiture in 2004. The fair value of the note is derived using a discounted cash flow technique and capped at the callable value. The discount rate used in the calculation is the current yield of the publicly traded debt of the operating subsidiary of the obligor, adjusted by a 250 basis point risk premium. The significant unobservable input used to fair value the note is the risk premium. A significant increase in the risk premium may result in a lower fair value measurement. A significant decrease in the risk premium would not result in a higher fair value measurement due to the callable value cap. The fair value of the note at September 30, 2013 equaled the callable value.

Fair value of financial instruments – The financial instruments that are not carried in our balance sheet at fair value are as follows:

	September 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior notes	$1,500	$1,551	$750	$805
Other indebtedness	102	100	109	107
Total	$1,602	$1,651	$859	$912

The fair value of our senior notes is estimated based upon a market approach (Level 2) while the fair value of our other indebtedness is based upon an income approach (Level 2).

Fair value measurements on a nonrecurring basis — In addition to items that are measured at fair value on a recurring basis, we also have long-lived assets that may be measured at fair value on a nonrecurring basis. These assets include intangible assets and property, plant and equipment which may be written down to fair value as a result of impairment.

Foreign currency derivatives — Our foreign currency derivatives include forward contracts associated with forecasted transactions primarily involving the purchases and sales of inventory through the next twelve months as well as currency swaps associated with recorded intercompany loans payable.

The total notional amount of outstanding foreign currency forward contracts, involving the exchange of various currencies, was $225 as of September 30, 2013 and $217 as of December 31, 2012. During the third quarter of 2013, we executed foreign currency swaps associated with intercompany loans payable. The total notional amount of outstanding foreign currency swaps was $148 as of September 30, 2013. The following foreign currency derivatives were outstanding at September 30, 2013:

		Notional Amount (U.S. Dollar Equivalent)			
Functional Currency	Traded Currency	Designated as Cash Flow Hedges	Undesignated	Total	Maturity
U.S. dollar	Mexican peso	$98	$—	$98	Sep-14
Euro	U.S. dollar, Canadian dollar, Hungarian forint, British pound, Swiss franc, Indian rupee	53	15	68	Sep-14
British pound	U.S. dollar, Euro	18	1	19	Sep-14
Swedish krona	Euro	15	2	17	Sep-14
South African rand	U.S. dollar, Euro		12	12	Mar-14
Indian rupee	U.S. dollar, British pound, Euro		11	11	Apr-14
Total forward contracts		184	41	225	
U.S. dollar	Canadian dollar, Euro		148	148	Feb-15

Total currency swaps		148	148
Total foreign currency derivatives	$184	$189	$373

Cash flow hedges — With respect to contracts designated as cash flow hedges, changes in fair value during the period in which the contracts remain outstanding are reported in other comprehensive income (OCI) to the extent such contracts remain effective. Changes in fair value of those contracts that are not designated as cash flow hedges are reported in income in the period in which the changes occur. Forward contracts associated with product-related transactions are marked to market in cost of sales while other contracts are marked to market through other income, net. Amounts recorded in AOCI are ultimately reclassified to earnings in the same periods in which the underlying transactions affect earnings.

Amounts to be reclassified to earnings — Deferred gains or losses, which are reported in AOCI, are expected to be reclassified to earnings during the next twelve months. Amounts expected to be reclassified to earnings assume no change in the current hedge relationships or to September 30, 2013 market rates. Amounts deferred at September 30, 2013 were not significant compared to deferred gains of $3 at December 31, 2012. See Note 6 for additional details.

Note 13. Commitments and Contingencies

Asbestos personal injury liabilities — We had approximately 25,000 active pending asbestos personal injury liability claims at both September 30, 2013 and December 31, 2012. In addition, approximately 1,000 mostly inactive claims have been settled and are awaiting final documentation and dismissal, with or without payment. We have accrued $77 for indemnity and defense costs for settled, pending and future claims at September 30, 2013, compared to $83 at December 31, 2012. We use a fifteen-year time horizon for our estimate of this liability.

At September 30, 2013, we had recorded $45 as an asset for probable recovery from our insurers for the pending and projected asbestos personal injury liability claims, compared to $50 recorded at December 31, 2012. The recorded asset represents our assessment of the capacity of our current insurance agreements to provide for the payment of anticipated defense and indemnity costs for pending claims and projected future demands. The recognition of these recoveries is based on our assessment of our right to recover under the respective contracts and on the financial strength of the insurers. We have coverage agreements in place with our insurers confirming substantially all of the related coverage and payments are being received on a timely basis. The financial strength of these insurers is reviewed at least annually with the assistance of a third party. The recorded asset does not represent the limits of our insurance coverage, but rather the amount we would expect to recover if we paid the accrued indemnity and defense costs.

As part of our reorganization, assets and liabilities associated with asbestos claims were retained in Dana Corporation which was then merged into Dana Companies, LLC, a consolidated wholly-owned subsidiary of Dana. The assets of Dana Companies, LLC include insurance rights relating to coverage against these liabilities, a callable note received in connection with a divestiture in 2004 and other assets which we believe are sufficient to satisfy its liabilities. Dana Companies, LLC continues to process asbestos personal injury claims in the normal course of business, is separately managed and has an independent board member. The independent board member is required to approve certain transactions including dividends or other transfers of $1 or more of value to Dana.

Other product liabilities — We had accrued $1 for non-asbestos product liability costs at September 30, 2013 and December 31, 2012, with no recovery expected from third parties at either date. We estimate these liabilities based on assumptions about the value of the claims and about the likelihood of recoveries against us derived from our historical experience and current information.

Environmental liabilities — Accrued environmental liabilities were $9 at September 30, 2013 and $11 at December 31, 2012. We consider the most probable method of remediation, current laws and regulations and existing technology in determining the fair value of our environmental liabilities. Other accounts receivable included a related recoverable from an insurer of $1 at September 30, 2013 and $2 at December 31, 2012.

