

AMERICAN AXLE & MANUFACTURING HOLDINGS INC  
Form 10-Q/A  
February 23, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q/A  
AMENDMENT NO. 1

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

For the quarterly period ended September 30, 2014

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

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

Delaware (State or Other Jurisdiction of Incorporation or Organization)	38-3161171 (I.R.S. Employer Identification No.)
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One Dauch Drive, Detroit, Michigan (Address of Principal Executive Offices) (313) 758-2000 (Registrant's Telephone Number, Including Area Code)	48211-1198 (Zip Code)
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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

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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 October 29, 2014, the latest practicable date, the number of shares of the registrant's Common Stock, par value \$0.01 per share, outstanding was 75,757,139 shares.

Internet Website Access to Reports

The website for American Axle & Manufacturing Holdings, Inc. is [www.aam.com](http://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](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

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## Explanatory Note

We are filing this Amendment No. 1 on Form 10-Q/A (Form 10-Q/A) to our Quarterly Report on Form 10-Q for the period ended September 30, 2014 as filed with the U.S. Securities and Exchange Commission on October 31, 2014, (the Original Filing) to correct the Condensed Consolidated Financial Statements for the three and nine months ended September 2014 and to revise our previous conclusion on the effectiveness of disclosure controls and procedures.

In connection with the preparation of our consolidated financial statements for the year ended December 31, 2014, we determined that entries recorded in the third quarter of 2014 to reduce certain accrued accounts payable balances by \$8.4 million were previously recorded as a reduction of cost of goods sold but should have been recorded as an adjustment to opening accumulated deficit because the amounts giving rise to the correction originated in periods prior to January 1, 2012. See Note 1 - Organization and Basis of Presentation, Item 1. Financial Statements and Notes to Condensed Consolidated Financial Statements, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 4. Controls and Procedures for revisions. This Amendment No. 1 on Form 10-Q/A also includes currently dated certifications of the Company's Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

We have amended Part I, Item 4. Controls and Procedures to reflect a material weakness in our internal control over financial reporting that resulted in the restatement of our financial statements on Form 10-Q for the quarter ended September 30, 2014; this material weakness has since been remediated as of February 23, 2015.

Except as described in this Explanatory Note, the Original Filing is unchanged. This Amendment No. 1 should be read in conjunction with the Original Filing, and any of the Company's other filings with the SEC subsequent to the Original Filing.

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AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.  
 FORM 10-Q/A  
 FOR THE QUARTER ENDED SEPTEMBER 30, 2014  
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## FORWARD-LOOKING STATEMENTS

In this Quarterly Report on Form 10-Q/A (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), 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 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;
- 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;
- global economic conditions, including the impact of the continued market weakness in the Euro-zone;
- 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;
- price volatility in, or reduced availability of, fuel;
- our ability to successfully implement upgrades to our enterprise resource planning systems;
- 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 to attract and retain key associates;
  - availability of financing for working capital, capital expenditures, research and development (R&D) or other general corporate purposes, including 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 to consummate and integrate acquisitions and joint ventures;
- 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		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
	(in millions, except per share data)			
	(As restated, see Note 1)		(As restated, see Note 1)	
Net sales	\$950.8	\$820.8	\$2,756.5	\$2,376.0
Cost of goods sold	810.1	695.5	2,344.9	2,024.2
Gross profit	140.7	125.3	411.6	351.8
Selling, general and administrative expenses	64.0	57.8	182.6	177.9
Operating income	76.7	67.5	229.0	173.9
Interest expense	(25.1 )	(30.0 )	(75.2 )	(87.9 )
Investment income	0.7	0.1	1.3	0.4
Other income (expense)				
Debt refinancing and redemption costs	—	—	—	(11.2 )
Other, net	(0.8 )	0.1	0.5	(1.4 )
Income before income taxes	51.5	37.7	155.6	73.8
Income tax expense	7.5	6.1	25.8	9.1
Net income	\$44.0	\$31.6	\$129.8	\$64.7
Basic earnings per share	\$0.57	\$0.41	\$1.68	\$0.84
Diluted earnings per share	\$0.57	\$0.41	\$1.68	\$0.84

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)			
	(As restated, see Note 1)		(As restated, see Note 1)	
Net income	\$44.0	\$31.6	\$129.8	\$64.7
Other comprehensive income (loss), net of tax				
Defined benefit plans, net of tax <sup>(a)</sup>	0.6	15.1	6.3	15.7
Foreign currency translation adjustments	(23.3	) 2.5	(11.9	) (14.3
Change in derivatives	(2.5	) (0.6	) (1.1	) (2.2
Other comprehensive income (loss)	(25.2	) 17.0	(6.7	) (0.8
Comprehensive income	\$18.8	\$48.6	\$123.1	\$63.9

Amounts are net of tax of \$(0.3) million and \$(3.2) million for the three and nine months ended September 30, (a) 2014, respectively, and \$(7.9) million and \$(8.0) million for the three and nine months ended September 30, 2013, respectively.

See accompanying notes to condensed consolidated financial statements.



