DANA HOLDING CORP
Form 10-Q
July 23, 2015

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: June 30, 2015
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 160,279,736 shares of the registrant’s common stock outstanding at July 10, 2015.

DANA HOLDING CORPORATION – FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015

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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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net sales	$1,609	$1,710	$3,217	$3,398
Costs and expenses				
Cost of sales	1,373	1,462	2,753	2,916
Selling, general and administrative expenses	101	108	201	213
Amortization of intangibles	4	10	9	23
Restructuring charges, net	11	3	12	12
Loss on extinguishment of debt			(2)	
Other income, net	4	21	16	15
Income from continuing operations before interest expense and income taxes	124	148	256	249
Interest expense	27	29	55	59
Income from continuing operations before income taxes	97	119	201	190
Income tax expense	36	33	67	67
Equity in earnings of affiliates	2	6	3	7
Income from continuing operations	63	92	137	130
Loss from discontinued operations	—	(2)	—	(3)
Net income	63	90	137	127
Less: Noncontrolling interests net income	4	4	15	7
Net income attributable to the parent company	59	86	122	120
Preferred stock dividend requirements		2		5
Net income available to common stockholders	$59	$84	$122	$115
Net income per share available to parent company common stockholders:				
Basic:				
Income from continuing operations	$0.36	$0.55	$0.75	$0.77
Loss from discontinued operations	$—	$(0.01)	$—	$(0.02)
Net income	$0.36	$0.54	$0.75	$0.75
Diluted:				
Income from continuing operations	$0.36	$0.50	$0.74	$0.70
Loss from discontinued operations	$—	$(0.01)	$—	$(0.02)
Net income	$0.36	$0.49	$0.74	$0.68
Weighted-average common shares outstanding				
Basic	162.1	156.7	163.4	153.7
Diluted	163.2	175.1	164.6	176.0

Dividends declared per common share	$0.06	$0.05	$0.11	$0.10

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	$63	$90	$137	$127
Less: Noncontrolling interests net income	4	4	15	7
Net income attributable to the parent company	59	86	122	120
Other comprehensive income (loss) attributable to the parent company, net of tax:				
Currency translation adjustments	14	14	(85)	2
Hedging gains and losses	3	1	2	1
Investment and other gains and losses	(1)	3		3
Defined benefit plans	7	3	23	10
Other comprehensive income (loss) attributable to the parent company	23	21	(60)	16
Other comprehensive income (loss) attributable to noncontrolling interests, net of tax:				
Currency translation adjustments	(2)	1	(2)	
Defined benefit plans			1	
Other comprehensive income (loss) attributable to noncontrolling interests	(2)	1	(1)	—
Total comprehensive income attributable to the parent company	82	107	62	136
Total comprehensive income attributable to noncontrolling interests	2	5	14	7
Total comprehensive income	$84	$112	$76	$143

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)

	June 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$894	$1,121
Marketable securities	169	169
Accounts receivable		
Trade, less allowance for doubtful accounts of $5 in 2015 and $6 in 2014	881	755
Other	110	117
Inventories		
Raw materials	335	304
Work in process and finished goods	360	350
Other current assets	130	111
Current assets of disposal group held for sale		27
Total current assets	2,879	2,954
Goodwill	82	90
Intangibles	150	169
Other noncurrent assets	316	337
Investments in affiliates	195	204
Property, plant and equipment, net	1,168	1,176
Total assets	$4,790	$4,930
Liabilities and equity		
Current liabilities		
Notes payable, including current portion of long-term debt	$51	$65
Accounts payable	860	791
Accrued payroll and employee benefits	147	158
Taxes on income	57	32
Other accrued liabilities	187	194
Current liabilities of disposal group held for sale		21
Total current liabilities	1,302	1,261
Long-term debt	1,570	1,613
Pension and postretirement obligations	532	580
Other noncurrent liabilities	277	279
Noncurrent liabilities of disposal group held for sale		17
Total liabilities	3,681	3,750
Commitments and contingencies (Note 12)		
Parent company stockholders' equity		
Preferred stock, 50,000,000 shares authorized, $0.01 par value, zero shares outstanding	—	—
Common stock, 450,000,000 shares authorized, $0.01 par value, 160,631,551 and 166,070,057 shares outstanding	2	2
Additional paid-in capital	2,650	2,640
Accumulated deficit	(428)	(532)
Treasury stock, at cost (7,532,298 and 1,588,990 shares)	(161)	(33)
Accumulated other comprehensive loss	(1,057)	(997)

Total parent company stockholders' equity	1,006	1,080
Noncontrolling equity	103	100
Total equity	1,109	1,180
Total liabilities and equity	$4,790	$4,930

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

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

	Six Months Ended June 30,	
	2015	2014
Operating activities		
Net income	$137	$127
Depreciation	78	81
Amortization of intangibles	10	27
Amortization of deferred financing charges	2	3
Call premium on senior notes	2	
Dividends received in excess of current earnings of affiliates	9	6
Stock compensation expense	8	9
Deferred income taxes	2	(5)
Pension contributions, net	(9)	(5)
Interest payment received on payment-in-kind note receivable		40
Change in working capital	(108)	(66)
Other, net	(3)	6
Net cash provided by operating activities	128	223
Investing activities		
Purchases of property, plant and equipment	(122)	(126)
Principal payment received on payment-in-kind note receivable		35
Purchases of marketable securities	(26)	(57)
Proceeds from sales of marketable securities	12	1
Proceeds from maturities of marketable securities	16	2
Proceeds from sale of business		9
Other	(3)	3
Net cash used in investing activities	(123)	(133)
Financing activities		
Net change in short-term debt	3	(5)
Proceeds from letters of credit		12
Repayment of letters of credit	(4)	(6)
Proceeds from long-term debt	18	1
Repayment of long-term debt	(58)	(19)
Call premium on senior notes	(2)	
Dividends paid to preferred stockholders		(4)
Dividends paid to common stockholders	(18)	(16)
Distributions to noncontrolling interests	(3)	(2)
Repurchases of common stock	(126)	(113)
Other	1	
Net cash used in financing activities	(189)	(152)
Net decrease in cash and cash equivalents	(184)	(62)
Cash and cash equivalents – beginning of period	1,121	1,256
Effect of exchange rate changes on cash balances	(43)	(22)
Cash and cash equivalents – end of period	$894	$1,172