Guarantee of lease obligations — In connection with the divestiture of our Structural Products business in 2010, leases covering three U.S. facilities were assigned to a U.S. affiliate of Metalsa. Under the terms of the sale agreement, we will guarantee the affiliate's performance under the leases, which run through June 2025, including approximately $6 of annual payments. In the event of a required payment by Dana as guarantor, we are entitled to pursue full recovery from Metalsa of the amounts paid under the guarantee and to take possession of the leased property.

Other legal matters — We are subject to various pending or threatened legal proceedings arising out of the normal course of business or operations. In view of the inherent difficulty of predicting the outcome of such matters, we cannot state what the eventual outcome of these matters will be. However, based on current knowledge and after consultation with legal counsel, we believe that any liabilities that may result from these proceedings will not have a material adverse effect on our liquidity, financial condition or results of operations.

Note 14. Warranty Obligations

We record a liability for estimated warranty obligations at the dates our products are sold. We record the liability based on our estimate of costs to settle future claims. Adjustments are made as new information becomes available.

Changes in warranty liabilities —

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Balance, beginning of period	$59	$77	$66	$72
Amounts accrued for current period sales	4	3	17	18
Adjustments of prior accrual estimates		1		4
Settlements of warranty claims	(7)	(9)	(26)	(22)
Currency impact		1	(1)	1
Balance, end of period	$56	$73	$56	$73

In 2007 we were notified of an alleged quality issue at a foreign subsidiary of Dana that produced engine coolers for a unit of Sogefi SpA that were used in modules supplied to Volkswagen. Based on the information currently available to us, we do not believe that this matter will result in a material liability to Dana.

In 2012, Ford Motor Company filed a complaint alleging quality issues relating to products supplied by the former Structural Products business at Dana Canada Corporation. The Dana Canada facility was closed in 2008 and Dana Holding Corporation divested substantially all of the Structural Products business in 2010. Based on the information currently available to us, we do not believe this matter will result in a material liability to Dana.

Note 15. Income Taxes

We estimate the effective tax rate expected to be applicable for the full fiscal year and use that rate to provide for income taxes in interim reporting periods. We also recognize the tax impact of certain unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur.

We reported income tax expense related to our continuing operations of $34 and $33 for the quarters ended September 30, 2013 and 2012 and $96 and $97 for the respective nine month periods. The effective income tax rates vary from the U.S. federal statutory rate of 35% due to valuation allowances in several countries, nondeductible expenses, different statutory tax rates outside the U.S. and withholding taxes related to repatriations of international earnings to the U.S.

We record interest and penalties related to uncertain tax positions as a component of income tax expense or benefit. These amounts for the periods presented herein are not significant.

We provide for U.S. federal income and non-U.S. withholding taxes on the earnings of our non-U.S. operations that are not considered to be permanently reinvested. Accordingly, we continue to analyze and adjust the estimated tax impact of the income and non-U.S. withholding liabilities based on the amount and source of these earnings. We recognized expense of $1 and $2 for the quarters ended September 30, 2013 and 2012 and $5 and $6 for the respective nine month periods related to future income taxes and non-U.S. withholding taxes on repatriations from operations that are not permanently reinvested.

We have generally not recognized tax benefits on losses generated in several entities, including those in the U.S., where the recent history of operating losses does not allow us to satisfy the “more likely than not” criterion for the recognition of deferred tax assets. Consequently, there is no income tax expense or benefit recognized on the pre-tax income or losses in these jurisdictions as valuation allowances are adjusted to offset the associated tax effects. We believe that it is reasonably possible that valuation allowances of approximately $750 could be released in the next twelve months.

Note 16. Other Income, Net

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest income	$8	$6	$20	$17
Foreign exchange gain (loss)	1	(2)	(3)	(12)
Strategic transaction expenses		(4)	(4)	(8)
Write off of deferred financing costs			(2)	
Recognition of unrealized gain on payment-in-kind note receivable			5	
Insurance recoveries	5		7	
Impairment of long-lived assets				(2)
Other	4	2	15	14
Other income, net	$18	$2	$38	$9

During the third quarter of 2013, we recorded $3 of interest income as a result of a favorable legal ruling related to recovery of gross receipts tax paid in Brazil in earlier periods.

Foreign exchange gains and losses on cross-currency intercompany loan balances that are not considered permanently invested are included above, while foreign exchange gains and losses on intercompany loans that are permanently invested are reported in OCI. Foreign exchange gain (loss) for 2013 includes a first quarter charge of $6 resulting from the devaluation of the Venezuelan bolivar and subsequent recoveries of $4 as the Venezuelan government allowed certain transactions to be settled at the former exchange rate. We will recognize any additional recoveries as they are actually settled at the former rate.

As discussed in Note 11 above, during the second quarter of 2013 we wrote off previously deferred financing costs associated with our prior revolving credit facility.

As discussed in Note 12 above, the receipt of a payment on a payment-in kind note receivable during the second quarter of 2013 resulted in the recognition of a portion of the related unrealized gain that arose following the valuation of the note receivable below its callable value at emergence from bankruptcy.

During the third quarter of 2013, we sold claims pending in the liquidation proceedings of an insurer to a third party. During the first quarter of 2013, we recorded an insurance recovery related to business interruptions resulting from flooding in Thailand.

Note 17. Segments

The components that management establishes for purposes of making decisions about an enterprise’s operating matters are referred to as “operating segments.” We manage our operations globally through four operating segments: Light Vehicle Driveline, Commercial Vehicle, Off-Highway and Power Technologies.

We report the results of our operating segments and related disclosures about each of our segments on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to those segments. The primary measure of operating results is segment EBITDA. The most significant impact on our ongoing results of operations as a result of applying fresh start accounting following our emergence from bankruptcy was higher depreciation and amortization. Management believes by using segment EBITDA, a performance measure which excludes depreciation and amortization, the comparability of results is enhanced. In addition, segment EBITDA is an important measure since the financial covenants in our debt agreements are based, in part, on EBITDA. Our segments are charged for corporate and other shared administrative costs.