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

	September 30, 2014 (Unaudited) (As restated, see Note 1) (in millions)	December 31, 2013 (As restated, see Note 1)
Assets		
Current assets		
Cash and cash equivalents	\$219.0	\$154.0
Accounts receivable, net	600.2	458.5
Inventories, net	249.2	261.8
Prepaid expenses and other current assets	110.8	122.0
Total current assets	1,179.2	996.3
Property, plant and equipment, net	1,066.7	1,058.5
Deferred income taxes	327.7	341.8
Goodwill	155.6	156.4
GM postretirement cost sharing asset	233.9	242.0
Other assets and deferred charges	264.8	232.5
Total assets	\$3,227.9	\$3,027.5
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	\$17.1	\$—
Accounts payable	496.3	437.4
Accrued compensation and benefits	102.7	110.1
Deferred revenue	22.2	17.0
Accrued expenses and other current liabilities	100.2	94.2
Total current liabilities	738.5	658.7
Long-term debt	1,525.5	1,559.1
Deferred revenue	101.4	76.4
Postretirement benefits and other long-term liabilities	690.9	692.8
Total liabilities	3,056.3	2,987.0
Stockholders' equity		
Common stock, par value \$0.01 per share	0.8	0.8
Paid-in capital	621.1	612.8
Accumulated deficit	(44.6)	(174.4)
Treasury stock at cost, 6.1 million shares as of September 30, 2014 and 6.0 million shares as of December 31, 2013	(182.8)	(182.5)
Accumulated other comprehensive income (loss), net of tax		
Defined benefit plans	(191.6)	(197.9)
Foreign currency translation adjustments	(30.5)	(18.6)
Unrecognized gain (loss) on derivatives	(0.8)	0.3
Total stockholders' equity	171.6	40.5
Total liabilities and stockholders' equity	\$3,227.9	\$3,027.5

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2014	2013
	(in millions)	
	(As restated, see Note 1)	
<b>Operating activities</b>		
Net income	\$ 129.8	\$ 64.7
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	146.1	129.4
Deferred income taxes	6.8	(1.3 )
Stock-based compensation	7.1	9.8
Pensions and other postretirement benefits, net of contributions	0.6	11.0
Gain on disposal of property, plant and equipment, net	(4.0 )	(3.7 )
Debt refinancing and redemption costs	—	2.5
Changes in operating assets and liabilities		
Accounts receivable	(142.5 )	(135.7 )
Inventories	12.3	(30.1 )
Accounts payable and accrued expenses	68.4	111.0
Deferred revenue	31.1	(7.8 )
Other assets and liabilities	(24.1 )	(47.5 )
Net cash provided by operating activities	231.6	102.3
<b>Investing activities</b>		
Purchases of property, plant and equipment	(156.2 )	(178.2 )
Proceeds from sale of property, plant and equipment	8.5	5.8
Proceeds from sale-leaseback of equipment	—	23.5
Net cash used in investing activities	(147.7 )	(148.9 )
<b>Financing activities</b>		
Net short-term repayments under credit facilities	(3.1 )	(8.0 )
Payments of long-term debt and capital lease obligations	(16.4 )	(308.6 )
Proceeds from issuance of long-term debt	2.8	432.4
Debt issuance costs	(0.3 )	(12.9 )
Purchase of treasury stock	(0.3 )	(0.4 )
Employee stock option exercises	1.2	0.8
Net cash provided by (used in) financing activities	(16.1 )	103.3
Effect of exchange rate changes on cash	(2.8 )	(0.5 )
Net increase in cash and cash equivalents	65.0	56.2
Cash and cash equivalents at beginning of period	154.0	62.4
Cash and cash equivalents at end of period	\$ 219.0	\$ 118.6

Supplemental cash flow information

Interest paid	\$63.7	\$85.8
Income taxes paid, net of refunds	\$9.0	\$9.5

See accompanying notes to condensed consolidated financial statements.

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AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2014  
(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 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, 2013 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, 2013.

**Restatement of Prior Period Financial Statements** In connection with the preparation of our consolidated financial statements for the year ended December 31, 2014, we determined that entries recorded in the third quarter of 2014 to reduce certain accrued accounts payable balances by \$8.4 million were originally recorded as a reduction of cost of goods sold but should have been recorded as an adjustment to opening accumulated deficit because the amounts giving rise to the correction originated in periods prior to January 1, 2012. While management determined that it was necessary to restate the September 30, 2014 interim period, the effect of correcting these errors was not material to opening accumulated deficit as of January 1, 2012.

As shown in the tables below, the effect of the correction of this error was a decrease of \$6.9 million in opening accumulated deficit as of January 1, 2012, which resulted from a reduction in accounts payable of \$8.4 million and a decrease in deferred tax assets of \$1.5 million. The impact of the correction of this error for the three and nine months ended September 30, 2014 was an increase in cost of goods sold of \$8.4 million, a decrease in income tax expense of \$3.8 million and a decrease in net income of \$4.6 million.



## AMERICAN AXLE &amp; MANUFACTURING HOLDINGS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following tables present the effects of the restatement on the previously issued financial statements presented herein.