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

Dana Holding Corporation
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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 global provider of high technology driveline (axles, driveshafts and transmissions), sealing and thermal-management products our customer base includes virtually every major vehicle manufacturer in the global light vehicle, medium/heavy vehicle and off-highway markets.

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 are 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 2014 Form 10-K.

In the first quarter of 2015, we identified an error attributable to the calculation of noncontrolling interests net income of a subsidiary. The error resulted in an understatement of noncontrolling equity and noncontrolling interests net income and a corresponding overstatement of parent company stockholders' equity and net income attributable to the parent company in prior periods. Based on our assessments of qualitative and quantitative factors, the error and related impacts were not considered material to the financial statements of the prior periods to which they relate. The error was corrected in March 2015 by increasing noncontrolling interests net income by $9. The correction is not anticipated to be material to our 2015 full year net income attributable to the parent company.

Historically, we have not adjusted the purchases of property, plant and equipment presented in our consolidated statement of cash flows for invoices not paid in cash as of the end of the period. While the error had no impact on the total net cash flows presented in any prior period it did result in a misclassification between net cash provided by (used in) operating activities and net cash used in investing activities. Prior period amounts have been revised to properly reflect capital invoices not paid in cash as of the end of each period presented. Purchases of property, plant and equipment previously presented for the six months ended June 30, 2014, have been increased by $30 with a corresponding offset to change in working capital. At June 30, 2015 and 2014, we had $46 and $13 of purchases of property, plant and equipment included in accounts payable.

Held for sale — We classify long-lived assets or disposal groups as held for sale in the period: management commits to a plan to sell; the long-lived asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such long-lived assets or disposal groups; an active program to locate a buyer and other actions required to complete the plan to sell have been initiated; the sale is probable within one year; the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Long-lived assets and disposal groups classified as held for sale are measured at the lower of their

carrying amount or fair value less costs to sell. See Note 2 for additional information regarding the disposal group held for sale at the end of 2014 and divested in January 2015.

Discontinued operations — Prior to January 1, 2015, we would classify a business component that had been disposed of or classified as held for sale as discontinued operations if the cash flows of the component were eliminated from our ongoing operations and we no longer had any significant continuing involvement in or with the component. The results of operations of our discontinued operations, including any gains or losses on disposition, were aggregated and presented on one line in the income statement. See Note 2 for additional information regarding our discontinued operations.

Recently adopted accounting pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued guidance that revises the definition of a discontinued operation. The revised definition limits discontinued operations reporting to disposals of components of an entity

that represent strategic shifts that have (or will have) a major effect on operations and financial results. The guidance also requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The guidance applies to covered transactions that occur after December 31, 2014. The significance of this guidance for Dana is dependent on any qualifying future dispositions or disposals.

Recently issued accounting pronouncements

In May 2015, the FASB issued guidance that removes from the fair value hierarchy investments for which fair value is measured at net asset value (or its equivalent) using the available practical expedient. The new guidance also modifies the scope of the disclosures related to such investments, eliminating from scope those investments eligible for but not actually valued using the practical expedient. Entities must continue to disclose information on investments for which fair value is measured at net asset value (or its equivalent) using the practical expedient, including information that helps readers understand the investments and whether the investments, if sold, are probable of being sold at amounts that differ from the net asset value. This guidance becomes effective January 1, 2016 and requires retrospective application. Early adoption is permitted. We are currently evaluating the impact this guidance will have on disclosures covering certain assets held by our pension plans.
In April 2015, the FASB issued an amendment to provide explicit guidance about a customer's accounting for fees paid in a cloud computing arrangement. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, then the customer should account for the arrangement as a service contract. The guidance is effective January 1, 2016 and can be adopted either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In April 2015, the FASB issued guidance to provide for a practical expedient that permits an entity to measure defined benefit plan assets and obligations as of the month end that is closest to the entity's fiscal year end or the month end that is closest to the date of a significant event caused by the entity that occurred in an interim period. Significant events, such as a plan amendment, settlement or curtailment, call for a remeasurement in accordance with existing requirements. An entity is required to disclose the accounting policy election and the date used to measure defined benefit plan assets and obligations. The guidance is effective January 1, 2016 and early adoption is permitted. The guidance will not impact our consolidated financial statements.

In April 2015, the FASB issued guidance which changes the presentation of debt issuance costs. Debt issuance costs related to term debt will be presented on the balance sheet as a direct deduction from the related debt liability rather than recorded as a separate asset. The amendment does not affect the recognition and measurement of debt issuance costs. There is no effect on the statement of operations as debt issuance costs will continue to be amortized to interest expense. The guidance becomes effective January 1, 2016 and requires retrospective application to all prior periods presented. We intend to early adopt the guidance effective December 31, 2015.