Segment information —

Three Months Ended September 30,	2013 External Sales	Inter-Segment Sales	Segment EBITDA	2012 External Sales	Inter-Segment Sales	Segment EBITDA
LVD	$629	$ 31	$67	$659	$ 46	$68
Power Technologies	257	5	39	242	6	29
Commercial Vehicle	465	29	52	471	34	45
Off-Highway	318	12	40	343	12	48
Eliminations and other		(77)			(98)	
Total	$1,669	$ —	$198	$1,715	$ —	$190
Nine Months Ended September 30,						
LVD	$1,921	$ 97	$179	$2,121	$ 148	$207
Power Technologies	778	16	114	772	17	106
Commercial Vehicle	1,421	93	154	1,535	106	163
Off-Highway	1,025	36	127	1,187	44	153
Eliminations and other		(242)			(315)	
Total	$5,145	$ —	$574	$5,615	$ —	$629

Reconciliation of segment EBITDA to consolidated net income —

	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
Segment EBITDA	$198	$190	$574	$629
Corporate expense and other items, net		(1)	(3)	(8)
Depreciation	(41)	(46)	(123)	(140)
Amortization of intangibles	(22)	(22)	(65)	(66)
Restructuring	(8)	(6)	(14)	(30)
Strategic transaction expenses and other items		(1)	(6)	(6)
Write off of deferred financing costs			(2)	
Recognition of unrealized gain on payment-in-kind note receivable			5	
Impairment and loss on sale of assets				(6)
Stock compensation expense	(5)	(3)	(14)	(12)
Interest expense	(27)	(22)	(69)	(63)
Interest income	8	6	20	17
Income from continuing operations before income taxes	103	95	303	315
Income tax expense	34	33	96	97
Equity in earnings of affiliates	3	(2)	10	4
Income from continuing operations	72	60	217	222
Loss from discontinued operations	(1)	—	—	—
Net income	$71	$60	$217	$222

Note 18. Equity Affiliates

We have a number of investments in entities that engage in the manufacture of vehicular parts — primarily axles, driveshafts and wheel-end braking systems — supplied to OEMs.

Equity method investments exceeding $5 at September 30, 2013 —

	Ownership Percentage	Investment
Dongfeng Dana Axle Co., Ltd. (DDAC)	50%	$156
Bendix Spicer Foundation Brake, LLC	20%	39
Axles India Limited	48%	6
All others as a group	Various	12
Investments in equity affiliates		213
Investment in affiliates carried at cost	Various	2
Investment in affiliates		$215

Summarized financial information for DDAC —

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Sales	$187	$150	$603	$528
Gross profit	$17	$14	$62	$54
Pre-tax income	$1	$—	$17	$9
Net income	$2	$—	$18	$8
Dana's equity earnings in affiliate	$—	$(1)	$6	$1

Item 2. 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 this report.

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.

Management Overview

Dana is headquartered in Maumee, Ohio and was incorporated in Delaware in 2007. We are a global provider of high technology driveline, sealing and thermal-management products for virtually every major vehicle manufacturer in the on-highway and off-highway markets. Our driveline products – axles, driveshafts and transmissions – are delivered through the Light Vehicle Driveline (LVD), Commercial Vehicle Driveline Technologies (Commercial Vehicle) and Off-Highway Driveline Technologies (Off-Highway) operating segments. Our fourth 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. At September 30, 2013, we employed approximately 23,400 people, operated in 26 countries and had 94 major manufacturing/distribution, technical centers and office facilities around the world.

In the first nine months of 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 LVD – 37%, Commercial Vehicle – 28%, Off-Highway – 20% and Power Technologies – 15%.

Our internet address is www.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.

Operational and Strategic Initiatives

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

Operating model — Instilling a high performance culture which drives responsibility and accountability deeper into the organization is a key lever to our future success. We have enhanced the operational capabilities of our operating segments to execute market value-based strategies, react to changing market and customer conditions, streamline operations and introduce other improvements to their businesses. While emphasizing local accountability, our operating model leverages global “One Dana” strengths for governance and optimizing costs through shared resources.

Technology leadership — With a clear focus on mega trend driven market and customer 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. Our September 2012 strategic alliance with Fallbrook Technologies Inc. (Fallbrook) will enable us to leverage leading edge continuously variable planetary (CVP) technology into the development of advanced driveline solutions for customers in certain of our end markets.

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

Geographic expansion — Although there are growth opportunities in each region, we have a primary focus in the Asia Pacific region, especially India and China. In addition to new engineering facilities in India and China, a new hypoid gear manufacturing facility in India began production in 2011 and we also completed two transactions – 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. Earlier this year, we opened a business development office in Moscow, Russia to focus on expanding our business opportunities in this region. 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 revenues as a percent of consolidated 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 margins, particularly through streamlining and rationalizing our manufacturing activities and rationalizing our administrative support processes, additional opportunities remain. We have ramped up our material cost efforts to ensure that we are rationalizing our supply base and obtaining appropriate competitive pricing. Further, we are putting a major focus on reducing product complexity – something that not only improves our cost, but also brings added value to our customers through more efficient assembly processes. With a continued emphasis on process improvements and productivity throughout the organization, we expect cost reductions to continue contributing to future margin improvement.

Acquisitions

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.

Divestitures

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 $32 in 2012 through the date of the divestiture.

Segments

We manage our operations globally through four operating segments. Our LVD 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 and agricultural applications).

Trends in Our Markets

Global Vehicle Production (Full Year)

(Units in thousands)	Dana 2013 Outlook			Actual 2012	2011
North America					
Light Vehicle (Total)	15,900	to	16,100	15,441	13,125
Light Truck (full frame)	3,400	to	3,500	3,464	3,181
Medium Truck (Classes 5-7)	180	to	190	188	167
Heavy Truck (Class 8)	245	to	250	279	255
Agricultural Equipment	65	to	75	75	69
Construction Equipment	145	to	155	163	149
Europe (including E. Europe)					
Light Vehicle	18,500	to	19,000	19,265	20,089
Medium/Heavy Truck	380	to	390	400	430
Agricultural Equipment	245	to	255	255	240
Construction Equipment	290	to	300	322	320
South America					
Light Vehicle	4,400	to	4,600	4,290	4,318
Medium/Heavy Truck	195	to	205	172	219
Agricultural Equipment	50	to	55	48	47
Construction Equipment	15	to	20	19	19
Asia-Pacific					
Light Vehicle	41,500	to	42,500	40,786	36,803
Medium/Heavy Truck	1,500	to	1,600	1,492	1,720
Agricultural Equipment	675	to	715	750	682
Construction Equipment	550	to	590	614	615

