

AMERICAN AXLE & MANUFACTURING HOLDINGS INC
Form 10-Q
May 01, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 March 31, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-14303

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware 38-3161171
(State or Other Jurisdiction of Incorporation or
Organization) (I.R.S. Employer Identification No.)

One Dauch Drive, Detroit, Michigan 48211-1198
(Address of Principal Executive Offices) (Zip Code)
(313) 758-2000
(Registrant's Telephone Number, Including Area Code)

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 No

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 No

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 definition of "accelerated filer," "large accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act. (Check one):

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

(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 No

As of April 29, 2015, the latest practicable date, the number of shares of the registrant's Common Stock, par value \$0.01 per share, outstanding was 75,815,272 shares.

Internet Website Access to Reports

The website for American Axle & Manufacturing Holdings, Inc. is www.aam.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
 FORM 10-Q
 FOR THE QUARTER ENDED MARCH 31, 2015
 TABLE OF CONTENTS

| | Page Number |
|--|----------------|
| <u>FORWARD-LOOKING STATEMENTS</u> | <u>1</u> |
| <u>Part I</u> | |
| <u>FINANCIAL INFORMATION</u> | <u>2</u> |
| <u>Item 1</u> | |
| <u>Financial Statements</u> | <u>2</u> |
| <u>Condensed Consolidated Statements of Income</u> | <u>2</u> |
| <u>Condensed Consolidated Statements of Comprehensive Income</u> | <u>3</u> |
| <u>Condensed Consolidated Balance Sheets</u> | <u>4</u> |
| <u>Condensed Consolidated Statements of Cash Flows</u> | <u>5</u> |
| <u>Notes to Condensed Consolidated Financial Statements</u> | <u>6</u> |
| <u>Item 2</u> | |
| <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>20</u> |
| <u>Item 3</u> | |
| <u>Quantitative and Qualitative Disclosures About Market Risk</u> | <u>24</u> |
| <u>Item 4</u> | |
| <u>Controls and Procedures</u> | <u>24</u> |
| <u>Part II</u> | |
| <u>OTHER INFORMATION</u> | <u>25</u> |
| <u>Item 1A</u> | |
| <u>Risk Factors</u> | <u>25</u> |
| <u>Item 2</u> | |
| <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>25</u> |
| <u>Item 6</u> | |
| <u>Exhibits</u> | <u>25</u> |
| <u>Signatures</u> | <u>26</u> |
| <u>Exhibit Index</u> | <u>27</u> |
| <u>Ex. 31.1 Certification - CEO - Rule 13a-14(a)</u> | |
| <u>Ex. 31.2 Certification - CFO - Rule 13a-14(a)</u> | |
| <u>Ex. 32 Section 906 Certifications</u> | |
| <u>Ex. 101 Instance Document</u> | |
| <u>Ex. 101 Schema Document</u> | |
| <u>Ex. 101 Calculation Linkbase Document</u> | |
| <u>Ex. 101 Label Linkbase Document</u> | |
| <u>Ex. 101 Presentation Linkbase Document</u> | |
| <u>Ex. 101 Definition Linkbase Document</u> | |

FORWARD-LOOKING STATEMENTS

In this Quarterly Report on Form 10-Q (Quarterly Report), we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995 and relate to trends and events that may affect our future financial position and operating results. The terms such as “will,” “may,” “could,” “would,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “project,” “target,” and similar words or expressions, as well as statements in future tense, are intended to identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management’s good faith belief as of that time with respect to future events and are subject to risks and may differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- reduced purchases of our products by General Motors Company (GM), FCA US LLC, formerly known as Chrysler Group LLC (Chrysler), or other customers;
- reduced demand for our customers' products (particularly light trucks and sport utility vehicles (SUVs) produced by GM and Chrysler);
- our ability to develop and produce new products that reflect market demand;
- lower-than-anticipated market acceptance of new or existing products;
- our ability to attract new customers and programs for new products;
- our ability to respond to changes in technology, increased competition or pricing pressures;
- our ability to achieve the level of cost reductions required to sustain global cost competitiveness;
 - supply shortages or price increases in raw materials, utilities or other operating supplies for us or our customers as a result of natural disasters or otherwise;
- our ability to successfully implement upgrades to our enterprise resource planning systems;
- global economic conditions;
- risks inherent in our international operations (including adverse changes in political stability, taxes and other law changes, potential disruptions of production and supply, and currency rate fluctuations);
- liabilities arising from warranty claims, product recall or field actions, product liability and legal proceedings to which we are or may become a party, or the impact of product recall or field actions on our customers;
- our ability to maintain satisfactory labor relations and avoid work stoppages;
- our suppliers', our customers' and their suppliers' ability to maintain satisfactory labor relations and avoid work stoppages;
- our ability or our customers' and suppliers' ability to successfully launch new product programs on a timely basis;
- our ability to realize the expected revenues from our new and incremental business backlog;
- negative or unexpected tax consequences;
- price volatility in, or reduced availability of, fuel;
- our ability to consummate and integrate acquisitions and joint ventures;
- our ability to attract and retain key associates;
- our ability to protect our intellectual property and successfully defend against assertions made against us;
- availability of financing for working capital, capital expenditures, research and development (R&D) or other general corporate purposes including acquisitions, as well as our ability to comply with financial covenants;
- our customers' and suppliers' availability of financing for working capital, capital expenditures, R&D or other general corporate purposes;
- changes in liabilities arising from pension and other postretirement benefit obligations;
-

risks of noncompliance with environmental laws and regulations or risks of environmental issues that could result in unforeseen costs at our facilities;

• adverse changes in laws, government regulations or market conditions affecting our products or our customers' products (such as the Corporate Average Fuel Economy (CAFE) regulations);

• our ability or our customers' and suppliers' ability to comply with the Dodd-Frank Act and other regulatory requirements and the potential costs of such compliance; and

• other unanticipated events and conditions that may hinder our ability to compete.

It is not possible to foresee or identify all such factors and we make no commitment to update any forward-looking statement or to disclose any facts, events or circumstances after the date hereof that may affect the accuracy of any forward-looking statement.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended March 31, | |
|--|--------------------------------------|---------|
| | 2015 | 2014 |
| | (in millions, except per share data) | |
| Net sales | \$969.1 | \$858.8 |
| Cost of goods sold | 816.3 | 736.9 |
| Gross profit | 152.8 | 121.9 |
| Selling, general and administrative expenses | 68.5 | 57.1 |
| Operating income | 84.3 | 64.8 |
| Interest expense | (25.1 |) (25.0 |
| Investment income | 0.8 | 0.3 |
| Other income, net | 2.4 | 0.5 |
| Income before income taxes | 62.4 | 40.6 |
| Income tax expense | 9.2 | 7.0 |
| Net income | \$53.2 | \$33.6 |
| Basic earnings per share | \$0.69 | \$0.44 |
| Diluted earnings per share | \$0.68 | \$0.44 |

See accompanying notes to condensed consolidated financial statements.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

| | Three Months Ended March 31, | |
|--|---------------------------------|--------|
| | 2015 | 2014 |
| | (in millions) | |
| Net income | \$53.2 | \$33.6 |
| Other comprehensive income (loss), net of tax | | |
| Defined benefit plans, net of tax ^(a) | 3.9 | 5.1 |
| Foreign currency translation adjustments | (31.5 |) 7.8 |
| Change in derivatives | (0.5 |) 0.9 |
| Other comprehensive income (loss) | (28.1 |) 13.8 |
| Comprehensive income | \$25.1 | \$47.4 |

(a) Amounts are net of tax of \$(2.0) million and \$(2.7) million for the three months ended March 31, 2015 and 2014, respectively.