	Three Months Ended September 30, 2014 (in millions, except per share data)			Nine Months Ended September 30, 2014		
	As previously reported	Adjustment	As restated	As previously reported	Adjustment	As restated
<b>Condensed Consolidated Statements of Income (Unaudited)</b>						
Cost of goods sold	\$801.7	\$8.4	\$810.1	\$2,336.5	\$8.4	\$2,344.9
Gross profit	149.1	(8.4 )	140.7	420.0	(8.4 )	411.6
Operating income	85.1	(8.4 )	76.7	237.4	(8.4 )	229.0
Income before income taxes	59.9	(8.4 )	51.5	164.0	(8.4 )	155.6
Income tax expense	11.3	(3.8 )	7.5	29.6	(3.8 )	25.8
Net income	48.6	(4.6 )	44.0	134.4	(4.6 )	129.8
Basic earnings per share	\$0.63	\$(0.06 )	\$0.57	\$1.74	\$(0.06 )	\$1.68
Diluted earnings per share	\$0.63	\$(0.06 )	\$0.57	\$1.74	\$(0.06 )	\$1.68
<b>Condensed Consolidated Statements of Comprehensive Income (Unaudited)</b>						
Net income	\$48.6	\$(4.6 )	\$44.0	\$134.4	\$(4.6 )	\$129.8
Comprehensive income	23.4	(4.6 )	18.8	127.7	(4.6 )	123.1
<b>Condensed Consolidated Statements of Cash Flows (Unaudited)</b>						
Net income				\$134.4	\$(4.6 )	\$129.8
Deferred income taxes				10.5	(3.8 )	6.7
Accounts payable and accrued expenses				60.0	8.4	68.4
<b>September 30, 2014</b>						
			As previously reported	Adjustment		As restated
<b>Condensed Consolidated Balance Sheet (Unaudited)</b>						
Prepaid expenses and other current assets			\$108.5	\$2.3		\$110.8
Total current assets			1,176.9	2.3		1,179.2
Total assets			3,225.6	2.3		3,227.9
Accumulated deficit			(46.9 )	2.3 )		(44.6 )
Total stockholders' equity			169.3	2.3		171.6
Total liabilities and stockholders' equity			3,225.6	2.3		3,227.9





## AMERICAN AXLE &amp; MANUFACTURING HOLDINGS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	December 31, 2013		
	As previously reported (in millions)	Adjustment	As restated
Condensed Consolidated Balance Sheet			
Prepaid expenses and other current assets	\$ 123.5	\$(1.5)	) \$ 122.0
Total current assets	997.8	(1.5)	) 996.3
Total assets	3,029.0	(1.5)	) 3,027.5
Accounts payable	445.8	(8.4)	) 437.4
Total current liabilities	667.1	(8.4)	) 658.7
Total liabilities	2,995.4	(8.4)	) 2,987.0
Accumulated deficit	(181.3)	) 6.9	(174.4)
Total stockholders' equity	33.6	6.9	40.5

**Revenue Recognition** In the first quarter of 2014, we reached an agreement with General Motors Company (GM) to increase installed capacity and adjust product mix for our largest vehicle program. As a result of this agreement, we received \$27.5 million in the first nine months of 2014 and recorded a receivable for the remaining \$6.9 million that we expect to receive in the fourth quarter of 2014. We initially recorded deferred revenue of \$34.4 million related to this agreement. We will recognize this deferred revenue into sales over the life of the program on a straight line basis over approximately 5 years, which is the period we expect GM to benefit from this capacity and mix change. In the first nine months of 2014, we recognized revenue of \$3.9 million related to this agreement. As of September 30, 2014, we have \$7.2 million of deferred revenue that is classified as a current liability and \$23.3 million of deferred revenue that is recorded as a noncurrent liability on our Condensed Consolidated Balance Sheet.

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. We received \$9.3 million in the first nine months of 2014 related to this agreement and initially recorded deferred revenue of \$9.3 million. We will recognize this deferred revenue into sales over the life of the program on a straight-line basis over approximately 8 years, which is the period we expect GM to benefit from this agreement. We began recognizing this deferred revenue as revenue in the third quarter of 2014 when this program launched in certain markets. In the first nine months of 2014, we recognized revenue of \$0.3 million related to this agreement. As of September 30, 2014 we have recorded deferred revenue of \$9.0 million, \$1.1 million of which is classified as a current liability and \$7.9 million which is recorded as a noncurrent liability on our Condensed Consolidated Balance Sheet.

**Effect of New Accounting Standards** On January 1, 2014, new accounting guidance became effective regarding financial statement presentation of an unrecognized tax benefit when a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward exists. The new guidance requires entities to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for an NOL carryforward, a similar tax loss, or a tax credit carryforward, except when one is not available as of the reporting date or the entity does not intend to use the deferred tax asset for this purpose. This guidance does not affect the tabular reconciliation of the total amounts of unrecognized tax benefits, as the tabular reconciliation presents the gross amount of unrecognized tax benefits. The adoption of this new guidance has had no impact on our condensed consolidated financial statements.

In May 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 and early adoption is not permitted. We are currently assessing the impact that this standard will have on our consolidated financial statements.

## AMERICAN AXLE &amp; 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:

	September 30, 2014 (in millions)	December 31, 2013
Raw materials and work-in-progress	\$252.4	\$263.4
Finished goods	29.1	25.7
Gross inventories	281.5	289.1
Inventory valuation reserves	(32.3	) (27.3
Inventories, net	\$249.2	\$261.8

## 3. LONG-TERM DEBT

Long-term debt consists of the following:

	September 30, 2014 (in millions)	December 31, 2013
Revolving Credit Facility	\$—	\$—
Term Facility	144.4	150.0
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	43.2	53.8
Capital lease obligations	5.0	5.3
Debt	1,542.6	1,559.1
Less: Current portion of long-term debt	17.1	—
Long-term debt	\$1,525.5	\$1,559.1

Revolving Credit Facility and Term Facility As of September 30, 2014, the revolving credit facility provided up to \$523.5 million of revolving bank financing commitments through September 13, 2018. At September 30, 2014, 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. We paid remaining debt issuance costs of \$0.1 million in the first nine months of 2014 related to the revolving credit facility and term 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 nine months of 2014, we made principal payments of \$5.6 million on our term facility.

