Our sales in Europe in 2014 were generally flat with 2013, with currency movements having a nominal impact. Our Off-Highway segment has a significant European presence. The weaker demand in the markets served by this segment contributed to reduced sales of around \$60. Largely offsetting the weaker off-highway demand were stronger production levels in the light vehicle market where light engine build was up 3% and light truck production was higher by about 6%. Our sales in Europe in 2014 also benefited from new Light Vehicle programs coming on line during the year.

South America sales in 2014 were significantly reduced by currency effects from a weaker Brazilian real and Argentine peso along with devaluation of the Venezuelan bolivar. Adjusted for currency effects, 2014 sales in South America were down \$42 or about 4%. Production levels were down in our light and commercial vehicle end markets – light truck production off 12%, light vehicle engine build down about 16% and medium/heavy truck production lower by more than 25%. Partially offsetting the effects of lower demand levels was cost recovery pricing for material and other cost inflation.

Asia Pacific sales were 11% lower than in 2013. Adverse currency effects resulted principally from a weakening of the Indian rupee, Thai baht, Australian dollar and Japanese yen. The organic sales reduction of 7% is primarily due to comparatively weaker economic environments in India and Thailand, along with reduced demand on a scheduled light vehicle program roll-off in Australia.

Cost of sales and gross margin — Cost of sales for 2014 was 3% lower than in 2013, with cost of sales as a percent of sales of 85.7% lower than the 86.4% realized in 2013. The reduction in cost is consistent with the decline in sales, due principally to weaker international currencies and slightly lower overall net sales volume. Cost of sales in 2014 was increased by higher material commodity costs of about \$35, higher warranty expense of \$14 and inflationary increases on other costs, principally in our South America and South Africa markets. More than offsetting these increases were the effects of continued supplier rationalization and engineering design actions, which contributed to material cost reductions of approximately \$66, and reduced depreciation and amortization expense of \$20.

Gross margin in 2014 of \$945, which excludes pension settlement charges, increased \$25 from 2013, representing 14.3% of sales – 70 basis points higher than last year's gross margin percentage of 13.6%. The gross margin improvement was attributable to the reduced cost of sales as a percent of sales discussed in the preceding paragraph.

Selling, general and administrative expenses (SG&A) — SG&A expenses in 2014 were \$411 (6.2% of sales) as compared to \$410 (6.1% of sales) in 2013. Salary and benefits expense in 2014 was approximately \$7 less than in 2013, nearly offsetting an increase of \$8 in selling expense and other discretionary spending.

Restructuring charges — Restructuring charges of \$21 in 2014 primarily represent the impact of headcount reduction initiatives in our Commercial Vehicle and Light Vehicle businesses in South America and Europe, including the closure of our Commercial Vehicle foundry in Argentina and other severance and exit costs associated with previously announced initiatives. Restructuring charges of \$24 in 2013 include the impact of headcount reduction initiatives, primarily in our Light Vehicle and Commercial Vehicle businesses in Argentina and Australia as well as in our Off-Highway business in Europe. Restructuring charges in 2013 also include severance and exit costs associated with previously announced initiatives, offset in part by a \$10 reversal of previously accrued obligations. New customer programs and other developments in our Light Vehicle and Power Technologies businesses in North America and a decision by our Off-Highway business in Europe to in-source the manufacturing of certain parts were the primary factors leading to the reversal of previously accrued severance obligations.

Loss on disposal group held for sale — During the fourth quarter of 2014, we entered into an agreement to sell our operations in Venezuela. We completed the sale in January 2015. The divested business was determined to be held for sale at December 31, 2014, resulting in the recognition of a loss of \$80 to reduce the assets and liabilities of this business to their fair value less cost to sell. Reference is made to Operations in Venezuela in this Item 7 and to Note 2 of the consolidated financial statements in Item 8 for additional disclosures regarding this transaction.

Pension settlement charges — We completed two actions in the fourth quarter of 2014 that reduced our pension plan obligations. Lump sum payments to deferred vested salaried participants in our U.S. pension plans under a voluntary program resulted in a settlement charge of \$36, while completion of a wind-up of certain Canadian pension plans resulted in a charge of \$6. See Note 11 of the consolidated financial statements in Item 8 for additional discussion of these two actions.

Loss on extinguishment of debt — In connection with a refinancing of long-term debt obligations in the fourth quarter of 2014, we recognized expense for the call premium incurred and the write-off of the unamortized financing costs associated with the extinguished obligations. See Note 13 of the consolidated financial statements in Item 8 for additional disclosure surrounding this debt refinancing.