See accompanying notes to condensed consolidated financial statements.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

| | March 31, 2015 (Unaudited) (in millions) | December 31, 2014 |
|---|--|-------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$205.7 | \$249.2 |
| Accounts receivable, net | 668.0 | 532.7 |
| Inventories, net | 238.5 | 248.8 |
| Prepaid expenses and other current assets | 111.8 | 108.8 |
| Total current assets | 1,224.0 | 1,139.5 |
| Property, plant and equipment, net | 1,040.0 | 1,061.1 |
| Deferred income taxes | 362.9 | 368.8 |
| Goodwill | 154.3 | 155.0 |
| GM postretirement cost sharing asset | 263.7 | 274.5 |
| Other assets and deferred charges | 262.9 | 260.3 |
| Total assets | \$3,307.8 | \$3,259.2 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Current portion of long-term debt | \$13.9 | \$13.0 |
| Accounts payable | 489.8 | 444.3 |
| Accrued compensation and benefits | 102.4 | 109.1 |
| Deferred revenue | 22.0 | 22.1 |
| Accrued expenses and other current liabilities | 103.9 | 98.7 |
| Total current liabilities | 732.0 | 687.2 |
| Long-term debt | 1,520.8 | 1,523.4 |
| Deferred revenue | 88.9 | 94.2 |
| Postretirement benefits and other long-term liabilities | 823.8 | 841.0 |
| Total liabilities | 3,165.5 | 3,145.8 |
| Stockholders' equity | | |
| Common stock, par value \$0.01 per share | 0.8 | 0.8 |
| Paid-in capital | 627.8 | 623.7 |
| Retained earnings (Accumulated deficit) | 21.8 | (31.4) |
| Treasury stock at cost, 6.1 million shares at both March 31, 2015 and December 31, 2014 | (183.1) | (182.8) |
| Accumulated other comprehensive loss, net of tax | | |
| Defined benefit plans | (236.7) | (240.6) |
| Foreign currency translation adjustments | (80.4) | (48.9) |
| Unrecognized loss on derivatives | (7.9) | (7.4) |
| Total stockholders' equity | 142.3 | 113.4 |
| Total liabilities and stockholders' equity | \$3,307.8 | \$3,259.2 |

See accompanying notes to condensed consolidated financial statements.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

| | Three Months Ended March 31, | |
|--|---------------------------------|---------|
| | 2015 | 2014 |
| | (in millions) | |
| Operating activities | | |
| Net income | \$53.2 | \$33.6 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 50.0 | 46.9 |
| Deferred income taxes | 3.9 | (0.7) |
| Stock-based compensation | 3.6 | 2.0 |
| Pensions and other postretirement benefits, net of contributions | (0.7) | (0.1) |
| Gain on disposal of property, plant and equipment, net | — | (4.0) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (140.6) | (194.2) |
| Inventories | 7.2 | 5.2 |
| Accounts payable and accrued expenses | 52.5 | 25.0 |
| Deferred revenue | (4.5) | 35.7 |
| Other assets and liabilities | (18.2) | (4.9) |
| Net cash provided by (used in) operating activities | 6.4 | (55.5) |
| Investing activities | | |
| Purchases of property, plant and equipment | (43.6) | (47.9) |
| Proceeds from sale of property, plant and equipment | 0.1 | 7.9 |
| Net cash used in investing activities | (43.5) | (40.0) |
| Financing activities | | |
| Net short-term borrowings under credit facilities | — | 29.0 |
| Payments of long-term debt and capital lease obligations | (2.2) | (11.5) |
| Proceeds from issuance of long-term debt | 1.0 | 3.1 |
| Debt issuance costs | — | (0.2) |
| Purchase of treasury stock | (0.3) | (0.3) |
| Employee stock option exercises | 0.4 | 0.6 |
| Net cash provided by (used in) financing activities | (1.1) | 20.7 |
| Effect of exchange rate changes on cash | (5.3) | 0.4 |
| Net decrease in cash and cash equivalents | (43.5) | (74.4) |
| Cash and cash equivalents at beginning of period | 249.2 | 154.0 |
| Cash and cash equivalents at end of period | \$205.7 | \$79.6 |
| Supplemental cash flow information | | |
| Interest paid | \$19.3 | \$14.1 |
| Income taxes paid, net of refunds | \$5.5 | \$4.5 |

See accompanying notes to condensed consolidated financial statements.

5

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015
(Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization American Axle & Manufacturing Holdings, Inc. (Holdings) and its subsidiaries (collectively, we, our, us or AAM) is a Tier I supplier to the automotive industry. We manufacture, engineer, design and validate driveline and drivetrain systems and related components and chassis modules for light trucks, sport utility vehicles (SUVs), passenger cars, crossover vehicles and commercial vehicles. Driveline and drivetrain systems include components that transfer power from the transmission and deliver it to the drive wheels. Our driveline, drivetrain and related products include axles, chassis modules, driveshafts, power transfer units, transfer cases, chassis and steering components, driveheads, transmission parts, electric drive systems and metal-formed products. In addition to locations in the United States (U.S.) (Michigan, Ohio, Indiana and Pennsylvania), we also have offices or facilities in Brazil, China, Germany, India, Japan, Luxembourg, Mexico, Poland, Scotland, South Korea, Sweden and Thailand.

Basis of Presentation We have prepared the accompanying interim condensed consolidated financial statements in accordance with the instructions to Form 10-Q under the Securities Exchange Act of 1934. These condensed consolidated financial statements are unaudited but include all normal recurring adjustments, which we consider necessary for a fair presentation of the information set forth herein. Results of operations for the periods presented are not necessarily indicative of the results for the full fiscal year.

The balance sheet at December 31, 2014 presented herein has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (GAAP) for complete consolidated financial statements.

In order to prepare the accompanying interim condensed consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts and disclosures in our interim condensed consolidated financial statements. Actual results could differ from those estimates.

For further information, refer to the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Effect of New Accounting Standards On April 7, 2015, the Financial Accounting Standards Board (FASB) issued an accounting standards update (ASU) which changes the presentation of debt issuance costs in financial statements. Under the ASU, an entity would present such costs in the balance sheet as a direct deduction of the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. This ASU becomes effective for AAM at the beginning of our 2016 fiscal year and early adoption is permitted. We estimate the effect of implementing this ASU on our consolidated financial statements would reduce both our other assets and deferred charges and long-term debt by approximately \$15.5 million at December 31, 2015.

In 2014, new accounting guidance was issued that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to

fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. This guidance becomes effective for AAM at the beginning of our 2017 fiscal year, however on April 1, 2015, the FASB proposed to defer the effective date of this revenue recognition guidance by one year. We are currently assessing the impact that this standard will have on our consolidated financial statements.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. INVENTORIES

We state our inventories at the lower of cost or market. The cost of our inventories is determined using the FIFO method. When we determine that our gross inventories exceed usage requirements, or if inventories become obsolete or otherwise not saleable, we record a provision for such loss as a component of our inventory accounts.