North America

Light vehicle markets — Improving economic conditions during the past couple of years have contributed to increased light vehicle sales and production levels in North America. A release of built-up demand to replace older vehicles and greater availability of credit also stimulated new vehicle sales. During the first nine months of 2013, positive to mixed trends with employment data, the housing market and consumer confidence were generally factors contributing to a stronger market. Third quarter 2013 light vehicle sales were up 9% over the same period of 2012, with nine-month 2013 sales up 8% from 2012. Reflective of the higher sales levels, light vehicle production of around 3.9 million units was up about 7% from last year's third quarter, and nine-month production of around 12.2 million vehicles is about 5% higher than the comparable 2012 period. In the full frame light truck segment where more of our programs are focused, third quarter and nine-month 2013 sales were 7% and 9% stronger than 2012. Reflective of the relatively strong sales, full frame light truck production levels in this year's third quarter were up about 9% from the comparable 2012 period. For the first nine months of this year, full frame light truck production is about 3% higher than last year. With vehicle sales and production levels being reasonably aligned, inventory levels of total light vehicles in the U.S. throughout this year have been near normal levels. At just over 60 days' supply at the end of September 2013, inventory levels are relatively comparable with year-ago levels. Full frame light truck inventories have also been comparable throughout the first nine months. At around 76 days' supply at the end of September 2013 inventories have improved from 84 days at the end of September 2012.

We expect overall economic conditions to remain relatively stable over the remainder of this year. Fourth quarter total light vehicle production is expected to be comparable with this year's third quarter, putting full year production near the high end of our forecast range of 15.9 to 16.1 million units - an increase of around 4% over 2012. We expect that 2013 full frame light truck production will also come in near the higher end of our 3.4 to 3.5 million unit outlook, resulting in full year production that is comparable to 2012.

Medium/heavy vehicle markets — As with the light vehicle market, medium/heavy truck production has increased during the past couple of years. Although production levels were higher in 2012, the strength was in the first half of last year, with the market weakening in the second half. Although heavy-duty Class 8 truck production levels picked up some in this year's second quarter, levels during the second half of 2013 have not kept pace. Third quarter 2013 production of about 64,000 units is down about 5% from this year's second quarter. Compared to 2012, Class 8 truck production in the third quarter of 2013 was down about 1%, with production for the first nine months of 2013 lower by about 16%. Third quarter 2013 production levels in the medium-duty Classes 5-7 segment were similarly down about 8% from this year's strong second quarter production. Third quarter 2013 medium-duty truck production of around 49,000 units is 15% higher than the comparable period of last year, with nine-month 2013 unit production coming in about 5% higher than the same period in 2012.

Although the North America economy has shown signs of slow but steady improvement, Class 8 production levels have remained sluggish. We've lowered our full year production outlook to 245,000 to 250,000 units, down moderately from our previous Class 8 production forecast range of 255,000 to 265,000 and down 10 to 12% compared with 2012. Classes 5-7 full year 2013 production is currently expected to be near the higher end of our 180,000 to 190,000 units range, which is flat to down 4% compared with production levels in 2012.

Markets Outside of North America

Light vehicle markets — European production levels in recent 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. As we've progressed through 2013, however, there have been signs of optimism that Europe's economy has bottomed out and will begin showing improvement. Third quarter and nine-month 2013 production levels are relatively comparable to 2012. We expect a challenging, uncertain European market will persist over the remainder of 2013. We've tightened our July forecast of full year production nearer the high end of the range, with our full year 2013 outlook now reflecting production levels that are down 1 to 4% compared with 2012. After increasing the previous two years, South American production levels weakened in 2012. As expected, 2013 production has rebounded some, with third quarter and nine-month light vehicle production up about 1% and 10% from last year. Our full year 2013 production outlook for South America is unchanged from earlier this year, with production expected to increase from 3 to 7% over 2012. Light vehicle production in the Asia Pacific region was up more than 10% in 2012, rebounding from production levels in 2011 that were adversely impacted by natural disasters in Japan and Thailand. Stronger production levels continued in 2013, with production in this region up about 3 to 4% in this year's third quarter and first nine months, consistent with our full year 2013 outlook for production to be up 2 to 4% from 2012.

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 in the first nine months of 2013 as medium/heavy production for the third quarter was up about 2% over the same period of 2012 and nine-month 2013 production was down about 7% from last year. With second half 2013 production continuing to be somewhat weaker than previously expected, we've reduced our current outlook for full year 2013 medium/heavy production, expecting it to now be down 3 to 5% from 2012. 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 following engine emissions changes in Brazil. The anticipated rebound in 2013 was evident in third quarter 2013 production levels that were about 28% higher than 2102, with nine-month 2013 production being up more than 30% from last year. Despite comparatively strong second and third quarters in 2013, we believe the challenging economic conditions in South America will begin posing a significant headwind in this year's fourth quarter. Consequently, we're maintaining our outlook for full year medium/heavy truck production in South America to be about 13 to 19% higher than in 2012. Asia Pacific medium/heavy truck production the past two years was adversely impacted by slower growth in China in 2012 and natural disasters which disrupted production in 2011. During 2013, economic weakness in India surfaced with decreased production levels there generally offsetting stronger production elsewhere in the region. Third quarter and nine-month production levels in 2013 were relatively flat versus the comparable 2012 periods. With a weak India market and other markets not being as strong as previously expected, our full year outlook has Asia Pacific production near the low end of our July forecast and comparable to up slightly from 2012.

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 10% from South America and Asia Pacific combined. We serve several segments of the diverse off-highway market, including construction, agriculture, mining and material handling. Our largest markets are the construction and agricultural equipment segments, both of which experienced increased demand during the past couple of years, with overall growth slowing to 5% across all regions in 2012. Demand levels for the first nine months of 2013 in this business have been consistent with overall economic developments impacting other markets – North America demand levels favorably impacted by strengthening economic conditions, Europe somewhat stable and Asia Pacific demand levels negatively impacted by weakness in China and India. Overall softness in the construction markets outside North America and very weak demand levels in the mining sector have adversely impacted off-highway sales. As previously forecast in July, these conditions are expected to persist during the remainder of this year, leaving our full year forecasts unchanged and reflecting global unit production in 2013 that is down about 4 to 9% from 2012.