In the first quarter of 2013, we terminated our class C loan facility of \$72.8 million, which would have matured on June 30, 2013. Upon termination, we expensed \$0.5 million of unamortized debt issuance costs related to the class C facility. We had been amortizing the debt issuance costs over the expected life of the borrowing.

## AMERICAN AXLE &amp; MANUFACTURING HOLDINGS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**6.25% Notes** In the first quarter of 2013, we issued \$400.0 million of 6.25% senior unsecured notes due 2021 (6.25% Notes). Net proceeds from the 6.25% Notes were used to purchase and redeem the entire \$300.0 million outstanding of our 7.875% senior unsecured notes due 2017 (7.875% Notes) and for other general corporate purposes. We paid debt issuance costs of \$6.6 million in the first nine months of 2013 related to the 6.25% Notes.

**7.875% Notes** In the first quarter of 2013, we expensed \$8.5 million related to tender and redemption premiums, \$0.1 million of professional fees and unamortized debt issuance costs of \$2.1 million related to the purchase and redemption of the 7.875% Notes. We had been amortizing the debt issuance costs for the 7.875% Notes over the expected life of the borrowing.

**5.125% Notes** In the fourth quarter of 2013, we issued \$200.0 million of 5.125% senior unsecured notes due 2019 (5.125% Notes). Net proceeds from the 5.125% Notes were used to redeem the remaining \$190.0 million outstanding under our 9.25% senior secured notes due 2017. We paid remaining debt issuance costs of \$0.2 million in the first nine months of 2014 related to the 5.125% Notes.

We utilize local currency credit facilities to finance the operations of certain foreign subsidiaries. At September 30, 2014, \$43.2 million was outstanding under these facilities and an additional \$49.2 million was available.

The weighted-average interest rate of our long-term debt outstanding was 6.4% at September 30, 2014 and 6.3% as of December 31, 2013.

#### 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, as of September 30, 2014, are as follows:

Balance Sheet Classification	September 30, 2014		December 31, 2013		Input
	Carrying Amount (in millions)	Fair Value	Carrying Amount (in millions)	Fair Value	
Cash equivalents	\$33.7	\$33.7	\$6.1	\$6.1	Level 1
Prepaid expenses and other current assets	0.3	0.3	0.7	0.7	Level 2
Currency forward contracts					
Other accrued expenses					

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Currency forward contracts	1.0	1.0	0.4	0.4	Level 2
Other long-term liabilities					
Currency forward contracts	0.3	0.3	—	—	Level 2

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## AMERICAN AXLE &amp; MANUFACTURING HOLDINGS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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:

	September 30, 2014		December 31, 2013		Input
	Carrying Amount (in millions)	Fair Value	Carrying Amount (in millions)	Fair Value	
Revolving Credit Facility	\$—	\$—	\$—	\$—	Level 2
Term Facility	144.4	142.9	150.0	147.8	Level 2
7.75% Notes	200.0	221.0	200.0	227.5	Level 2
6.625% Notes	550.0	577.1	550.0	578.9	Level 2
6.25% Notes	400.0	412.0	400.0	423.0	Level 2
5.125% Notes	200.0	198.5	200.0	206.0	Level 2

## 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 September 30, 2014, we have currency forward contracts outstanding with a notional amount of \$89.7 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 gains into net income from accumulated other comprehensive income (loss):

	Location of Gain Reclassified into Net Income	Gain Reclassified				Loss Expected to be Reclassified During the Next 12 Months
		Three Months Ended September 30, 2014		Nine Months Ended September 30, 2013		
Currency forward contracts	Cost of Goods Sold	\$0.5	\$0.5	\$0.7	\$2.6	\$(0.5)

## AMERICAN AXLE &amp; 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 September 30, 2014		2013		Nine Months Ended September 30, 2014		2013					
	(in millions)											
Service cost	\$0.9		\$0.8		\$2.7		\$2.6					
Interest cost	9.0		8.5		27.0		25.5					
Expected asset return	(12.1	)	(11.5	)	(36.3	)	(34.5	)				
Amortized loss	1.3		2.2		3.9		7.0					
Amortized prior service cost	—		4.8		—		5.4					
Net periodic benefit cost (credit)	\$(0.9	)	\$4.8		\$(2.7	)	\$6.0					
	Other Postretirement Benefits											
	Three Months Ended September 30, 2014				2013				Nine Months Ended September 30, 2014		2013	
	(in millions)											
Service cost	\$0.1		\$0.1		\$0.3		\$0.3					
Interest cost	3.8		3.3		11.4		9.9					
Amortized loss	0.2		0.2		0.6		0.6					
Amortized prior service credit	(0.7	)	(0.4	)	(2.1	)	(1.3	)				
Net periodic benefit cost	\$3.4		\$3.2		\$10.2		\$9.5					

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 2014. We expect our cash payments for other postretirement benefit obligations in 2014, net of GM cost sharing, to be approximately \$17 million.