Inventories consist of the following:

| | March 31, 2015 (in millions) | December 31, 2014 |
|------------------------------------|---------------------------------|-------------------|
| Raw materials and work-in-progress | \$234.2 | \$243.8 |
| Finished goods | 32.6 | 32.9 |
| Gross inventories | 266.8 | 276.7 |
| Inventory valuation reserves | (28.3 |) (27.9 |
| Inventories, net | \$238.5 | \$248.8 |

3. LONG-TERM DEBT

Long-term debt consists of the following:

| | March 31, 2015 (in millions) | December 31, 2014 |
|---|---------------------------------|-------------------|
| Revolving Credit Facility | \$— | \$— |
| Term Facility | 140.6 | 142.5 |
| 7.75% Notes | 200.0 | 200.0 |
| 6.625% Notes | 550.0 | 550.0 |
| 6.25% Notes | 400.0 | 400.0 |
| 5.125% Notes | 200.0 | 200.0 |
| Foreign credit facilities | 39.2 | 38.9 |
| Capital lease obligations | 4.9 | 5.0 |
| Debt | 1,534.7 | 1,536.4 |
| Less: Current portion of long-term debt | 13.9 | 13.0 |
| Long-term debt | \$1,520.8 | \$1,523.4 |

Revolving Credit Facility and Term Facility As of March 31, 2015, the revolving credit facility provided up to \$523.5 million of revolving bank financing commitments through September 13, 2018. At March 31, 2015, we had \$505.5 million available under the revolving credit facility. This availability reflects a reduction of \$18.0 million for standby letters of credit issued against the facility.

The revolving credit facility provides back-up liquidity for our foreign credit facilities. We intend to use the availability of long-term financing under the revolving credit facility to refinance any current maturities related to such debt agreements that are not otherwise refinanced on a long-term basis in their local markets, except where otherwise reclassified to current portion of long-term debt on our Condensed Consolidated Balance Sheet.

In the first three months of both 2015 and 2014, we made principal payments of \$1.9 million on our term facility.

We utilize local currency credit facilities to finance the operations of certain foreign subsidiaries. At March 31, 2015, \$39.2 million was outstanding under these facilities and an additional \$46.2 million was available.

The weighted-average interest rate of our long-term debt outstanding was 6.4% at March 31, 2015 and December 31, 2014.

7

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. FAIR VALUE

The fair value accounting guidance defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The definition is based on an exit price rather than an entry price, regardless of whether the entity plans to hold or sell the asset. This guidance also establishes a fair value hierarchy to prioritize inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Financial instruments The estimated fair value of our financial assets and liabilities that are recognized at fair value on a recurring basis, using available market information and other observable data, are as follows:

| Balance Sheet Classification | March 31, 2015 | | December 31, 2014 | | Input |
|------------------------------|----------------------------------|------------|----------------------------------|------------|---------|
| | Carrying Amount (in millions) | Fair Value | Carrying Amount (in millions) | Fair Value | |
| Cash equivalents | \$29.0 | \$29.0 | \$35.3 | \$35.3 | Level 1 |
| Other accrued expenses | | | | | |
| Currency forward contracts | 8.3 | 8.3 | 8.3 | 8.3 | Level 2 |
| Other long-term liabilities | | | | | |
| Currency forward contracts | 0.3 | 0.3 | 0.1 | 0.1 | Level 2 |

The carrying values of our cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturities of these instruments. The carrying values of our borrowings under the foreign credit facilities approximate their fair value due to the frequent resetting of the interest rates. We estimated the fair value of the amounts outstanding on our debt using available market information and other observable data, to be as follows:

| | March 31, 2015 | | December 31, 2014 | | Input |
|---------------------------|----------------------------------|------------|----------------------------------|------------|---------|
| | Carrying Amount (in millions) | Fair Value | Carrying Amount (in millions) | Fair Value | |
| Revolving Credit Facility | \$— | \$— | \$— | \$— | Level 2 |
| Term Facility | 140.6 | 139.2 | 142.5 | 141.1 | Level 2 |
| 7.75% Notes | 200.0 | 227.0 | 200.0 | 224.0 | Level 2 |
| 6.625% Notes | 550.0 | 589.2 | 550.0 | 583.0 | Level 2 |
| 6.25% Notes | 400.0 | 422.0 | 400.0 | 419.0 | Level 2 |
| 5.125% Notes | 200.0 | 205.2 | 200.0 | 202.6 | Level 2 |

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. DERIVATIVES

Our business and financial results are affected by fluctuations in world financial markets, including interest rates and currency exchange rates. Our hedging policy has been developed to manage these risks to an acceptable level based on management's judgment of the appropriate trade-off between risk, opportunity and cost. We do not hold financial instruments for trading or speculative purposes.

Currency forward contracts From time to time, we use foreign currency forward contracts to reduce the effects of fluctuations in exchange rates, primarily relating to the Mexican Peso, Euro, Swedish Krona, Polish Zloty and Pound Sterling. As of March 31, 2015, we have currency forward contracts outstanding with a notional amount of \$108.2 million that hedge our exposure to changes in foreign currency exchange rates for our payroll expenses, indirect inventory and other working capital items.

The following table summarizes the reclassification of pre-tax derivative losses into net income from accumulated other comprehensive income (loss):

| | Location of Loss Reclassified into Net Income | Loss Reclassified During Three Months Ended March 31, 2015 | 2014 | Loss Expected to be Reclassified During the Next 12 Months |
|----------------------------|--|---|-------|---|
| Currency forward contracts | Cost of Goods Sold | \$(1.5 |) \$— | \$(7.6 |

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. EMPLOYEE BENEFIT PLANS

The components of net periodic benefit cost (credit) are as follows:

| | Pension Benefits Three Months Ended March 31, 2015 | | 2014 | |
|--------------------------------|--|---|--------|---|
| | (in millions) | | | |
| Service cost | \$0.8 | | \$0.9 | |
| Interest cost | 7.2 | | 9.0 | |
| Expected asset return | (10.6 |) | (12.1 |) |
| Amortized loss | 1.7 | | 1.3 | |
| Net periodic benefit credit | \$(0.9 |) | \$(0.9 |) |
| | | | | |
| | Other Postretirement Benefits Three Months Ended March 31, 2015 | | 2014 | |
| | (in millions) | | | |
| Service cost | \$0.1 | | \$0.1 | |
| Interest cost | 3.8 | | 3.8 | |
| Amortized loss | 0.2 | | 0.2 | |
| Amortized prior service credit | (0.7 |) | (0.7 |) |
| Net periodic benefit cost | \$3.4 | | \$3.4 | |

Due to the availability of our prefunding balances (previous contributions in excess of prior required pension contributions), we are not required to make any cash payments in 2015. We expect our cash payments for other postretirement benefit obligations in 2015, net of GM cost sharing, to be approximately \$16 million.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. PRODUCT WARRANTIES

We record a liability for estimated warranty obligations at the dates our products are sold. These estimates are established using sales volumes and internal and external warranty data where there is no payment history and historical information about the average cost of warranty claims for customers with prior claims. We estimate our costs based on the contractual arrangements with our customers, existing customer warranty terms and internal and external warranty data, which includes a determination of our warranty claims and actions taken to improve product quality and minimize warranty claims. We continuously evaluate these estimates and our customers' administration of their warranty programs. We closely monitor actual warranty claim data and adjust the liability, as necessary, on a quarterly basis.

The following table provides a reconciliation of changes in the product warranty liability:

| | Three Months Ended March 31, | |
|--|---------------------------------|--------|
| | 2015 | 2014 |
| | (in millions) | |
| Beginning balance | \$12.4 | \$14.3 |
| Accruals | 4.5 | 4.2 |
| Settlements | (0.2 |) (0.8 |
| Adjustment to prior period accruals, net | 1.4 | 0.2 |
| Foreign currency translation | (0.2 |) 0.1 |
| Ending balance | \$17.9 | \$18.0 |

8. INCOME TAXES

We are required to adjust our effective tax rate each quarter to estimate our annual effective tax rate. We must also record the tax impact of certain discrete, 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. In addition, jurisdictions with a projected loss for the year or a year-to-date loss where no tax benefit can be recognized are excluded from the estimated annual effective tax rate. The impact of such an exclusion could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings versus annual projections.