In February 2015, the FASB released updated consolidation guidance that entities must use to evaluate specific ownership and contractual arrangements that lead to a consolidation conclusion. The updates could change consolidation outcomes affecting presentation and disclosures. This guidance becomes effective January 1, 2016. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In June 2014, the FASB issued guidance to provide clarity on whether to treat a performance target that could be achieved after the requisite service period as a performance condition that affects vesting or as a nonvesting condition that affects the grant-date fair value of a share-based payment award. Generally, an award with a performance target also requires an employee to render service until the performance target is achieved. In some cases, however, the terms of an award may provide that the performance target could be achieved after an employee completes the

requisite service period. The amendment requires that a performance target that affects vesting and extends beyond the end of the service period be treated as a performance condition and not as a factor in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The guidance, which is effective January 1, 2016, is not expected to impact our consolidated financial statements.

In May 2014, the FASB issued guidance that requires companies to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in amounts that reflect the consideration a company expects to be entitled to in exchange for those goods or services. The new guidance will also require new disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, the FASB adopted a one-year

deferral of this guidance. As a result, this guidance will be effective January 1, 2018 with the option to adopt the standard as of the original effective date, January 1, 2017. The guidance allows for either a full retrospective or a modified retrospective transition method. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

Note 2. Disposal Groups and Discontinued Operations

Disposal of operations in Venezuela — In December 2014, we entered into an agreement to divest our Light Vehicle operations in Venezuela (the disposal group) for no consideration to an unaffiliated company. Upon classification of the disposal group as held for sale in December 2014, we recognized an $80 loss to adjust the carrying value of the net assets of our operations in Venezuela to fair value less cost to sell. The assets and liabilities of our operations in Venezuela were presented as held for sale on our balance sheet as of December 31, 2014. The carrying amounts of the major classes of assets and liabilities of our operations in Venezuela as of that date were as follows:

	December 31, 2014	
Cash and cash equivalents	$27	
Current assets classified as held for sale	$27	
Accounts payable	$16	
Accrued payroll and employee benefits	4	
Other accrued liabilities	1	
Current liabilities classified as held for sale	$21	
Pension obligations	$11	
Other noncurrent liabilities	6	
Noncurrent liabilities classified as held for sale	$17	
Accumulated other comprehensive loss classified as held for sale	$(11	)

Upon completion of the divestiture of the disposal group in January 2015, we recognized a gain of $5 on the derecognition of the noncontrolling interest in a former Venezuelan subsidiary in other income, net. We also credited other comprehensive loss attributable to the parent for $10 and other comprehensive loss attributable to noncontrolling interests for $1 to eliminate the unrecognized pension expense recorded in accumulated other comprehensive loss.

Discontinued operations 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). Upon cessation of all operations in August 2012, the former Structural Products business was presented as discontinued operations in the accompanying financial statements. We reached a final agreement on the remaining issues with the buyer in May 2014, resulting in the receipt of $9 from the escrow agent and a charge of $1 to other expense within discontinued operations during the second quarter of 2014. The loss from discontinued operations for the first six months of 2014 also included legal fees and other costs associated with resolving claims of the buyer and a former customer.

Note 3. Goodwill and Other Intangible Assets

Goodwill — Our goodwill is assigned to our Off-Highway operating segment. The change in the carrying amount of goodwill in 2015 is due to currency fluctuation.

Components of other intangible assets —

		June 30, 2015			December 31, 2014		
	Weighted Average Useful Life (years)	Gross Carrying Amount	Accumulated Impairment and Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Impairment and Amortization	Net Carrying Amount
Amortizable intangible assets							
Core technology	7	$87	$(83)	$4	$90	$(85)	$5
Trademarks and trade names	16	3	(2)	1	3	(1)	2
Customer relationships	8	467	(407)	60	493	(416)	77
Non-amortizable intangible assets							
Trademarks and trade names		65		65	65		65
Used in research and development activities		20		20	20		20
		$642	$(492)	$150	$671	$(502)	$169

The net carrying amounts of intangible assets, other than goodwill, attributable to each of our operating segments at June 30, 2015 were as follows: Light Vehicle — $12, Commercial Vehicle — $81, Off-Highway — $47 and Power Technologies — $10.

Amortization expense related to amortizable intangible assets —

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Charged to cost of sales	$—	$2	$1	$4
Charged to amortization of intangibles	4	10	9	23
Total amortization	$4	$12	$10	$27

The following table provides the estimated aggregate pre-tax amortization expense related to intangible assets for each of the next five years based on June 30, 2015 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 2015	2016	2017	2018	2019
Amortization expense	$8	$16	$13	$10	$9

Note 4. 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 second quarter of 2015, we implemented certain headcount reduction initiatives, primarily in our Commercial Vehicle business in Brazil in response to lower demand in that region. Including costs associated with this action and with other previously announced initiatives, restructuring expense during the second quarter of 2015 was $11 and primarily represented severance and related benefits costs.

During the first quarter of 2015, we continued to execute our previously announced initiatives. Restructuring expense during the first quarter of 2015 was $1 and primarily represented continuing exit costs.

During the first and second quarters of 2014, we continued to implement certain headcount reduction programs, primarily associated with the closure of our Commercial Vehicle foundry operation in Argentina. Including costs associated with this action and with other previously announced initiatives, restructuring expense for the six months ended June 30, 2014 was $12, including $8 of severance and related benefit costs and $4 of exit costs.