In the third quarter of 2013, we remeasured our AAM Supplemental Executive Retirement Plan (SERP) due to the passing of our Co-Founder and Executive Chairman of the Board of Directors. As a result of this remeasurement, we recorded \$4.7 million in selling, general & administrative expense related to the acceleration of prior service cost.



## AMERICAN AXLE &amp; 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 take actions 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		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	(in millions)			
Beginning balance	\$18.2	\$23.2	\$14.3	\$29.1
Accruals	0.9	3.2	7.3	8.9
Settlements	(0.2)	(0.1)	(1.2)	(10.6)
Adjustment to prior period accruals, net	(2.2)	(6.9)	(3.8)	(7.8)
Foreign currency translation	(0.2)	—	(0.1)	(0.2)
Ending balance	\$16.5	\$19.4	\$16.5	\$19.4

## 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 \$7.5 million in the three months ended September 30, 2014 as compared to \$6.1 million in the three months ended September 30, 2013. Our effective income tax rate was 14.6% in the third quarter of 2014 as compared to 16.1% in the third quarter of 2013.

Income tax expense was \$25.8 million in the first nine months of 2014 as compared to \$9.1 million in the first nine months of 2013. Our effective income tax rate was 16.6% in the first nine months of 2014 as compared to 12.3% in the first nine months of 2013.

Our income tax expense and effective tax rate for the three and nine months ended September 30, 2014 and September 30, 2013 primarily reflect favorable foreign tax rates, along with our inability to realize a tax benefit for current foreign losses. For the three months ended September 30, 2013, we recorded tax expense of \$2.2 million relating to

certain changes in estimates in a foreign jurisdiction. Additionally, in the first quarter of 2013, we recorded a tax benefit of \$1.5 million relating to the release of a prior year unrecognized tax benefit due to the expiration of the applicable statute of limitations and a tax benefit of \$3.3 million relating to an election we made in the first nine months of 2013 regarding the treatment of foreign exchange gains and losses in a foreign jurisdiction.

In the nine months ended September 30, 2013, we settled a transfer pricing examination of our 2006 income tax return with the Mexican tax authorities. This settlement resulted in a reduction of our liability for unrecognized income tax benefits and a cash payment of \$4.7 million.

## AMERICAN AXLE &amp; MANUFACTURING HOLDINGS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Based on the status of 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. Although it is not possible to predict the timing of the conclusion of all ongoing audits with certainty, we anticipate that the current 2007 and 2008 audits with the Mexican tax authorities will be completed before 2016. It is possible that a change in the unrecognized tax benefits may occur as a result of the completion of this audit; however, quantification of an estimated range cannot be made at this time.

## 9. EARNINGS PER SHARE (EPS)

The following table sets forth the computation of our basic and diluted EPS:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
	(in millions, except per share data)			
Numerator				
Net income	\$44.0	\$31.6	\$129.8	\$64.7
Denominator				
Basic shares outstanding -				
Weighted-average shares outstanding	77.4	76.9	77.2	76.6
Effect of dilutive securities				
Dilutive stock-based compensation	0.2	0.1	0.2	0.1
Diluted shares outstanding -				
Adjusted weighted-average shares after assumed conversions	77.6	77.0	77.4	76.7
Basic EPS	\$0.57	\$0.41	\$1.68	\$0.84
Diluted EPS	\$0.57	\$0.41	\$1.68	\$0.84

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 0.5 million at September 30, 2014 and 2.0 million at September 30, 2013. The range of exercise prices related to the excluded exercisable stock options was \$19.54 - \$26.65 at September 30, 2014 and \$19.54 - \$40.83 at September 30, 2013.

## AMERICAN AXLE &amp; 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 September 30, 2014 and September 30, 2013 are as follows (in millions):

	Defined Benefit Plans	Foreign Currency Translation Adjustments	Unrecognized Gain on Derivatives	Total
Balance at June 30, 2014	\$(192.2 )	\$(7.2 )	\$1.7	\$(197.7 )
Other comprehensive loss before reclassifications	— (a)	(23.3 )	(2.0 )	(25.3 )
Amounts reclassified from accumulated other comprehensive income (loss)	0.6 (a)(b)	—	(0.5 ) (c)	0.1
Net current period other comprehensive income (loss)	0.6	(23.3 )	(2.5 )	(25.2 )
Balance at September 30, 2014	\$(191.6 )	\$(30.5 )	\$(0.8 )	\$(222.9 )
	Defined Benefit Plans	Foreign Currency Translation Adjustments	Unrecognized Gain on Derivatives	Total
Balance at June 30, 2013	\$(273.9 )	\$(9.2 )	\$0.7	\$(282.4 )
Other comprehensive income (loss) before reclassifications	10.7 (a)	2.5	(0.1 )	13.1
Amounts reclassified from accumulated other comprehensive income (loss)	4.4 (a)(b)	—	(0.5 ) (c)	3.9
Net current period other comprehensive income (loss)	15.1	2.5	(0.6 )	17.0
Balance at September 30, 2013	\$(258.8 )	\$(6.7 )	\$0.1	\$(265.4 )

The amounts are net of tax of \$0.0 million and \$(0.3) million for the other comprehensive loss before reclassifications and the amounts reclassified from AOCI, respectively, for the three months ended September 30, 2014, and \$(5.6) million and \$(2.3) million, respectively, for the three months ended September 30, 2013.