Income tax expense was \$9.2 million in the three months ended March 31, 2015 as compared to \$7.0 million in the three months ended March 31, 2014. Our effective income tax rate was 14.8% in the first quarter of 2015 as compared to 17.3% in the first quarter of 2014. Our income tax expense and effective tax rate for the three months ended March 31, 2015 and March 31, 2014 primarily reflect favorable foreign tax rates, along with our inability to realize a tax benefit for current foreign losses.

Our income tax expense and effective tax rate for the three months ended March 31, 2015 also reflect a tax benefit of \$1.0 million related to the settlement of the IRS audits for 2010 and 2011.

Based on the status of the audits outside the U.S., and the protocol of finalizing audits by the relevant tax authorities, it is not possible to estimate the impact of changes, if any, to previously recorded uncertain tax positions or predict the

timing of the conclusion of all ongoing audits with certainty. As of March 31, 2015 and December 31, 2014, we have recorded a liability for unrecognized income tax benefits and related interest and penalties of \$60.8 million and \$59.5 million, respectively. We anticipate that the current 2007 through 2009 audits with the Mexican tax authorities will be completed before the end of 2015 and will result in a cash payment to the tax authorities.

Although it is difficult to estimate with certainty the amount of an audit settlement for the years currently under audit, we do not expect the settlement will be materially different from what we have recorded in unrecognized tax benefits. We will continue to monitor the progress and conclusions of all ongoing audits and will adjust our estimated liability as necessary.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. EARNINGS PER SHARE (EPS)

We present earnings per share (EPS) using the two-class method. This method allocates undistributed earnings between common shares and non-vested share based payment awards that entitle the holder to nonforfeitable dividend rights. Our participating securities include non-vested restricted stock units.

The following table sets forth the computation of our basic and diluted EPS available to shareholders of common stock (excluding participating securities):

| | Three Months Ended | |
|--|--------------------|--------|
| | March 31, 2015 | 2014 |
| (in millions, except per share data) | | |
| Numerator | | |
| Net income | \$53.2 | \$33.6 |
| Less: Net income attributable to participating securities | (1.2 |) (0.6 |
| Net income attributable to common shareholders - Basic | \$52.0 | \$33.0 |
| Undistributed earnings reallocated to common shareholders under two step dilutive method | — | — |
| Net income attributable to common shareholders - Dilutive | \$52.0 | \$33.0 |
| Denominators | | |
| Basic common shares outstanding - | | |
| Weighted-average shares outstanding | 77.5 | 77.0 |
| Less: Participating securities | (1.7 |) (1.4 |
| Weighted-average common shares outstanding | 75.8 | 75.6 |
| Effect of dilutive securities - | | |
| Dilutive stock-based compensation | 0.3 | 0.1 |
| Diluted shares outstanding - | | |
| Adjusted weighted-average shares after assumed conversions | 76.1 | 75.7 |
| Basic EPS | \$0.69 | \$0.44 |
| Diluted EPS | \$0.68 | \$0.44 |

Certain exercisable stock options were excluded from the computations of diluted EPS because the exercise price of these options was greater than the average period market prices. The number of stock options outstanding, which were not included in the calculation of diluted EPS, was 0.2 million at March 31, 2015 and 1.1 million at March 31, 2014. The exercise price related to the excluded exercisable stock options was \$26.02 at March 31, 2015 and a range of \$19.54 - \$40.83 at March 31, 2014.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Reclassification adjustments and other activity impacting accumulated other comprehensive income (loss) during the three months ended March 31, 2015 and March 31, 2014 are as follows (in millions):

| | Defined Benefit Plans | | Foreign Currency Translation Adjustments | | Unrecognized Loss on Derivatives | | Total |
|---|--------------------------|--------|--|--|--|-----|------------|
| Balance at December 31, 2014 | \$(240.6) | | \$(48.9) | | \$(7.4) | | \$(296.9) |
| Other comprehensive income (loss) before reclassifications | 3.1 | (a) | (31.5) | | (2.0) | | (30.4) |
| Amounts reclassified from accumulated other comprehensive income (loss) | 0.8 | (a)(b) | — | | 1.5 | (c) | 2.3 |
| Net current period other comprehensive income (loss) | 3.9 | | (31.5) | | (0.5) | | (28.1) |
| Balance at March 31, 2015 | \$(236.7) | | \$(80.4) | | \$(7.9) | | \$(325.0) |
| | Defined Benefit Plans | | Foreign Currency Translation Adjustments | | Unrecognized Loss on Derivatives | | Total |
| Balance at December 31, 2013 | \$(197.9) | | \$(18.6) | | \$0.3 | | \$(216.2) |
| Other comprehensive income before reclassifications | 4.5 | (a) | 7.8 | | 0.9 | | 13.2 |
| Amounts reclassified from accumulated other comprehensive income (loss) | 0.6 | (a)(b) | — | | — | (c) | 0.6 |
| Net current period other comprehensive income | 5.1 | | 7.8 | | 0.9 | | 13.8 |
| Balance at March 31, 2014 | \$(192.8) | | \$(10.8) | | \$1.2 | | \$(202.4) |

The amounts are net of tax of \$(1.6) million and \$(0.4) million for other comprehensive income before reclassifications and the amounts reclassified from AOCI, respectively, for the three months ended March 31, 2015, and \$(2.5) million and \$(0.2) million, respectively, for the three months ended March 31, 2014.

The net amount reclassified from AOCI included \$0.9 million in cost of goods sold (COGS) and \$(0.1) million in selling, general & administrative expenses (SG&A) for the three months ended March 31, 2015 and \$0.8 million in COGS and \$(0.2) million in SG&A for the three months ended March 31, 2014.

(c) The amounts reclassified from AOCI are included in COGS.

13

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. SUPPLEMENTAL GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Holdings has no significant assets other than its 100% ownership in AAM, Inc. and no direct subsidiaries other than AAM, Inc. The 7.75% Notes, 6.625% Notes, 6.25% Notes and 5.125% Notes are senior unsecured obligations of AAM Inc.; all of which are fully and unconditionally guaranteed by Holdings and substantially all domestic subsidiaries of AAM, Inc. which are 100% indirectly owned by Holdings.

These Condensed Consolidating Financial Statements are prepared under the equity method of accounting whereby the investments in subsidiaries are recorded at cost and adjusted for the parent's share of the subsidiaries' cumulative results of operations, capital contributions and distributions, and other equity changes.