Accrued restructuring costs and activity, including noncurrent portion —

	Employee Termination Benefits	Exit Costs	Total
Balance at March 31, 2015	$7	$9	$16
Charges to restructuring	11		11
Cash payments	(3)		(3)
Balance at June 30, 2015	$15	$9	$24
Balance at December 31, 2014	$12	$9	$21
Charges to restructuring	11	1	12
Cash payments	(7)	(1)	(8)
Currency impact	(1)		(1)
Balance at June 30, 2015	$15	$9	$24

At June 30, 2015, the accrued employee termination benefits include costs to reduce approximately 250 employees over the next two years. The exit costs relate primarily to lease continuation obligations.

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

	Expense Recognized			Future
	Prior to 2015	2015	Total to Date	Cost to Complete
Light Vehicle	$9	$1	$10	$2
Commercial Vehicle	23	11	34	10
Total	$32	$12	$44	$12

The future cost to complete includes estimated separation costs 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 5. Stockholders' Equity

Common stock — Our Board of Directors declared a quarterly cash dividend of six cents per share of common stock in the second quarter of 2015 and five cents per share of common stock in the first quarter of 2015. Dividends accrue on restricted stock units (RSUs) granted under our stock compensation program and will be paid in cash or additional units when the underlying units vest.

Share repurchase program — Our Board of Directors approved a share repurchase program of $1,400, expiring on December 31, 2015. Under the program, we spent $126 to repurchase 5,822,021 shares of our common stock during the first six months of 2015 through open market transactions. Approximately $185 remained available under the program for future share repurchases as of June 30, 2015.

Changes in equity —

Three Months Ended June 30,	2015 Attributable to Parent	2015 Attributable to Non-controlling Interests	2015 Total Equity	2014 Attributable to Parent	2014 Attributable to Non-controlling Interests	2014 Total Equity
Balance, March 31	$991	$106	$1,097	$1,272	$105	$1,377
Total comprehensive income	82	2	84	107	5	112
Preferred stock dividends			—	(2)		(2)
Common stock dividends	(10)		(10)	(9)		(9)
Distributions to noncontrolling interests		(5)	(5)		(6)	(6)
Common stock share repurchases	(63)		(63)	(49)		(49)
Stock compensation	6		6	4		4
Stock withheld for employee taxes			—	(1)		(1)
Balance, June 30	$1,006	$103	$1,109	$1,322	$104	$1,426
Six Months Ended June 30,						
Balance, December 31	$1,080	$100	$1,180	$1,309	$104	$1,413
Total comprehensive income	62	14	76	136	7	143
Preferred stock dividends			—	(5)		(5)
Common stock dividends	(18)		(18)	(16)		(16)
Distributions to noncontrolling interests		(6)	(6)		(7)	(7)
Share conversion			—	3		3
Common stock share repurchases	(126)		(126)	(113)		(113)
Derecognition of noncontrolling interests		(5)	(5)			—
Stock compensation	10		10	10		10
Stock withheld for employee taxes	(2)		(2)	(2)		(2)
Balance, June 30	$1,006	$103	$1,109	$1,322	$104	$1,426

Changes in each component of accumulated other comprehensive income (AOCI) of the parent —

	Parent Company Stockholders				
	Foreign Currency Translation	Hedging	Investments	Defined Benefit Plans	Accumulated Other Comprehensive Income (Loss)
Balance, March 31, 2015	$(526)	$(10)	$6	$(550)	$(1,080)
Other comprehensive income (loss):					
Currency translation adjustments	18				18
Holding loss on net investment hedge	(4)				(4)
Holding gains and losses		(3)	(1)		(4)
Reclassification of amount to net income (a)		6			6
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)				7	7
Other comprehensive income (loss)	14	3	(1)	7	23
Balance, June 30, 2015	$(512)	$(7)	$5	$(543)	$(1,057)
Balance, March 31, 2014	$(254)	$—	$3	$(481)	$(732)
Other comprehensive income:					

Currency translation adjustments	14				14
Holding gains and losses		1	3		4
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)				3	3
Other comprehensive income	14	1	3	3	21
Balance, June 30, 2014	$(240)	$1	$6	$(478)	$(711)

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	Parent Company Stockholders				
	Foreign Currency Translation	Hedging	Investments	Defined Benefit Plans	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2014	$(427)	$(9)	$5	$(566)	$(997)
Other comprehensive income (loss):					
Currency translation adjustments	(83)				(83)
Holding loss on net investment hedge	(2)				(2)
Holding gains and losses		(9)			(9)
Reclassification of amount to net income (a)		11			11
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)				13	13
Elimination of net prior service costs and actuarial losses of disposal group				10	10
Other comprehensive income (loss)	(85)	2	—	23	(60)
Balance, June 30, 2015	$(512)	$(7)	$5	$(543)	$(1,057)
Balance, December 31, 2013	$(242)	$—	$3	$(488)	$(727)
Other comprehensive income (loss):					
Currency translation adjustments	2				2
Holding gains and losses		1	5		6
Reclassification of amount to net income (a)			(2)		(2)
Venezuelan bolivar devaluation				3	3
Reclassification adjustment for net actuarial losses included in net periodic benefit cost (b)				8	8
Tax expense				(1)	(1)
Other comprehensive income	2	1	3	10	16
Balance, June 30, 2014	$(240)	$1	$6	$(478)	$(711)

(a) Foreign currency contract and investment reclassifications are included in other income, net.
(b) See Note 8 for additional details.

Upon completion of the divestiture of our operations in Venezuela in January 2015, we eliminated the unrecognized pension expense and the noncontrolling interest related to our former Venezuelan subsidiaries. See Note 2 for additional information regarding the disposal group held for sale at the end of 2014 and divested in January 2015.