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 compensate for the inflationary impact of material costs. Material cost changes will customarily have some impact on our financial results as the contractual recoveries and inflation-based pricing adjustments typically lag the cost increases.

In the third quarter and first nine months of 2013, higher commodity prices increased our costs by approximately $6 and $15 over the corresponding periods in 2012, while last year's third quarter and nine-month results reflected increases in commodity costs of $10 and $41 versus 2011. Material recovery and other pricing actions, exclusive of devaluation-related pricing adjustments in Venezuela, increased year-over-year sales by about $7 and $26 in the third quarter and first nine months of 2013, which compares to third quarter and nine-month year-over-year increases of $19 and $79 in 2012.

Sales, Earnings and Cash Flow Outlook

	2013 Outlook	2012	2011
Sales	~ $6,700	$7,224	$7,544
Adjusted EBITDA *	~ $750	$781	$765
Free Cash Flow **	$240 - $260	$175	$174

* Adjusted EBITDA is a non-GAAP financial measure discussed under Segment EBITDA within the Segment Results of Operations discussion below. See Item 7 of our 2012 Form 10-K for a reconciliation of 2012 and 2011 adjusted EBITDA to net income.

** Free cash flow is a non-GAAP financial measure, which we have defined as cash provided by (used in) 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 (used in) operating activities reported under GAAP. Free cash flow may not be comparable to similarly titled measures reported by other companies. See Item 7 of our 2012 Form 10-K for a reconciliation of 2012 and 2011 free cash flow to net cash flows provided by operating activities.

During the past few years, significant focus was placed on right sizing and rationalizing our manufacturing operations, implementing other cost reduction initiatives and ensuring that customer programs were competitively priced. At the same time, we began putting increased focus and investment into product technology. These efforts, along with stronger sales volumes in 2011 and 2010, were the primary drivers of our improved profitability. With our financial position substantially improved, in 2011 we began directing increased attention to the growth initiatives described in the Operational and Strategic Initiatives section above. Certain acquisitions also contributed to the sales growth we achieved in 2011.

Our 2012 sales were adversely impacted by weaker international exchange rates. Adjusted for exchange rates, 2012 sales were about the same as 2011, with softened demand levels, principally in the Europe region and in the South and North American medium/heavy truck markets, being offset by stronger demand levels in the light vehicle and off-highway markets. For 2013, as expected, sales are being significantly impacted by the scheduled roll-offs of certain light-vehicle customer programs. As we've progressed through 2013, however, we've experienced continued softening in certain of our markets. Since our July 2013 outlook, we've experienced increased softening in the global off-highway markets, and we've lowered our production expectations for the North American Class 8 commercial vehicle segment. Weakness in certain geographic markets such as India, Argentina and Venezuela have also created headwinds to our sales outlook. Based on our current expectations, we've lowered our July 2013 sales outlook of approximately $7,000 to approximately $6,700, a decline of about 7% from our

2012 sales. As a consequence of the reduced sales, we've lowered our full year 2013 Adjusted EBITDA outlook to approximately $750 from our July 2013 outlook of approximately $800. Through the first nine months of 2013, we've been able to generally sustain our Adjusted EBITDA margin as a percent of sales through adjusting our costs, executing on restructuring actions and implementing pricing actions. As such, despite the reduced 2013 sales outlook being down more than $500 from 2012, our Adjusted EBITDA margin of 11.1% of sales in 2013 is up from a margin of 10.8% of sales in 2012.

Our cash flow in recent years benefited primarily from increased earnings and lower capital spending, more than offsetting the higher working capital requirements associated with increased sales, higher tax obligations and larger pension funding commitments. Free cash flow in 2012 included a $150 voluntary contribution to our U.S. pension plans. During the second quarter of 2013, free cash flow benefited by the receipt of $26 of interest relating to a callable payment-in-kind note receivable. We expect to offset some of the reduced earnings impact on free cash flow with other actions, enabling us to finish 2013 with free cash flow of around $240 to $260. Higher cash taxes, capital expenditures and working capital requirements along with reduced earnings are factors reducing 2013 free cash flow. Partially offsetting these factors is lower pension contributions in 2013 as compared to 2012 which included a $150 voluntary contribution. Cash taxes are expected to total about $135 in 2013 compared to $98 in 2012 and capital expenditures for the year are expected to be about $190 compared to $164 in 2012. Expected 2013 cash requirements for net interest are expected to be about $35 after the interest received on the callable note in the second quarter, with restructuring cash requirements expected to be about $50. Pension contributions in 2013 are expected to be around $60, which is similar to 2012 after excluding last year's incremental funding of $150.

Consolidated Results of Operations

Summary Consolidated Results of Operations (Third Quarter, 2013 versus 2012)

	Three Months Ended September 30,		
	2013	2012	Increase/(Decrease)
Net sales	$1,669	$1,715	$ (46)
Cost of sales	1,434	1,477	(43)
Gross margin	235	238	(3)
Selling, general and administrative expenses	97	99	(2)
Amortization of intangibles	18	18	—
Restructuring charges, net	8	6	2
Other income, net	18	2	16
Income from continuing operations before interest expense and income taxes	$130	$117	$ 13
Income from continuing operations	$72	$60	$ 12
Loss from discontinued operations	$(1)	$—	$ (1)
Net income attributable to the parent company	$68	$56	$ 12

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

	Three Months Ended September 30,			Amount of Change Due To		
	2013	2012	Increase/(Decrease)	Currency Effects	Acquisitions and Divestitures	Organic Change

North America	$728	$776	$ (48)	$(1)	$(9)	$(38)
Europe	482	460	22	16		6
South America	261	251	10	(51)		61
Asia Pacific	198	228	(30)	(10)		(20)
Total	$1,669	$1,715	$ (46)	$(46)	$(9)	$9

Sales for the third quarter of 2013 declined 3% from 2012 due to currency and divestiture effects. Excluding these effects, the organic sales increase of $9 was driven principally from stronger market volumes in our LVD, Power Technologies and Commercial Vehicle businesses, partially offset by scheduled roll-offs of certain North America light vehicle market programs

32

and lower Off-Highway market volumes.