The net amount reclassified from AOCI included \$0.8 million in cost of goods sold (COGS) and \$(0.3) million in selling, general & administrative expenses (SG&A) for the three months ended September 30, 2014 and \$1.2 million in COGS and \$3.2 million in SG&A for the three months ended September 30, 2013.

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

## AMERICAN AXLE &amp; MANUFACTURING HOLDINGS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Reclassification adjustments and other activity impacting accumulated other comprehensive income (loss) during the nine months ended September 30, 2014 and September 30, 2013 are as follows (in millions):

	Defined Benefit Plans		Foreign Currency Translation Adjustments		Unrecognized Gain on Derivatives		Total
Balance at December 31, 2013	\$(197.9	)	\$ (18.6	)	\$0.3		\$(216.2 )
Other comprehensive income (loss) before reclassifications	4.5	(a)	(11.9	)	(0.4	)	(7.8 )
Amounts reclassified from accumulated other comprehensive income (loss)	1.8	(a)(b)	—		(0.7	) (c)	1.1
Net current period other comprehensive income (loss)	6.3		(11.9	)	(1.1	)	(6.7 )
Balance at September 30, 2014	\$(191.6	)	\$ (30.5	)	\$ (0.8	)	\$(222.9 )
	Defined Benefit Plans		Foreign Currency Translation Adjustments		Unrecognized Gain on Derivatives		Total
Balance at December 31, 2012	\$(274.5	)	\$7.6		\$2.3		\$(264.6 )
Other comprehensive income (loss) before reclassifications	8.0	(a)	(14.3	)	0.4		(5.9 )
Amounts reclassified from accumulated other comprehensive income (loss)	7.7	(a)(b)	—		(2.6	) (c)	5.1
Net current period other comprehensive income (loss)	15.7		(14.3	)	(2.2	)	(0.8 )
Balance at September 30, 2013	\$(258.8	)	\$ (6.7	)	\$0.1		\$(265.4 )

(a) The amounts are net of tax of \$(2.4) million and \$(0.8) million for other comprehensive income before reclassifications and the amounts reclassified from AOCI, respectively, for the nine months ended September 30, 2014, and \$(4.0) million each for both line items, for the nine months ended September 30, 2013.

(b) The net amount reclassified from AOCI included \$2.5 million in COGS and \$(0.8) million in SG&A for the nine months ended September 30, 2014 and \$3.5 million in COGS and \$4.2 million in SG&A for the nine months ended September 30, 2013.

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



## AMERICAN AXLE &amp; MANUFACTURING HOLDINGS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 11. SUPPLEMENTAL GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Amounts have been revised for the effects of the error as discussed in Note 1 - Organization and Basis of Presentation.

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 September 30,

(in millions)

	Holdings	AAM Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elims	Consolidated
	(a)	(b)		(c)		
2014						
Net sales						
External	\$—	\$300.9	\$56.9	\$593.0	\$—	\$950.8
Intercompany	—	2.7	64.1	5.3	(72.1)	—
Total net sales	—	303.6	121.0	598.3	(72.1)	950.8
Cost of goods sold	—	291.9	100.5	489.8	(72.1)	810.1
Gross profit	—	11.7	20.5	108.5	—	140.7
Selling, general and administrative expenses	—	55.0	—	9.0	—	64.0
Operating income (loss)	—	(43.3)	20.5	99.5	—	76.7
Non-operating income (expense), net	—	(25.8)	2.0	(1.4)	—	(25.2)
Income (loss) before income taxes	—	(69.1)	22.5	98.1	—	51.5
Income tax expense	—	6.6	0.1	0.8	—	7.5
Earnings (loss) from equity in subsidiaries	44.0	63.9	(9.1)	—	(98.8)	—
Net income (loss) before royalties and dividends	44.0	(11.8)	13.3	97.3	(98.8)	44.0
Royalties and dividends	—	55.8	—	(55.8)	—	—
Net income after royalties and dividends	44.0	44.0	13.3	41.5	(98.8)	44.0
Other comprehensive loss	(25.2)	(25.2)	(19.0)	(22.2)	66.4	(25.2)
Comprehensive income (loss)	\$18.8	\$18.8	\$(5.7)	\$19.3	\$(32.4)	\$18.8

(a) Earnings (loss) from equity in subsidiaries as previously reported was \$48.6 million and was adjusted by \$4.6 million due to the error as disclosed in Note 1.

(b) Earnings (loss) from equity in subsidiaries as previously reported was \$68.5 million and was adjusted by \$4.6 million due to the error as disclosed in Note 1.

(c)



Cost of goods sold as previously reported was \$481.4 million and increased by \$8.4 million due to the error disclosed in Note 1. Income tax expense as previously reported was \$4.6 million and decreased by \$3.8 million due to the error disclosed in Note 1.