Note 6. Earnings per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Income from continuing operations	$63	$92	$137	$130
Less: Noncontrolling interests	4	4	15	7
Less: Preferred stock dividend requirements		2		5
Income from continuing operations available to common stockholders - Numerator basic	59	86	122	118
Preferred stock dividend requirements		2		5
Numerator diluted	$59	$88	$122	$123
Net income available to common stockholders - Numerator basic	$59	$84	$122	$115
Preferred stock dividend requirements		2		5
Numerator diluted	$59	$86	$122	$120
Weighted-average number of shares outstanding - Denominator basic	162.1	156.7	163.4	153.7
Employee compensation-related shares, including stock options	1.1	1.3	1.2	1.2
Conversion of preferred stock		17.1		21.1
Denominator diluted	163.2	175.1	164.6	176.0

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 0.3 million and 0.2 million CSEs from the calculations of diluted earnings per share for the quarter and year-to-date periods ended June 30, 2015 as the effect of including them would have been anti-dilutive.

Note 7. Stock Compensation

The Compensation Committee of our Board of Directors approved the grant of RSUs and performance share units (PSUs) shown in the table below during the first half of 2015.

	Granted (In millions)	Weighted-average Per Share Grant Date Fair Value
RSUs	0.6	$ 22.25
PSUs	0.3	$ 24.70

We calculated the fair value of the RSUs at grant date based on the closing market price of our common stock at the date of grant. The number of PSUs that ultimately vest is contingent on achieving specified return on invested capital targets and specified total shareholder return targets relative to peer companies. For the portion of the award based on the return on invested capital performance metric, we estimated the fair value of the PSUs at grant date based on the closing market price of our common stock at the date of grant adjusted for the value of assumed dividends over the period because the award is not dividend protected. For the portion of the award based on shareholder returns, we estimated the fair value of the PSUs at grant date using various assumptions as part of a Monte Carlo simulation. The expected term represents the period from the grant date to the end of the three-year performance period. The risk-free

interest rate of 0.92% was based on U.S. Treasury constant maturity rates at the grant date. The dividend yield of 0.92% was calculated by dividing the expected annual dividend by the average stock price over the prior year. The expected volatility of 35.1% was based on historical volatility over the prior three years using daily stock price observations.

Stock options and stock appreciation rights (SARs) related to 0.2 million shares were exercised and a small number of shares were forfeited in 2015. We received $2 of cash from the exercise of stock options and we paid $2 of cash to settle SARs and RSUs during 2015. We issued 0.4 million shares of common stock based on the vesting of RSUs.

We recognized stock compensation expense of $5 during the second quarters of both 2015 and 2014 and $8 and $9 during the first half of 2015 and 2014. At June 30, 2015, the total unrecognized compensation cost related to the nonvested awards granted and expected to vest was $31. This cost is expected to be recognized over a weighted-average period of 2.0 years.

Note 8. 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 cost (credit) —

	Pension					
	2015		2014		OPEB - Non-U.S.	
Three Months Ended June 30,	U.S.	Non-U.S.	U.S.	Non-U.S.	2015	2014
Interest cost	$17	$2	$20	$3	$1	$2
Expected return on plan assets	(28)		(28)			
Service cost		1		2		
Amortization of net actuarial loss	5	2	4	1		
Net periodic benefit cost (credit)	$(6)	$5	$(4)	$6	$1	$2
Six Months Ended June 30,						
Interest cost	$34	$4	$40	$6	$2	$3
Expected return on plan assets	(55)	(1)	(55)			
Service cost		3		3		
Amortization of net actuarial loss	10	3	8	2		
Net periodic benefit cost (credit)	$(11)	$9	$(7)	$11	$2	$3

Note 9. Marketable Securities

	June 30, 2015			December 31, 2014		
	Cost	Unrealized Gain (Loss)	Fair Value	Cost	Unrealized Gain (Loss)	Fair Value
U.S. government securities	$40	$—	$40	$38	$—	$38
Corporate securities	42		42	36		36
Certificates of deposit	22		22	23		23
Other	60	5	65	67	5	72
Total marketable securities	$164	$5	$169	$164	$5	$169

U.S. government securities include bonds issued by government-sponsored agencies and Treasury notes. Corporate securities include primarily debt 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 through ten years total $38, $62 and $3 at June 30, 2015.

Note 10. Financing Agreements

Long-term debt at —

	Interest Rate	June 30, 2015	December 31, 2014
Senior Notes due February 15, 2019	6.500%	$—	$55
Senior Notes due February 15, 2021	6.750%	350	350
Senior Notes due September 15, 2021	5.375%	450	450
Senior Notes due September 15, 2023	6.000%	300	300
Senior Notes due December 15, 2024	5.500%	425	425
Other indebtedness*		80	79
Total		1,605	1,659
Less: current maturities		35	46
Total long-term debt		$1,570	$1,613

* Includes fair value adjustments related to an interest rate swap. See Note 11 for additional information.

Interest on the senior notes is payable semi-annually. Other indebtedness includes borrowings from various financial institutions and capital lease obligations.

Senior notes — In December 2014, we completed the sale of $425 in senior unsecured notes. Interest on the December 2024 Notes is payable on June 15 and December 15 of each year beginning on June 15, 2015. Net proceeds of the offering totaled $418. Financing costs of $7 were recorded as deferred costs and are being amortized to interest expense over the life of the notes. The net proceeds from the offering were used to redeem our February 2019 Notes.