North America sales in the third quarter, adjusted for currency and divestitures, were down $38, or 5%. Scheduled roll-offs of certain light vehicle programs accounted for $24 of the decrease, with lower off-highway market volumes and aftermarket sales also contributing to the reduction. These decreases more than offset the benefit of somewhat stronger light vehicle market volumes.

Excluding currency effects, our sales in Europe in the third quarter of 2013 were up $6. New business programs are the primary driver of the organic increase in sales, with market volumes being generally flat to down slightly compared to last year.

South America sales were negatively impacted by the devaluation of the bolivar in Venezuela and a weaker real in Brazil in the third quarter of 2013. Exclusive of currency effects, sales increased 24% over 2012. With our strong Commercial Vehicle presence in this region, we benefited from increased medium/heavy truck production that was about 28% higher than the third quarter of 2012.

Third quarter 2013 sales in Asia Pacific were down $30, or 13%. Sales in the region were adversely impacted by a weaker Indian rupee and lower market volumes in India brought on by that country's declining economic conditions.

Cost of sales and gross margin — Cost of sales for the second quarter of 2013 was 3% lower than in 2012. The percent reduction was consistent with reduced sales, due primarily to currency effects and scheduled program run-offs. Cost of sales as a percent of sales was 85.9% in 2013 as compared to 86.1% in 2012. Through continued supplier rationalization and engineering design actions, we achieved incremental material cost reductions of approximately $25, which were partially offset by an increase in commodity costs of about $6. The net material savings were partially offset by increased costs in Venezuela attributable to the devaluation of that country's currency earlier this year and increased investment in engineering and product development activities.

Gross margin of $235 in the third quarter of 2013 was about the same as in last year's third quarter, representing 14.1% of sales in 2013 as compared to 13.9% of sales in 2012. The slight margin improvement was due principally to material cost savings and pricing actions partially offset by inflationary increases and increased engineering and product development spend.

Selling, general and administrative expenses (SG&A) — SG&A expenses in 2013 were $97 (5.8% of sales) as compared to $99 (5.8% of sales) in 2012. Salary and benefits expense in this year's third quarter were about the same as in 2012, with the reduction coming from selling expense and other discretionary spending.

Restructuring charges — Restructuring expense of $8 in 2013 and $6 in 2012 included costs associated with headcount reduction initiatives taken in the period along with costs associated with previously announced actions.

Other income, net — Other income was $18 and $2 in 2013 and 2012. Interest income contributed $8 in 2013 and $6 in 2012. Interest income in 2013 includes $3 from a favorable legal ruling related to recovery of gross receipts taxes paid in Brazil in earlier periods. During 2013 we experienced a net foreign exchange gain of $1 as compared to a net foreign exchange loss of $2 in 2012. The net foreign exchange gain in 2013 includes a recovery of $1 as the Venezuelan government allowed certain transactions committed prior to the February 2013 devaluation to be settled at the former exchange rate. Strategic transaction expenses were zero and $4 in 2013 and 2012. During 2013 we had insurance recoveries of $5, primarily from the sale of our remaining rights to claims pending in the liquidation proceedings of an insurer.

Interest expense — Interest expense was $27 and $22 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 11 to the consolidated financial statements in Item 1 of Part I, 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 7.5% and 8.2% in 2013 and 2012.

Income tax expense — Income tax expense of our continuing operations was $34 and $33 for the third quarters of 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 15 to the consolidated financial statements in Item 1 of Part I.

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 valuation allowances of approximately $750 could be released in the next twelve months.

Equity in earnings of affiliates — Equity investments provided net earnings of $3 in 2013 and a net loss of $2 in 2012. Our equity in earnings of DDAC was up $1 from 2012, primarily due to increased demand in China's commercial vehicle market.

Income (loss) from discontinued operations — Income (loss) of discontinued operations activity relates to our Structural Products business. See Note 3 to the consolidated financial statements in Item 1 of Part I.

Summary Consolidated Results of Operations (Year-to-Date, 2013 versus 2012)

	Nine Months Ended September 30,		
	2013	2012	Increase/(Decrease)
Net sales	$5,145	$5,615	$ (470)
Cost of sales	4,437	4,838	(401)
Gross margin	708	777	(69)
Selling, general and administrative expenses	305	322	(17)
Amortization of intangibles	55	56	(1)
Restructuring charges, net	14	30	(16)
Other income, net	38	9	29
Income from continuing operations before interest expense and income taxes	$372	$378	$ (6)
Income from continuing operations	$217	$222	$ (5)
Income from discontinued operations	$—	$—	$ —
Net income attributable to the parent company	$202	$212	$ (10)

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

	Nine Months Ended September 30,			Amount of Change Due To		
	2013	2012	Increase/(Decrease)	Currency Effects	Acquisitions Divestitures	Organic Change
North America	$2,250	$2,685	$ (435)	$1	$(32)	$(404)
Europe	1,502	1,562	(60)	12		(72)
South America	752	700	52	(116)		168
Asia Pacific	641	668	(27)	(11)		(16)
Total	$5,145	$5,615	$ (470)	$(114)	$(32)	$(324)

Sales for 2013 declined 8% from 2012. Lower market volumes, particularly in our North America medium/heavy truck market and global off-highway markets, contributed about $185 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 Venezuela devaluation, providing a partial offset of about $47.

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 7% and 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 5% lower than in 2012. Lower production levels attributable to the overall economic weakness in Europe adversely impacted most of our businesses in the region. Partially offsetting lower volumes were increased sales from new 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, nine-month 2013 sales are up about 24%. Growth in medium/heavy truck production of more than 30% and light vehicle production of around 10% were the principal drivers of the organic increase in sales.

Asia Pacific sales were 4% lower than 2012. Weakening of the Indian rupee and declining economic conditions in India were significant factors in this region's reduced sales.