Condensed Consolidating Statements of Income
Three Months Ended March 31,
(in millions)

| | Holdings | AAM Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elims | Consolidated |
|---|----------|----------|---------------------------|-------------------------------|-----------|--------------|
| 2015 | | | | | | |
| Net sales | | | | | | |
| External | \$— | \$274.9 | \$57.2 | \$ 637.0 | \$— | \$969.1 |
| Intercompany | — | 3.1 | 64.4 | 4.6 | (72.1) | — |
| Total net sales | — | 278.0 | 121.6 | 641.6 | (72.1) | 969.1 |
| Cost of goods sold | — | 270.9 | 100.7 | 516.8 | (72.1) | 816.3 |
| Gross profit | — | 7.1 | 20.9 | 124.8 | — | 152.8 |
| Selling, general and administrative expenses | — | 59.5 | — | 9.0 | — | 68.5 |
| Operating income (loss) | — | (52.4) | 20.9 | 115.8 | — | 84.3 |
| Non-operating income (expense), net | — | (25.4) | 2.3 | 1.2 | — | (21.9) |
| Income (loss) before income taxes | — | (77.8) | 23.2 | 117.0 | — | 62.4 |
| Income tax expense (benefit) | — | 4.5 | (0.4) | 5.1 | — | 9.2 |
| Earnings (loss) from equity in subsidiaries | 53.2 | 74.9 | (6.0) | — | (122.1) | — |
| Net income (loss) before royalties and dividends | 53.2 | (7.4) | 17.6 | 111.9 | (122.1) | 53.2 |
| Royalties and dividends | — | 60.6 | — | (60.6) | — | — |
| Net income after royalties and dividends | 53.2 | 53.2 | 17.6 | 51.3 | (122.1) | 53.2 |
| Other comprehensive loss | (28.1) | (28.1) | (27.0) | (28.7) | 83.8 | (28.1) |
| Comprehensive income (loss) | \$25.1 | \$25.1 | \$(9.4) | \$ 22.6 | \$(38.3) | \$25.1 |

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

| | Holdings | AAM Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elims | Consolidated |
|---|----------|----------|---------------------------|-------------------------------|------------|--------------|
| 2014 | | | | | | |
| Net sales | | | | | | |
| External | \$— | \$227.9 | \$58.0 | \$572.9 | \$— | \$858.8 |
| Intercompany | — | 2.8 | 58.1 | 5.9 | (66.8) | — |
| Total net sales | — | 230.7 | 116.1 | 578.8 | (66.8) | 858.8 |
| Cost of goods sold | — | 231.9 | 99.6 | 472.2 | (66.8) | 736.9 |
| Gross profit (loss) | — | (1.2) | 16.5 | 106.6 | — | 121.9 |
| Selling, general and administrative expenses | — | 48.6 | 0.1 | 8.4 | — | 57.1 |
| Operating income (loss) | — | (49.8) | 16.4 | 98.2 | — | 64.8 |
| Non-operating income (expense), net | — | (25.8) | 2.7 | (1.1) | — | (24.2) |
| Income (loss) before income taxes | — | (75.6) | 19.1 | 97.1 | — | 40.6 |
| Income tax expense | — | 0.4 | — | 6.6 | — | 7.0 |
| Earnings (loss) from equity in subsidiaries | 33.6 | 54.5 | (9.2) | — | (78.9) | — |
| Net income (loss) before royalties and dividends | 33.6 | (21.5) | 9.9 | 90.5 | (78.9) | 33.6 |
| Royalties and dividends | — | 55.1 | — | (55.1) | — | — |
| Net income after royalties and dividends | 33.6 | 33.6 | 9.9 | 35.4 | (78.9) | 33.6 |
| Other comprehensive income | 13.8 | 13.8 | 7.8 | 8.9 | (30.5) | 13.8 |
| Comprehensive income | \$47.4 | \$47.4 | \$17.7 | \$44.3 | \$(109.4) | \$47.4 |

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidating Balance Sheets
(in millions)

| | Holdings | AAM Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elims | Consolidated |
|---|----------|-----------|---------------------------|-------------------------------|-------------|--------------|
| March 31, 2015 | | | | | | |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$— | \$80.1 | \$— | \$ 125.6 | \$— | \$205.7 |
| Accounts receivable, net | — | 165.9 | 30.4 | 471.7 | — | 668.0 |
| Intercompany receivables | — | 212.7 | 194.7 | 9.4 | (416.8) | — |
| Inventories, net | — | 67.4 | 31.7 | 139.4 | — | 238.5 |
| Other current assets | — | 55.3 | 2.5 | 54.0 | — | 111.8 |
| Total current assets | — | 581.4 | 259.3 | 800.1 | (416.8) | 1,224.0 |
| Property, plant and equipment, net | — | 224.8 | 86.9 | 728.3 | — | 1,040.0 |
| Goodwill | — | — | 147.9 | 6.4 | — | 154.3 |
| Intercompany notes and accounts receivable | — | 489.9 | 226.0 | — | (715.9) | — |
| Other assets and deferred charges | — | 719.8 | 47.0 | 122.7 | — | 889.5 |
| Investment in subsidiaries | 463.1 | 1,173.8 | — | — | (1,636.9) | — |
| Total assets | \$463.1 | \$3,189.7 | \$767.1 | \$ 1,657.5 | \$(2,769.6) | \$3,307.8 |
| Liabilities and stockholders' equity | | | | | | |
| Current liabilities | | | | | | |
| Current portion of long-term debt | \$— | \$10.3 | \$— | \$ 3.6 | \$— | \$13.9 |
| Accounts payable | — | 143.1 | 45.8 | 300.9 | — | 489.8 |
| Intercompany payables | — | 191.0 | 114.9 | 110.9 | (416.8) | — |
| Other current liabilities | — | 108.4 | 5.2 | 114.7 | — | 228.3 |
| Total current liabilities | — | 452.8 | 165.9 | 530.1 | (416.8) | 732.0 |
| Intercompany notes and accounts payable | 320.8 | 6.9 | — | 388.2 | (715.9) | — |
| Long-term debt | — | 1,480.3 | 4.9 | 35.6 | — | 1,520.8 |
| Investment in subsidiaries obligation | — | — | 83.6 | — | (83.6) | — |
| Other long-term liabilities | — | 786.6 | 0.7 | 125.4 | — | 912.7 |
| Total liabilities | 320.8 | 2,726.6 | 255.1 | 1,079.3 | (1,216.3) | 3,165.5 |
| Total stockholders' equity | 142.3 | 463.1 | 512.0 | 578.2 | (1,553.3) | 142.3 |
| Total liabilities and stockholders' equity | \$463.1 | \$3,189.7 | \$767.1 | \$ 1,657.5 | \$(2,769.6) | \$3,307.8 |

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

| | Holdings | AAM Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elims | Consolidated |
|---|----------|-----------|---------------------------|-------------------------------|--------------|--------------|
| December 31, 2014 | | | | | | |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$— | \$69.7 | \$— | \$ 179.5 | \$— | \$249.2 |
| Accounts receivable, net | — | 137.5 | 23.9 | 371.3 | — | 532.7 |
| Intercompany receivables | — | 231.0 | 174.1 | 10.0 | (415.1) | — |
| Inventories, net | — | 64.9 | 32.3 | 151.6 | — | 248.8 |
| Other current assets | — | 53.6 | 2.6 | 52.6 | — | 108.8 |
| Total current assets | — | 556.7 | 232.9 | 765.0 | (415.1) | 1,139.5 |
| Property, plant and equipment, net | — | 230.0 | 87.9 | 743.2 | — | 1,061.1 |
| Goodwill | — | — | 147.9 | 7.1 | — | 155.0 |
| Intercompany notes and accounts receivable | — | 509.4 | 219.1 | — | (728.5) | — |
| Other assets and deferred charges | — | 736.6 | 45.7 | 121.3 | — | 903.6 |
| Investment in subsidiaries | 433.8 | 1,134.6 | — | — | (1,568.4) | — |
| Total assets | \$433.8 | \$3,167.3 | \$733.5 | \$ 1,636.6 | \$(2,712.0) | \$3,259.2 |
| Liabilities and stockholders' equity | | | | | | |
| Current liabilities | | | | | | |
| Current portion of long-term debt | \$— | \$9.4 | \$— | \$ 3.6 | \$— | \$13.0 |
| Accounts payable | — | 127.3 | 38.9 | 278.1 | — | 444.3 |
| Intercompany payables | — | 177.0 | 105.3 | 132.8 | (415.1) | — |
| Other current liabilities | — | 121.0 | 4.4 | 104.5 | — | 229.9 |
| Total current liabilities | — | 434.7 | 148.6 | 519.0 | (415.1) | 687.2 |
| Intercompany notes and accounts payable | 320.4 | 6.9 | — | 401.2 | (728.5) | — |
| Long-term debt | — | 1,483.1 | 4.9 | 35.4 | — | 1,523.4 |
| Investment in subsidiaries obligation | — | — | 53.8 | — | (53.8) | — |
| Other long-term liabilities | — | 808.8 | 0.6 | 125.8 | — | 935.2 |
| Total liabilities | 320.4 | 2,733.5 | 207.9 | 1,081.4 | (1,197.4) | 3,145.8 |
| Total stockholders' equity | 113.4 | 433.8 | 525.6 | 555.2 | (1,514.6) | 113.4 |
| Total liabilities and stockholders' equity | \$433.8 | \$3,167.3 | \$733.5 | \$ 1,636.6 | \$(2,712.0) | \$3,259.2 |