During December 2014, we redeemed $345 of our February 2019 Notes pursuant to a tender offer at a weighted average price equal to 104.116% plus accrued and unpaid interest. The $19 loss on extinguishment of debt includes the redemption premium and transaction costs associated with the tender offer and the write-off of $4 of previously deferred financing costs associated with the February 2019 Notes.

On December 9, 2014, we elected to redeem $40 of our February 2019 Notes effective January 8, 2015 at a price equal to 103.000% plus accrued and unpaid interest. The notes redeemed on January 8, 2015 have been included in current portion of long-term debt as of December 31, 2014. On March 16, 2015, we redeemed the remaining $15 of our February 2019 Notes at a price equal to 103.250% plus accrued and unpaid interest. The $2 loss on extinguishment of debt includes the redemption premium and the write-off of previously deferred financing costs associated with the February 2019 Notes.

Revolving facility — Advances under our $500 revolving facility bear interest at a floating rate based on, at our option, the base rate or 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 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 June 30, 2015 but we had utilized $39 for letters of credit. Based on our borrowing base collateral of $431, we had potential availability at June 30, 2015 under the revolving facility of $392 after deducting the outstanding letters of credit.

Debt covenants — At June 30, 2015, we were in compliance with the covenants of our financing agreements. Under the revolving facility and the senior notes, we are required to comply with certain incurrence-based covenants customary for facilities of these types.

Note 11. 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	
June 30, 2015	Total	Quoted Prices in Active Markets (Level 1)	Significant Inputs Observable (Level 2)
Marketable securities	$169	$65	$104
Currency forward contracts - Accounts receivable other			
Undesignated	2		2
Currency forward contracts - Other accrued liabilities			
Cash flow hedges	8		8
Undesignated	1		1
Currency swaps - Other noncurrent liabilities			
Undesignated	1		1
Interest rate swap - Other noncurrent liabilities			
Fair value hedge	2		2
December 31, 2014			
Marketable securities	$169	$72	$97
Currency forward contracts - Accounts receivable other			
Cash flow hedges	1		1
Undesignated	1		1
Currency forward contracts - Other accrued liabilities			
Cash flow hedges	11		11
Currency swaps - Other accrued liabilities			
Undesignated	9		9

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

	June 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior notes	$1,525	$1,563	$1,580	$1,643
Other indebtedness*	80	78	79	77
Total	$1,605	$1,641	$1,659	$1,720

* The carrying value includes fair value adjustments related to an interest rate swap at June 30, 2015.

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 — Certain assets are measured at fair value on a nonrecurring basis. These are long-lived assets that are subject to fair value adjustments only in certain circumstances. These assets include intangible assets and property, plant and equipment which may be written down to fair value when they are held for sale or as a result of impairment.

Interest rate derivatives — Our interest rate derivatives include a fixed-to-floating interest rate swap on our $425, 5.500% fixed-rate senior notes, due December 15, 2024 (the "designated fixed-rate debt"). Executed near the end of the second quarter of 2015, the interest rate swap has the same total notional amount and maturity date as the designated fixed-rate debt and economically serves to convert the designated fixed-rate debt into variable-rate debt, using the 3-month U.S. LIBOR as the benchmark interest rate plus a spread of 307 basis points. Of the $425 total notional amount of the interest rate swap, $340 has been designated as a fair value hedge of the $425 fixed-rate debt. Using retrospective and prospective regression analysis, we will perform effectiveness testing on a monthly basis.

Changes in fair value of the interest rate swap are recorded in the balance sheet as an other noncurrent receivable or payable while changes in the fair value of the designated fixed-rate debt are recorded in the balance sheet as a change in the carrying amount of debt. The difference between the changes in fair value of the designated portion of the interest rate swap and the designated fixed-rate debt represents ineffectiveness and is recorded in the income statement as an adjustment to interest expense during each period. Changes in the fair value associated with the undesignated portion of the interest rate swap do not represent ineffectiveness but are also recorded as an adjustment to interest expense during each period.

As of June 30, 2015, the notional amount of the interest rate swap in a fair value hedge relationship with the designated fixed-rate debt was $340. Subsequent to the execution of the swap at the end of the second quarter of 2015, the change in the fair value of the swap was a loss of $2 while the change in the fair value of the designated fixed-rate debt was a gain of $2. The amounts recorded in earnings as ineffectiveness and as interest expense savings during the applicable portion of the second quarter of 2015 were not material.

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 eighteen months, as well as currency swaps associated with certain recorded intercompany loans receivable and payable. Periodically, our foreign currency derivatives also include net investment hedges of certain of our investments in foreign operations.

The total notional amount of outstanding foreign currency forward contracts, involving the exchange of various currencies, was $204 as of June 30, 2015 and $296 as of December 31, 2014. The total notional amount of outstanding foreign currency swaps was $214 as of June 30, 2015 and $10 as of December 31, 2014.

The following currency derivatives were outstanding at June 30, 2015:

		Notional Amount (U.S. Dollar Equivalent)			
Functional Currency	Traded Currency	Designated as Cash Flow Hedges	Undesignated	Total	Maturity
U.S. dollar	Mexican peso	$78	$—	$78	Sep-16
Euro	U.S. dollar, Canadian dollar, Hungarian forint, British pound, Swiss franc, Indian rupee, Russian ruble	19	29	48	Dec-16
British pound	U.S. dollar, Euro	6	1	7	Sep-16
Swedish krona	Euro	14		14	Sep-16
South African rand	U.S. dollar, Euro		7	7	Sep-15
Thai baht	U.S. dollar, Australian dollar		19	19	May-16
Brazilian real	U.S. dollar, Euro		5	5	Mar-16
Indian rupee	U.S. dollar, British pound, Euro		26	26	Apr-16
Total forward contracts		117	87	204	
U.S. dollar	Euro		116	116	Dec-16
Euro	Canadian dollar, British pound		88	88	Dec-16
Indian rupee	U.S. dollar		10	10	Jul-15
Total currency swaps		—	214	214	
Total currency derivatives		$117	$301	$418	

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.