Cost of sales and gross margin — Cost of sales for 2013 was 8% lower than in 2012. The reduction is consistent with the decline in sales, due principally to scheduled program roll-offs and lower production levels. Cost of sales as a percent of sales was 86.2% in both 2013 and 2012. Through continued supplier rationalization and engineering design actions, we achieved incremental material cost reductions of approximately $47, which more than offset an increase in commodity costs of about $15. Lower warranty expense reduced cost of sales by $5. The material and warranty cost savings were essentially offset by increases attributable to lower manufacturing volumes absorbing less fixed costs.

Gross margin of $708 in 2013 decreased $69 from 2012, representing 13.8% of sales - the same as last year's nine-month gross margin percentage. Material cost savings, lower warranty expense and increased material recovery/pricing essentially offset the margin reduction attributable to the effect of lower sales volumes, inflationary increases and increased engineering and development expense.

Selling, general and administrative expenses (SG&A) — SG&A expenses in 2013 were $305 (5.9% of sales) as compared to $322 (5.7% of sales) in 2012. Salary and benefits expense in this year's first nine months was approximately $11 less than in 2012, with the remaining $6 reduction coming from selling expense and other discretionary spending.

Restructuring charges — Restructuring charges of $14 in 2013 primarily represent the impact of headcount reduction initiatives, primarily in Argentina and Australia. Total restructuring charges also include severance and exit costs associated with previously announced initiatives, offset in part by a $9 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 during the second quarter of 2013. The restructuring cost of $30 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 — Other income was $38 and $9 in 2013 and 2012. Interest income contributed $20 and $17 in 2013 and 2012. Interest income in 2013 includes $3 from a favorable legal ruling related to recovery of gross receipts taxes paid in Brazil in earlier periods. Net foreign exchange losses were $3 and $12 in 2013 and 2012. The net foreign exchange loss for 2013 includes a first quarter charge of $6 resulting from the devaluation of the Venezuelan bolivar and subsequent recoveries of $4 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 $4 and $8 in 2013 and 2012. During 2013 we wrote off $2 of deferred financing costs associated with our prior revolving credit facility, and 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 had insurance recoveries of $7 as we sold our interest in claims pending in the liquidation proceedings of an insurer to a third party, and we recorded an insurance recovery related to business interruptions resulting from flooding in Thailand.

Interest expense — Interest expense was $69 and $63 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 11 to the consolidated financial statements in Item 1 of Part I, 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 8.1% and 8.3% in 2013 and 2012.

Income tax expense — Income tax expense of our continuing operations was $96 and $97 in the first nine months of 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 15 to the consolidated financial statements in Item 1 of Part I.

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 valuation allowances of approximately $750 could be released in the next twelve months.

Equity in earnings of affiliates — Equity investments provided net earnings of $10 and $4 in 2013 and 2012. Our equity in earnings of DDAC was up $5 from 2012, primarily due to increased demand in China's commercial vehicle market.

Income (loss) from discontinued operations — Income (loss) of discontinued operations activity relates to our Structural Products business. See Note 3 to the consolidated financial statements in Item 1 of Part I.

Segment Results of Operations

Segment Sales

				Amount of Change Due To		
Three Months Ended September 30,	2013	2012	Increase/(Decrease)	Currency Effects	Acquisitions and Divestitures	Organic Change
LVD	$629	$659	$ (30)	$(41)	$—	$11
Power Technologies	257	242	15			15
Commercial Vehicle	465	471	(6)	(16)		10
Off-Highway	318	343	(25)	11	(9)	(27)
Total	$1,669	$1,715	$ (46)	$(46)	$(9)	$9
Nine Months Ended September 30,						
LVD	$1,921	$2,121	$ (200)	$(85)	$—	$(115)
Power Technologies	778	772	6	(6)		12
Commercial Vehicle	1,421	1,535	(114)	(40)		(74)
Off-Highway	1,025	1,187	(162)	17	(32)	(147)
Total	$5,145	$5,615	$ (470)	$(114)	$(32)	$(324)

Our LVD segment serves the light vehicle market. Exclusive of currency effects, LVD sales for the third quarter of 2013 were 2% higher than last year, while nine-month 2013 sales were 5% lower than in 2012. Scheduled roll-offs of certain vehicle programs in North America were a significant driver, reducing year-over-year third quarter and nine-month sales by $24 and $186. Adverse currency effects in the third quarter and nine-month periods of 2013 include $22 and $43 relating to the devaluation of the Venezuelan bolivar which occurred earlier this year. Pricing actions added $24 in the third quarter, including $9 in Venezuela to mitigate devaluation effects, and $52 for the nine-month period, which included $21 from Venezuela devaluation recovery efforts. Market volume, mix impacts and other factors increased year-over-year organic sales by $11 in the third quarter and $19 for the nine months ended September 30, 2013.

Power Technologies primarily serves the light vehicle market but also sells product to the medium/heavy truck and off-highway markets. Net of currency effects, sales were $15 and $12 higher in this year's third quarter and first nine months compared to 2012. Stronger North America light vehicle production levels, a strengthening European economy and program mix all contributed to the increased sales.

After adjusting for the effects of currency movements, third quarter 2013 sales in our Commercial Vehicle segment were up 2% compared to 2012 with sales for the first nine months of 2013 coming in 5% lower than in 2012. The organic sales decline in this segment is primarily volume related. Year-over-year third quarter medium/heavy truck production was 5% higher in North America, attributable entirely to stronger Classes 5 to 7 segment production, while production levels in Europe and South America were up about 2% and 28%. The decline of 5% for the comparative nine-month periods was due in part to nine-month medium/heavy truck production in North America being down about 7% from 2012 and Europe production being about 7% lower. Partially offsetting the effects of lower production in these regions was a rebound in production levels in South America of more than 30% compared to the first nine months of 2012. Comparative third quarter and nine-month sales were reduced by $7 for pricing actions, mostly relating to material recovery.

Sales in our Off-Highway segment for the third quarter and first nine months of 2013, net of currency and divestiture effects, were down about 8% and 12% from 2012. Lower demand levels, particularly in the construction and mining markets of this business, adversely affected sales in this segment. Additionally, the overall economic difficulties that continue to impact Europe were a headwind given this segment's strong presence in the region.