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidating Statements of Cash Flows
 Three Months Ended March 31,
 (in millions)

| | Holdings | AAM Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elims | Consolidated |
|---|----------|----------|---------------------------|-------------------------------|--------|--------------|
| 2015 | | | | | | |
| Net cash provided by (used in) operating activities | \$— | \$19.7 | \$11.2 | \$ (24.5) | \$— | \$6.4 |
| Investing activities | | | | | | |
| Purchases of property, plant and equipment | — | (7.5) | (2.1) | (34.0) | — | (43.6) |
| Proceeds from sale of property, plant and equipment | — | 0.1 | — | — | — | 0.1 |
| Intercompany activity | — | — | (9.0) | — | 9.0 | — |
| Net cash used in investing activities | — | (7.4) | (11.1) | (34.0) | 9.0 | (43.5) |
| Financing activities | | | | | | |
| Net debt activity | — | (2.0) | (0.1) | 0.9 | — | (1.2) |
| Employee stock option exercises | — | 0.4 | — | — | — | 0.4 |
| Purchase of treasury stock | (0.3) | — | — | — | — | (0.3) |
| Intercompany activity | 0.3 | (0.3) | — | 9.0 | (9.0) | — |
| Net cash provided by (used in) financing activities | — | (1.9) | (0.1) | 9.9 | (9.0) | (1.1) |
| Effect of exchange rate changes on cash | — | — | — | (5.3) | — | (5.3) |
| Net increase (decrease) in cash and cash equivalents | — | 10.4 | — | (53.9) | — | (43.5) |
| Cash and cash equivalents at beginning of period | — | 69.7 | — | 179.5 | — | 249.2 |
| Cash and cash equivalents at end of period | \$— | \$80.1 | \$— | \$ 125.6 | \$— | \$205.7 |

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

| | Holdings | AAM Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elims | Consolidated |
|---|----------|----------|---------------------------|-------------------------------|--------|--------------|
| 2014 | | | | | | |
| Net cash provided by (used in) operating activities | \$— | \$(25.8) |) \$14.8 | \$ (44.5) |) \$— | \$(55.5) |
| Investing activities | | | | | | |
| Purchases of property, plant and equipment | — | (9.3) |) (2.7) | (35.9) |) — | (47.9) |
| Proceeds from sale of property, plant and equipment | — | 7.7 | — | 0.2 | — | 7.9 |
| Intercompany activity | — | — | (12.0) |) — | 12.0 | — |
| Net cash used in investing activities | — | (1.6) |) (14.7) | (35.7) |) 12.0 | (40.0) |
| Financing activities | | | | | | |
| Net debt activity | — | (0.1) |) (0.1) | 20.8 | — | 20.6 |
| Debt issuance costs | — | (0.2) |) — | — | — | (0.2) |
| Employee stock option exercises | — | 0.6 | — | — | — | 0.6 |
| Purchase of treasury stock | (0.3) |) — | — | — | — | (0.3) |
| Intercompany activity | 0.3 | (0.3) |) — | 12.0 | (12.0) |) — |
| Net cash provided by (used in) financing activities | — | — | (0.1) |) 32.8 | (12.0) |) 20.7 |
| Effect of exchange rate changes on cash | — | — | — | 0.4 | — | 0.4 |
| Net decrease in cash and cash equivalents | — | (27.4) |) — | (47.0) |) — | (74.4) |
| Cash and cash equivalents at beginning of period | — | 36.9 | — | 117.1 | — | 154.0 |
| Cash and cash equivalents at end of period | \$— | \$9.5 | \$— | \$ 70.1 | \$— | \$79.6 |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis (MD&A) should be read in conjunction with the unaudited condensed consolidated financial statements and notes appearing elsewhere in this Quarterly Report and our Annual Report on Form 10-K for the year ended December 31, 2014.

Unless the context otherwise requires, references to "we," "our," "us" or "AAM" shall mean collectively (i) American Axle & Manufacturing Holdings, Inc. (Holdings), a Delaware corporation, and (ii) American Axle & Manufacturing, Inc. (AAM, Inc.), a Delaware corporation, and its direct and indirect subsidiaries. Holdings has no subsidiaries other than AAM, Inc.

COMPANY OVERVIEW

We are a Tier I supplier to the automotive industry. We manufacture, engineer, design and validate driveline and drivetrain systems and related components and chassis modules for light trucks, sport utility vehicles (SUVs), passenger cars, crossover vehicles and commercial vehicles. Driveline and drivetrain systems include components that transfer power from the transmission and deliver it to the drive wheels. Our driveline, drivetrain and related products include axles, chassis modules, driveshafts, power transfer units, transfer cases, chassis and steering components, driveheads, transmission parts, electric drive systems and metal-formed products. In addition to locations in the United States (U.S.) (Michigan, Ohio, Indiana and Pennsylvania), we also have offices or facilities in Brazil, China, Germany, India, Japan, Luxembourg, Mexico, Poland, Scotland, South Korea, Sweden and Thailand.

We are the principal supplier of driveline components to General Motors Company (GM) for its full-size rear-wheel drive (RWD) light trucks and SUVs manufactured in North America, supplying substantially all of GM's rear axle and front four-wheel drive and all-wheel drive (4WD/AWD) axle requirements for these vehicle platforms. Sales to GM were approximately 66% of our consolidated net sales in the first three months of 2015 and 2014 and 68% of our consolidated net sales for the full year 2014.

We are the sole-source supplier to GM for certain axles and other driveline products for the life of each GM vehicle program covered by Lifetime Program Contracts and Long Term Program Contracts (collectively, LPCs). Substantially all of our sales to GM are made pursuant to the LPCs. The LPCs have terms equal to the lives of the relevant vehicle programs or their respective derivatives, which typically run 5 to 7 years, and require us to remain competitive with respect to technology, design and quality.