## AMERICAN AXLE &amp; MANUFACTURING HOLDINGS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Holdings	AAM Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elims	Consolidated
2013						
Net sales						
External	\$—	\$162.6	\$57.8	\$600.4	\$—	\$820.8
Intercompany	—	5.0	55.2	1.7	(61.9)	—
Total net sales	—	167.6	113.0	602.1	(61.9)	820.8
Cost of goods sold	—	170.1	97.2	490.1	(61.9)	695.5
Gross profit (loss)	—	(2.5)	15.8	112.0	—	125.3
Selling, general and administrative expenses	—	48.1	—	9.7	—	57.8
Operating income (loss)	—	(50.6)	15.8	102.3	—	67.5
Non-operating income (expense), net	—	(30.6)	2.5	(1.7)	—	(29.8)
Income (loss) before income taxes	—	(81.2)	18.3	100.6	—	37.7
Income tax expense	—	0.9	—	5.2	—	6.1
Earnings (loss) from equity in subsidiaries	31.6	50.7	(1.5)	—	(80.8)	—
Net income (loss) before royalties and dividends	31.6	(31.4)	16.8	95.4	(80.8)	31.6
Royalties and dividends	—	63.0	—	(63.0)	—	—
Net income after royalties and dividends	31.6	31.6	16.8	32.4	(80.8)	31.6
Other comprehensive income (loss)	17.0	17.0	(0.8)	(1.7)	(14.5)	17.0
Comprehensive income	\$48.6	\$48.6	\$16.0	\$30.7	\$(95.3)	\$48.6

## AMERICAN AXLE &amp; MANUFACTURING HOLDINGS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidating Statements of Income  
 Nine Months Ended September 30,  
 (in millions)

	Holdings	AAM Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elims	Consolidated
2014	(a)	(b)		(c)		
Net sales						
External	\$—	\$826.8	\$174.0	\$1,755.7	\$—	\$2,756.5
Intercompany	—	8.5	184.7	17.3	(210.5)	) —
Total net sales	—	835.3	358.7	1,773.0	(210.5)	) 2,756.5
Cost of goods sold	—	812.3	303.0	1,440.1	(210.5)	) 2,344.9
Gross profit	—	23.0	55.7	332.9	—	411.6
Selling, general and administrative expenses	—	155.6	0.1	26.9	—	182.6
Operating income (loss)	—	(132.6)	) 55.6	306.0	—	229.0
Non-operating income (expense), net	—	(77.5)	) 7.2	(3.1)	) —	(73.4)
Income (loss) before income taxes	—	(210.1)	) 62.8	302.9	—	155.6
Income tax expense	—	13.4	0.3	12.1	—	25.8
Earnings (loss) from equity in subsidiaries	129.8	186.7	(25.1)	) —	(291.4)	) —
Net income (loss) before royalties and dividends	129.8	(36.8)	) 37.4	290.8	(291.4)	) 129.8
Royalties and dividends	—	166.6	—	(166.6)	) —	—
Net income after royalties and dividends	129.8	129.8	37.4	124.2	(291.4)	) 129.8
Other comprehensive income (loss)	(6.7)	) (6.7)	) (7.9)	) (10.7)	) 25.3	(6.7)
Comprehensive income	\$123.1	\$123.1	\$29.5	\$113.5	\$(266.1)	) \$123.1

(a) Earnings (loss) from equity in subsidiaries as previously reported was \$134.4 million and was adjusted by \$4.6 million due to the error as disclosed in Note 1.

(b) Earnings (loss) from equity in subsidiaries as previously reported was \$191.3 million and was adjusted by \$4.6 million due to the error as disclosed in Note 1.

(c) Cost of goods sold as previously reported was \$1,431.7 million and increased by \$8.4 million due to the error disclosed in Note 1. Income tax expense as previously reported was \$15.9 million and decreased by \$3.8 million due to the error disclosed in Note 1.

## AMERICAN AXLE &amp; MANUFACTURING HOLDINGS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Holdings	AAM Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elims	Consolidated
2013						
Net sales						
External	\$—	\$574.2	\$170.5	\$1,631.3	\$—	\$2,376.0
Intercompany	—	13.0	169.1	9.0	(191.1)	) —
Total net sales	—	587.2	339.6	1,640.3	(191.1)	) 2,376.0
Cost of goods sold	—	566.3	293.3	1,355.7	(191.1)	) 2,024.2
Gross profit	—	20.9	46.3	284.6	—	351.8
Selling, general and administrative expenses	—	149.3	—	28.6	—	177.9
Operating income (loss)	—	(128.4)	) 46.3	256.0	—	173.9
Non-operating income (expense), net	—	(101.4)	) 7.9	(6.6)	) —	(100.1)
Income (loss) before income taxes	—	(229.8)	) 54.2	249.4	—	73.8
Income tax expense (benefit)	—	(13.0)	) —	22.1	—	9.1
Earnings (loss) from equity in subsidiaries	64.7	115.6	(14.4)	) —	(165.9)	) —
Net income (loss) before royalties and dividends	64.7	(101.2)	) 39.8	227.3	(165.9)	) 64.7
Royalties and dividends	—	165.9	—	(165.9)	) —	—
Net income after royalties and dividends	64.7	64.7	39.8	61.4	(165.9)	) 64.7
Other comprehensive loss	(0.8)	) (0.8)	) (14.4)	) (17.8)	) 33.0	(0.8)
Comprehensive income	\$63.9	\$63.9	\$25.4	\$43.6	\$(132.9)	) \$63.9