Segment EBITDA

	Three Months Ended September 30,			Nine Months Ended September 30,		
Segment EBITDA	2013	2012	Increase/(Decrease)	2013	2012	Increase/(Decrease)
LVD	$67	$68	$ (1)	$179	$207	$ (28)
Power Technologies	39	29	10	114	106	8
Commercial Vehicle	52	45	7	154	163	(9)
Off-Highway	40	48	(8)	127	153	(26)
Total Segment EBITDA	198	190	8	574	629	(55)
Corporate expense and other items, net		(1)	1	(3)	(8)	5
Structures EBITDA		1	(1)		6	(6)
Adjusted EBITDA *	198	190	8	571	627	(56)
Depreciation and amortization	(63)	(68)	5	(188)	(206)	18
Restructuring	(8)	(6)	(2)	(14)	(30)	16
Interest expense, net	(19)	(16)	(3)	(49)	(46)	(3)
Structures EBITDA		(1)	1		(6)	6
Other **	(5)	(4)	(1)	(17)	(24)	7
Income from continuing operations before income taxes	103	95	8	303	315	(12)
Income tax expense	34	33	1	96	97	(1)
Equity in earnings of affiliates	3	(2)	5	10	4	6
Income from continuing operations	72	60	12	217	222	(5)
Loss from discontinued operations	(1)		(1)			—
Net income	$71	$60	$ 11	$217	$222	$ (5)

* See discussion of non-GAAP financial measures below.

** Other includes write off of deferred financing costs, recognition of unrealized gain on payment-in-kind note receivable, strategic transaction expenses, stock compensation expense, loss on sales of assets, impairment of long-lived assets and foreign exchange costs and benefits. See Note 17 to the consolidated financial statements in Item 1 of Part I for additional details.

Non-GAAP financial measures — The table above refers to adjusted EBITDA, a non-GAAP financial measure which we have defined as earnings from continuing and discontinued operations before interest, taxes, depreciation, amortization, equity grant expense, restructuring expense and other nonrecurring items (gain/loss on debt extinguishment or divestitures, impairment, etc.). The most significant impact on Dana's ongoing results of operations as a result of applying fresh start accounting following our emergence from bankruptcy was higher depreciation and amortization. By using adjusted EBITDA, a performance measure which excludes depreciation and amortization, the comparability of results is enhanced. Management also believes that adjusted EBITDA is an important measure since the financial covenants in our debt agreements are based, in part, on adjusted EBITDA. 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.

LVD segment EBITDA of $67 and $179 in the third quarter and first nine months of 2013 were down from EBITDA of $68 and $207 recorded in the comparable 2012 periods. EBITDA margins improved to 10.7% of sales in the third quarter of 2013 as compared to 10.3% in 2012, with nine-month EBITDA as a percent of sales of 9.3% in 2013 down from 9.8% in 2012.

The devaluation of the Venezuelan bolivar had a significant effect on our LVD performance in 2013. In this year's first quarter, we recorded a cost of $11 for the February 2013 devaluation of the Venezuelan bolivar, 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 bolivar-denominated activities at the devalued rate in this year's third quarter and nine-month periods reduced EBITDA by about $12 and $32. Pricing actions to mitigate this adverse devaluation effect contributed $9 and $21 to the third quarter and first nine months of 2013. Additionally, currency gains of $1 in this year's third quarter and $4 for the nine months ended September 30, 2013 were realized from settlement of transactions at the pre-devaluation rate. The aggregate devaluation effect of these items reduced year-over-year third quarter EBITDA by $2 and nine-month EBITDA by $7.

Compared to last year, this year's third quarter and nine-month LVD results were also adversely impacted by scheduled program roll-offs which reduced third quarter EBITDA by $2 and nine-month EBITDA by $13. Pricing actions and other items partially offset the reductions from program roll-offs and Venezuela devaluation, improving third quarter EBITDA by $3 and reducing nine-month EBITDA by $8.

In the Power Technologies segment, third quarter 2013 EBITDA of $39 was $10 higher than in 2012, with nine-month EBITDA of $114 being $8 higher than the corresponding 2012 period. Third quarter EBITDA as a percent of sales was 15.2% in 2013 compared to 12.0% in 2012, with nine-month EBITDA as a percent of sales this year of 14.7% up from 13.7% in 2012. Increased sales volumes, material cost savings and better cost performance were the primary drivers of the improved profit, more than offsetting higher engineering expense.

Commercial Vehicle segment EBITDA in the third quarter of 2013 was $52, an increase of $7 over the same period of 2012. Third quarter EBITDA margins improved to 11.2% in 2013 from 9.6% in 2012. The segment EBITDA and margin improvement was due principally to material cost savings of $13 and increased EBITDA of $3 from stronger sales volumes. Partially offsetting these effects were material cost recovery and other pricing actions which reduced year-over-year third quarter EBITDA by $7. For the nine-month period ended September 30, 2013, EBITDA of $154 was down $9 from 2012, with EBITDA margins of 10.8% in 2013 compared to 10.6% in 2012. Lower nine-month sales volumes reduced EBITDA by $14, with pricing actions reducing EBITDA by another $7. Material cost savings of $13 in the nine-month year-over-year comparison provided a partial offset.

In our Off-Highway segment, EBITDA for the third quarter and first nine months of 2013 was $40 and $127, lower by $8 and $26 than EBITDA reported for the corresponding periods of 2012. Third quarter and first nine months EBITDA margins of 12.6% and 12.4% in 2013 compared to 14.0% and 12.9% in 2012. Lower sales volumes reduced third quarter and nine-month year-over-year EBITDA by about $11 and $47. Material cost savings of $4 and $13 in the third quarter and nine-month periods, along with reductions in warranty expense of $2 and $5 in the respective periods, helped offset the impact of the lower sales volumes.

Liquidity

Our global liquidity at September 30, 2013 was as follows:

Cash and cash equivalents	$1,121	
Less: Deposits supporting obligations	(23	)
Available cash	1,098	
Additional cash availability from lines of credit in the U.S. and Europe	377	
Marketable securities	105	
Total global liquidity	$1,580	

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 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 li