We also supply driveline system products to FCA US LLC, formerly known as Chrysler Group LLC (Chrysler), for heavy-duty Ram full-size pickup trucks and its derivatives, as well as the AWD Jeep Cherokee and the AWD Chrysler 200. Sales to Chrysler were approximately 20% of our total net sales in the first three months of 2015 as compared to 19% for the first three months of 2014 and 18% for the full-year 2014. In addition to GM and Chrysler, we supply driveline systems and other related components to Volkswagen AG (Volkswagen), Audi AG (Audi), Mack Trucks Inc. (Mack Truck), Mercedes-Benz, Harley-Davidson Inc., Honda Motor Co., Ltd., Nissan Motor Co., Ltd. (Nissan), PACCAR Inc., Jaguar Land Rover Limited (JLR), Daimler Truck, Ford Motor Company (Ford) and other original equipment manufacturers (OEMs) and Tier I supplier companies such as Jatco Ltd. and Hino Motors Ltd. Our net sales to customers other than GM increased by 14% to \$328.9 million in the first three months of 2015 as compared to \$287.8 million in the first three months of 2014.

RESULTS OF OPERATIONS — THREE MONTHS ENDED MARCH 31, 2015 AS COMPARED TO THREE MONTHS ENDED MARCH 31, 2014

Net Sales Net sales increased \$110.3 million to \$969.1 million in the first quarter of 2015 as compared to \$858.8 million in the first quarter of 2014. Our sales in the first quarter of 2015, as compared to the first quarter of 2014, reflect an increase of approximately 10.5% in production volumes for the North American light truck and SUV programs we currently support for GM and Chrysler. The increase in sales in the first quarter of 2015 also reflects higher sales supporting the passenger car vehicle segment which includes a global passenger car program for GM and Chrysler's AWD Jeep Cherokee.

Our content-per-vehicle (as measured by the dollar value of our products supporting our customers' North American light truck and SUV programs) increased to \$1,676 in the first quarter of 2015 as compared to \$1,655 in the first quarter of 2014. The increase primarily reflects an increase in our 4WD/AWD penetration rate, which increased to 71.4% in the first quarter of 2015 as compared to 67.5% in the first quarter of 2014.

Gross Profit Gross profit increased to \$152.8 million in the first quarter of 2015 as compared to \$121.9 million in the first quarter of 2014. Gross margin increased to 15.8% in the first quarter of 2015 as compared to 14.2% in the first quarter of 2014. The increase in gross profit in the first quarter of 2015, as compared to the first quarter of 2014, primarily reflects the benefit of higher contribution margin on increased sales. Gross profit and margin in the first quarter of 2014 were adversely impacted by the timing of customer launch activity, which was partially offset by a gain of \$4.1 million related to the sale of our Detroit Manufacturing Complex (DMC).

Selling, General and Administrative Expenses (SG&A) SG&A (including research and development (R&D)) was \$68.5 million or 7.1% of net sales in the first quarter of 2015 as compared to \$57.1 million or 6.6% of net sales in the first quarter of 2014. R&D, net of customer engineering, design and development (ED&D) recoveries, was \$27.3 million in the first quarter of 2015 as compared to \$25.8 million in the first quarter of 2014. The change in SG&A in the first quarter of 2015 as compared to the first quarter of 2014 is primarily due to increases in our salaried workforce, higher incentive compensation accruals and increased information technology-related costs, which include upgrades to our enterprise resource planning systems.

Operating Income Operating income increased to \$84.3 million in the first quarter of 2015 as compared to \$64.8 million in the first quarter of 2014. Operating margin increased to 8.7% in the first quarter of 2015 as compared to 7.5% in the first quarter of 2014. The changes in operating income and operating margin were due to factors discussed in Gross Profit and SG&A above.

Interest Expense and Investment Income Interest expense was \$25.1 million in the first quarter of 2015 as compared to \$25.0 million in the first quarter of 2014. Investment income was \$0.8 million in the first quarter of 2015 as compared to \$0.3 million in the first quarter of 2014.

The weighted-average interest rate of our long-term debt outstanding was 6.4% in the first quarter of 2015 and 6.3% in the first quarter of 2014.

Other Income, Net Other income, net, which includes the net effect of foreign exchange gains and losses and our proportionate share of earnings from equity in unconsolidated subsidiaries, was \$2.4 million in the first quarter of 2015 and \$0.5 million in the first quarter of 2014.

Income Tax Expense Income tax expense was \$9.2 million in the first quarter of 2015 as compared to \$7.0 million in the first quarter of 2014. Our effective income tax rate was 14.8% in the first quarter of 2015 as compared to 17.3% in the first quarter of 2014.

Our income tax expense and effective tax rate for the three months ended March 31, 2015 and March 31, 2014 primarily reflect favorable foreign tax rates, along with our inability to realize a tax benefit for current foreign losses. Our income tax expense and effective tax rate for the three months ended March 31, 2015 also reflect a tax benefit of \$1.0 million related to the settlement of the IRS audits for 2010 and 2011.

Net Income and Earnings Per Share (EPS) Net income increased to \$53.2 million in the first quarter of 2015 as compared to \$33.6 million in the first quarter of 2014. Diluted EPS increased to \$0.68 in the first quarter of 2015 as compared to \$0.44 in the first quarter of 2014. Net income and EPS for the first quarters of 2015 and 2014 were primarily impacted by the factors discussed in Net Sales, Gross Profit and SG&A above.

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs are to fund capital expenditures, debt service obligations and our working capital requirements. We believe that operating cash flow, available cash and cash equivalent balances and available committed borrowing capacity under our revolving credit facility will be sufficient to meet these needs.

Operating Activities In the first three months of 2015, net cash provided by operating activities increased to \$6.4 million as compared to a use of \$55.5 million in the first three months of 2014. The following factors impacted cash provided by (used in) operating activities in the first three months of 2015 as compared to the first three months of 2014:

Accounts receivable Accounts receivable at March 31, 2015 and March 31, 2014 were \$668.0 million and \$654.1 million, respectively, as compared to \$532.7 million and \$458.5 million at December 31, 2014 and 2013, respectively. The change in accounts receivable balances during the first quarter of 2015 as compared to the first quarter of 2014 was primarily due to increased sales in 2015 and the timing of weekly payments from GM.

Deferred revenue In the first quarter of 2014, we reached an agreement with GM to increase installed capacity and adjust product mix for our largest vehicle program. As a result of this agreement, we received \$32.8 million in 2014, of which \$13.8 million was received in the first quarter of 2014.

Also in the first quarter of 2014, we reached an agreement with GM to recover certain costs related to the delay of another major product program. As a result of this agreement, we received \$9.3 million in 2014, of which \$5.7 million was received in the first quarter of 2014.

Interest paid Interest paid in the first three months of 2015 was \$19.3 million as compared to \$14.1 million in the first three months of 2014. The increase primarily relates to the timing of interest payments on our 5.125% Notes.

Income taxes Based on the status of the audits outside the U.S., and the protocol of finalizing audits by the relevant tax authorities, it is not possible to estimate the impact of changes, if any, to previously recorded uncertain tax positions or predict the timing of the conclusion of all ongoing audits with certainty. As of March 31, 2015 and December 31, 2014, we have recorded a liability for unrecognized income tax benefits and related interest and penalties of \$60.8 million and \$59.5 million, respectively. We anticipate that the current 2007 through 2009 audits with the Mexican tax authorities will be completed before the end of 2015 and will result in a cash payment to the tax authorities.

Although it is difficult to estimate with certainty the amount of an audit settlement for the years currently under audit, we do not expect the settlement will be materially different from what we have recorded in unrecognized tax benefits. We will continue to monitor the progress and conclusions of all ongoing audits and will adjust our estimated liability as necessary.

Pension and Other Postretirement Benefits (OPEB) Due to the availability of our prefunding balances (previous contributions in excess of prior required pension contributions), we are not required to make any cash payments in 2015. We expect our cash payments for other postretirement benefit obligations in 2015, net of GM cost sharing, to be approximately \$16 million.