Net investment hedges — With respect to contracts designated as net investment hedges, we apply the forward method and report changes in fair value in the cumulative translation adjustment (CTA) component of OCI during the period in which the contracts remain outstanding to the extent such contracts remain effective.

During the second quarter of 2015, we settled our $98 forward contract that had been executed and designated as a net investment hedge of the equivalent portion of certain of our European operations during the first quarter of 2015. Although no net investment hedges remain outstanding at June 30, 2015, a deferred loss of $2 associated with this settled contract has been recorded in AOCI as of that date and will remain deferred until such time as the investment in the associated subsidiary is substantially liquidated. See also Note 5.

Amounts to be reclassified to earnings — Deferred gains or losses associated with effective cash flow hedges are reported in AOCI and are reclassified to earnings in the same periods in which the underlying transactions affect earnings. Amounts expected to be reclassified to earnings assume no change in the current hedge relationships or to June 30, 2015 exchange rates. Deferred losses of $8 at June 30, 2015 are expected to be reclassified to earnings during the next twelve months, compared to deferred losses of $10 at December 31, 2014. Amounts reclassified from AOCI to earnings arising from the discontinuation of cash flow hedge accounting treatment were not material during the

second quarter of 2015. See also Note 5.

Note 12. Commitments and Contingencies

Asbestos personal injury liabilities — As part of our reorganization in 2008, assets and liabilities associated with personal injury asbestos claims were retained in Dana Corporation which was then merged into Dana Companies, LLC (DCLLC), a consolidated wholly-owned limited liability company. The assets of DCLLC include insurance rights relating to coverage against these liabilities, marketable securities and other assets which are considered sufficient to satisfy its liabilities. DCLLC had approximately 25,000 active pending asbestos personal injury liability claims at both June 30, 2015 and December 31, 2014. DCLLC had accrued $80 for indemnity and defense costs for settled, pending and future claims at June 30, 2015, compared to $81 at December 31, 2014. A fifteen-year time horizon was used to estimate the value of this liability.

At June 30, 2015, DCLLC had recorded $52 as an asset for probable recovery from insurers for the pending and projected asbestos personal injury liability claims, unchanged from the $52 recorded at December 31, 2014. 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. DCLLC has coverage agreements in place with 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 the insurance coverage, but rather the amount DCLLC would expect to recover if the accrued indemnity and defense costs were paid in full.

DCLLC 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. Dana Holding Corporation has no obligation to increase its investment in or otherwise support DCLLC.

Other product liabilities — We had accrued $1 for non-asbestos product liability costs at June 30, 2015 and December 31, 2014, 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 $6 at June 30, 2015 and $7 at December 31, 2014. We consider the most probable method of remediation, current laws and regulations and existing technology in estimating our environmental liabilities. Other accounts receivable included a related recoverable from insurers or other parties of $1 at December 31, 2014.

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.

In November 2013, we received an arbitration notice from Sypris Solutions, Inc. (Sypris), formerly our largest supplier, alleging damage claims under the long-term supply agreement that expired on December 31, 2014. The arbitration proceedings related to these claims concluded in the second quarter of 2015 with Sypris being awarded immaterial damages. Sypris also alleged that Dana and Sypris entered into a new binding long-term supply agreement in July 2013. Dana filed suit against Sypris requesting declaratory judgment that the parties did not enter into a new supply agreement. During the first quarter of 2015, the court granted summary judgment in Dana's favor, rejecting Sypris' position that a new contract was formed in July 2013. The summary judgment ruling has been appealed by Sypris. We continue to believe this Sypris claim is without merit.

Note 13. 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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Balance, beginning of period	$46	$56	$47	$54
Amounts accrued for current period sales	7	5	14	9
Adjustments of prior estimates	2	7	4	11
Settlements of warranty claims	(8)	(9)	(16)	(15)
Currency impact	1		(1)	
Balance, end of period	$48	$59	$48	$59

Note 14. 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 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 expense or benefit.

We record interest and penalties related to uncertain tax positions as a component of income tax expense. Net interest expense for the periods presented herein is not significant.

We reported income tax expense related to our continuing operations of $36 and $33 for the quarters ended June 30, 2015 and 2014 and $67 for the six-month periods in both years. 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. Our effective tax rates were 33% and 35% in the first half of 2015 and 2014. The U.S. and certain foreign jurisdictions with valuation allowances were expected to generate income in 2015 and 2014, thereby reducing the effective tax rate as the tax expense associated with this income is offset by valuation allowance release.

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 tax liabilities based on the amount and source of these earnings. As part of the annual effective tax rate, we recognized net expense of $2 for the three months ended June 30, 2015 and 2014 and $3 for the six-month periods of both years related to future income taxes and non-U.S. withholding taxes on repatriations from operations that are not permanently reinvested. We recognized expense of $6 and $1 in the quarters ended June 30, 2015 and 2014 and $6 and $5 in the respective six-month periods for withholding taxes associated with changes to planned repatriations of certain foreign earnings. We also accrued additional tax reserves of $2 in the second quarter of 2014 for settlements of outstanding tax matters in Italy.

At June 30, 2015, we have a valuation allowance against our deferred tax assets in the U.S. When evaluating the continued need for this valuation allowance we consider all components of comprehensive income, and we weight the positive and negative evidence, putting greater reliance on objectively verifiable historical evidence than on projections of future profitability that are dependent on actions that have not occurred as of the assessment date. We also consider the pro forma effects on historical profitability of actions occurring in the year of assessment that have a sustained effect on future profitability, the effect on historical profits of nonrecurring events, as well as tax planning strategies. These effects included items such as the lost future interest income resulting from the prepayment on and subsequent sale of the payment-in-kind callable note receivable and the additional interest expense resulting from the $750 senior unsecured notes payable issued in

July 2013. A sustained period of profitability, after giving pro forma effect to implemented actions and nonrecurring events, along with positive expectations for future profitability are necessary for a determination that a valuation allowance should be released. Our U.S. operations have experienced improved profitability in recent years, but our analysis of the income of the U.S. operations, as adjusted for pro forma effects of developments through the current date and planned future actions, demonstrates historical losses through the year ended December 31, 2014 with an uncertain forecast of near break-even results in 2015. Therefore, we have not achieved a level of sustained historical profitability that would, in our judgment, support a release of the valuation allowance at June 30, 2015. Although we expect our U.S. operations to generate profits in the future, this positive evidence cannot be given as much weight in our analysis as the objectively verifiable lack of sustained historical profitability. To the extent that we achieve our forecasted levels of sustainable profits in 2015 and our projections of profitability beyond 2015 are sufficiently positive, it is reasonably possible that we could release up to $500 of the valuation allowances against our U.S. deferred tax assets in the next twelve months. Until the valuation allowance is released, the income tax effect of any reported U.S. profits will reduce net deferred tax assets and the associated valuation allowance.

Note 15. Other Income, Net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest income	$4	$3	$7	$6
Government grants and incentives		1	1	2
Foreign exchange gain (loss)	(6)	14	(6)	2
Strategic transaction expenses	(1)		(2)	(1)
Gain on derecognition of noncontrolling interest			5	
Gain on sale of marketable securities			1	
Recognition of unrealized gain on payment-in-kind note receivable				2
Insurance recoveries	3		4	
Other	4	3	6	4
Other income, net	$4	$21	$16	$15

Foreign exchange gains and losses on cross-currency intercompany loan balances that are not of a long-term investment nature are included above. Foreign exchange gains and losses on intercompany loans that are permanently invested are reported in OCI. Effective March 31, 2014, we ceased using the official exchange rate of 6.3 and began using the Complementary System of Foreign Currency Administration (SICAD) rate, which was 10.7 bolivars per U.S. dollar (as published by the Central Bank of Venezuela) at March 31, 2014, to remeasure the financial statements of our subsidiaries in Venezuela. The change to the SICAD rate resulted in a charge of $17 during the first quarter of 2014. The SICAD rate was 10.6 bolivars per U.S. dollar at June 30, 2014. During the second quarter of 2014 we realized a $7 gain as National Center for Foreign Commerce (CENCOEX) approved a portion of our pending claims to settle U.S. dollar obligations at the official exchange rate of 6.3. Also during the second quarter of 2014 we realized a $6 gain on the sale of U.S. dollars through SICAD 2 at an average rate of 49.9 bolivars per U.S. dollar. The foreign exchange gains and losses associated with our Venezuelan subsidiaries are included in the segment EBITDA of our Light Vehicle operating segment. See Note 1 to our consolidated financial statements in Item 8 of our 2014 Form 10-K for a comprehensive discussion of Venezuela's exchange rate environment.

Upon completion of the divestiture of our operations in Venezuela in January 2015, we recognized a gain on the derecognition of the noncontrolling interest in a former Venezuelan subsidiary.

The sale of our interest in a payment-in-kind callable note to a third-party in January 2014 resulted in the recognition of the remaining unrealized gain that arose following the valuation of the note receivable below its callable value at

emergence from bankruptcy.

During the second quarter of 2015 we reached a settlement with an insurance carrier for the recovery of previously incurred legal costs.

Note 16. Segments

We are a global provider of high technology driveline, sealing and thermal-management products for virtually every major vehicle manufacturer in the on-highway and off-highway markets. Our driveline products – axles, driveshafts and transmissions – are delivered through our Light Vehicle, Commercial Vehicle and Off-Highway operating segments. Our fourth global operating segment – Power Technologies – is the center of excellence for the sealing and thermal technologies that span all customers in our on-highway and off-highway markets. These operating segments have global responsibility and accountability for business commercial activities and financial performance.

Dana evaluates the performance of its operating segments based on external sales and segment EBITDA. Segment EBITDA is a primary driver of cash flows from operations and a measure of our ability to maintain and continue to invest in our operations and provide shareholder returns. Our segments are charged for corporate and other shared administrative costs. Segment EBITDA may not be comparable to similarly titled measures reported by other companies.

Segment information —

	2015			2014		
Three Months Ended June 30,	External Sales	Inter-Segment Sales	Segment EBITDA	External Sales	Inter-Segment Sales	Segment EBITDA
Light Vehicle	$641	$ 35	$66	$636	$ 43	$76
Commercial Vehicle	431	26	36	463	20	47
Off-Highway	279	10	41	335	10	46
Power Technologies	258	4	39	276	4	39
Eliminations and other		(75)			(77)	
Total	$1,609	$ —	$182	$1,710	$ —	