Investing Activities Capital expenditures were \$43.6 million in the first three months of 2015 as compared to \$47.9 million in the first three months of 2014. We expect our capital spending to approximate 5% of sales, which includes support for our global program launches in 2015 and 2016 within our new and incremental business backlog.

In the first quarter of 2014, we sold our Detroit Manufacturing Complex and received net proceeds of \$9.2 million related to this transaction. For the first three months of 2014, we classified \$7.2 million of these proceeds, which represents the amount related to the land and building for which we have no future continuing involvement, in the Investing Activities section of our Condensed Consolidated Statement of Cash Flows.

Financing Activities In the first three months of 2015, net cash used in financing activities was \$1.1 million as compared to net cash provided by financing activities of \$20.7 million in the first three months of 2014. Total debt outstanding decreased \$1.7 million in the first three months of 2015 to \$1,534.7 million as compared to \$1,536.4 million at year-end 2014, primarily as a result of principal payments on our term facility.

Revolving credit facility and term facility As of March 31, 2015, the revolving credit facility provided up to \$523.5 million of revolving bank financing commitments through September 13, 2018. At March 31, 2015, we had \$505.5 million available under the revolving credit facility. This availability reflects a reduction of \$18.0 million for standby letters of credit issued against the facility.

The revolving credit facility provides back-up liquidity for our foreign credit facilities. We intend to use the availability of long-term financing under the revolving credit facility to refinance any current maturities related to such debt agreements that are not otherwise refinanced on a long-term basis in their local markets, except where otherwise reclassified to current portion of long-term debt on our Condensed Consolidated Balance Sheet.

In the first quarter of both 2015 and 2014, we made a principal payments of \$1.9 million on our term facility.

We utilize local currency credit facilities to finance the operations of certain foreign subsidiaries. At March 31, 2015, \$39.2 million was outstanding under these facilities and an additional \$46.2 million was available.

CYCLICALITY AND SEASONALITY

Our operations are cyclical because they are directly related to worldwide automotive production, which is itself cyclical and dependent on general economic conditions and other factors. Our business is also moderately seasonal as our major OEM customers historically have an extended shutdown of operations (typically 1-2 weeks) in conjunction with their model year changeover and an approximate one-week shutdown in December. Accordingly, our quarterly results may reflect these trends.

LITIGATION AND ENVIRONMENTAL MATTERS

We are involved in various legal proceedings incidental to our business. Although the outcome of these matters cannot be predicted with certainty, we do not believe that any of these matters, individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows.

We are subject to various federal, state, local and foreign environmental and occupational safety and health laws, regulations and ordinances, including those regulating air emissions, water discharge, waste management and environmental cleanup. We will continue to closely monitor our environmental conditions to ensure that we are in compliance with all laws, regulations and ordinances. We have made, and will continue to make, capital and other expenditures (including recurring administrative costs) to comply with environmental requirements. Such expenditures were not significant in the first quarter of 2015, and we do not expect such expenditures to be significant for the remainder of 2015.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

MARKET RISK

Our business and financial results are affected by fluctuations in world financial markets, including interest rates and currency exchange rates. Our hedging policy has been developed to manage these risks to an acceptable level based on management's judgment of the appropriate trade-off between risk, opportunity and cost. We do not hold financial instruments for trading or speculative purposes.

Currency Exchange Risk From time to time, we use foreign currency forward contracts to reduce the effects of fluctuations in exchange rates, primarily relating to the Mexican Peso, Euro, Swedish Krona, Polish Zloty and Pound Sterling. At March 31, 2015, we had currency forward contracts with a notional amount of \$108.2 million outstanding. The potential decrease in fair value of foreign exchange contracts, assuming a 10% adverse change in the foreign currency exchange rates, would be approximately \$9.9 million at March 31, 2015 and approximately \$9.0 million at December 31, 2014.

Future business operations and opportunities, including the expansion of our business outside North America, may further increase the risk that cash flows resulting from these activities may be adversely affected by changes in currency exchange rates. If and when appropriate, we intend to manage these risks by utilizing local currency funding of these expansions and various types of foreign exchange contracts.

Interest Rate Risk We are exposed to variable interest rates on certain credit facilities. From time to time, we have used interest rate hedging to reduce the effects of fluctuations in market interest rates. As of March 31, 2015, there are no interest rate swaps in place. The pre-tax earnings and cash flow impact of a one-percentage-point increase in interest rates (approximately 16% of our weighted-average interest rate at March 31, 2015) on our long-term debt outstanding at both March 31, 2015 and December 31, 2014 would be approximately \$1.8 million, on an annualized basis.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures and internal control over financial reporting and concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) were effective as of March 31, 2015.

Changes in Internal Control over Financial Reporting

On January 1, 2015, we began the implementation of a new release of our global Oracle enterprise resource planning (ERP) system at our U.S. locations, which includes upgrades to many of our existing operating and financial systems. As part of this implementation, we have modified the design and documentation of our internal controls processes and procedures, where appropriate. We will continue to implement the upgrades to this ERP system throughout the remainder of 2015 and early 2016, at our remaining global locations.

As of December 31, 2014, a material weakness in the operating effectiveness of the Corporate Finance oversight of accounting for changes in certain accrued accounts payable balances at a single location existed.

During the fourth fiscal quarter of 2014, and in connection with the preparation of our consolidated annual financial statements for the year ended December 31, 2014 which occurred in the first fiscal quarter of 2015, we have implemented new procedures, including enhanced documentation, analysis and review of changes in our accrued accounts payable balances. We have retrained Finance executives as the location where the overstatement of accrued accounts payable originated, as well as those working in Corporate Finance, as to the importance of appropriate communication and review of non-routine changes in accruals so that any such changes can be properly assessed under generally accepted accounting principles.

Management believes that our remediation efforts have been effective with respect to our internal control over financial reporting and that the previous material weakness in our internal control over financial reporting no longer exists.

Except as described above, there were no changes in our internal control over financial reporting during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in our December 31, 2014 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In the first quarter of 2015, we withheld and repurchased shares of AAM stock to satisfy employee tax withholding obligations due upon the vesting of restricted stock units. The following table provides information about our equity security purchases during the quarter ended March, 31, 2015:

ISSUER PURCHASES OF EQUITY SECURITIES

| Period | Total Number of Shares (Or Units) Purchased | Average Price Paid per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|--------------------------------|---|--|---|---|
| January 1 - January 31, 2015 | — | \$— | — | — |
| February 1 - February 28, 2015 | — | — | — | — |
| March 1 - March 31, 2015 | 14,444 | 24.17 | — | — |
| Total | 14,444 | \$24.17 | — | — |

Item 6. Exhibits

Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
(Registrant)

/s/ Michael K. Simonte
Michael K. Simonte
Executive Vice President & Chief Financial Officer
(also in the capacity of Chief Accounting Officer)
May 1, 2015

EXHIBIT INDEX

| Number | Description of Exhibit |
|-----------|--|
| *31.1 | Certification of David C. Dauch, Chairman of the Board, President & Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act |
| *31.2 | Certification of Michael K. Simonte, Executive Vice President & Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act |
| *32 | Certifications of David C. Dauch, Chairman of the Board, President & Chief Executive Officer and Michael K. Simonte, Executive Vice President & Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| **101.INS | XBRL Instance Document |
| **101.SCH | XBRL Taxonomy Extension Schema Document |
| **101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| **101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| **101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| **101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| * | Filed herewith |
| ** | Submitted electronically with this Report. |