## AMERICAN AXLE &amp; 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
September 30, 2014	(a)	(b)		(c)		
Assets						
Current assets						
Cash and cash equivalents	\$—	\$39.2	\$—	\$ 179.8	\$—	\$219.0
Accounts receivable, net	—	164.3	28.6	407.3	—	600.2
Intercompany receivables	—	170.9	164.0	10.1	(345.0 )	—
Inventories, net	—	62.3	32.1	154.8	—	249.2
Other current assets	—	39.9	3.0	67.9	—	110.8
Total current assets	—	476.6	227.7	819.9	(345.0 )	1,179.2
Property, plant and equipment, net	—	227.0	86.5	753.2	—	1,066.7
Goodwill	—	—	147.9	7.7	—	155.6
Intercompany notes and accounts receivable	—	327.3	216.8	—	(544.1 )	—
Other assets and deferred charges	—	665.0	45.8	115.6	—	826.4
Investment in subsidiaries	495.0	1,401.4	—	—	(1,896.4 )	—
Total assets	\$495.0	\$3,097.3	\$724.7	\$ 1,696.4	\$(2,785.5)	\$3,227.9
Liabilities and stockholders' equity						
Current liabilities						
Current portion of long-term debt	\$—	\$8.4	\$—	\$ 8.7	\$—	\$17.1
Accounts payable	—	156.0	47.3	293.0	—	496.3
Intercompany payables	—	153.7	125.2	62.2	(341.1 )	—
Other current liabilities	—	117.4	5.4	102.3	—	225.1
Total current liabilities	—	435.5	177.9	466.2	(341.1 )	738.5
Intercompany notes and accounts payable	323.4	3.9	—	220.7	(548.0 )	—
Long-term debt	—	1,485.9	5.0	34.6	—	1,525.5
Investment in subsidiaries obligation	—	—	34.4	—	(34.4 )	—
Other long-term liabilities	—	677.0	0.6	114.7	—	792.3
Total liabilities	323.4	2,602.3	217.9	836.2	(923.5 )	3,056.3
Total stockholders' equity	171.6	495.0	506.8	860.2	(1,862.0 )	171.6
Total liabilities and stockholders' equity	\$495.0	\$3,097.3	\$724.7	\$ 1,696.4	\$(2,785.5)	\$3,227.9

(a) Investments in subsidiaries as previously reported was \$492.7 million and was adjusted by \$2.3 million due to the error as disclosed in Note 1.

(b) Investments in subsidiaries as previously reported was \$1,399.1 million and was adjusted by \$2.3 million due to the error as disclosed in Note 1.

(c) Other current assets as previously reported was \$65.6 million and increased by \$2.3 million due to the error as disclosed in Note 1.



## AMERICAN AXLE &amp; MANUFACTURING HOLDINGS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Holdings	AAM Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elims	Consolidated
December 31, 2013						
Assets						
Current assets						
Cash and cash equivalents	\$—	\$36.9	\$—	\$ 117.1	\$—	\$154.0
Accounts receivable, net	—	102.7	25.6	330.2	—	458.5
Intercompany receivables	—	180.5	116.6	9.2	(306.3 )	—
Inventories, net	—	62.4	34.2	165.2	—	261.8
Other current assets	—	43.8	3.2	75.0	—	122.0
Total current assets	—	426.3	179.6	696.7	(306.3 )	996.3
Property, plant and equipment, net	—	239.8	83.0	735.7	—	1,058.5
Goodwill	—	—	147.8	8.6	—	156.4
Intercompany notes and accounts receivable	—	327.0	201.5	—	(528.5 )	—
Other assets and deferred charges	—	671.7	44.8	99.8	—	816.3
Investment in subsidiaries	363.7	1,240.1	—	—	(1,603.8 )	—
Total assets	\$363.7	\$2,904.9	\$656.7	\$ 1,540.8	\$(2,438.6)	\$3,027.5
Liabilities and stockholders' equity						
Current liabilities						
Accounts payable	\$—	\$106.2	\$44.5	\$ 286.7	\$—	\$437.4
Intercompany payables	—	117.4	98.6	90.3	(306.3 )	—
Other current liabilities	—	120.4	4.1	96.8	—	221.3
Total current liabilities	—	344.0	147.2	473.8	(306.3 )	658.7
Intercompany notes and accounts payable	323.2	3.7	—	201.6	(528.5 )	—
Long-term debt	—	1,500.0	5.3	53.8	—	1,559.1
Investment in subsidiaries obligation	—	—	15.2	—	(15.2 )	—
Other long-term liabilities	—	693.5	0.5	75.2	—	769.2
Total liabilities	323.2	2,541.2	168.2	804.4	(850.0 )	2,987.0
Total stockholders' equity	40.5	363.7	488.5	736.4	(1,588.6 )	40.5
Total liabilities and stockholders' equity	\$363.7	\$2,904.9	\$656.7	\$ 1,540.8	\$(2,438.6)	\$3,027.5

## AMERICAN AXLE &amp; MANUFACTURING HOLDINGS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidating Statements of Cash Flows  
 Nine Months Ended September  
 30,  
 (in millions)

	Holdings	AAM Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elims	Consolidated
2014						
Net cash provided by (used in) operating activities	\$(0.1 )	\$32.6	\$33.1	\$ 166.0	\$—	\$231.6
Investing activities						
Purchases of property, plant and equipment	—	(32.7 )	(13.7 )	(109.8 )	—	(156.2 )
Proceeds from sale of property, plant and equipment	—	7.8	0.2	0.5	—	8.5
Intercompany activity	—	—	(19.3 )	—	19.3	—
Net cash used in investing activities	—	(24.9 )	(32.8 )	(109.3 )	19.3	(147.7 )
Financing activities						
Net debt activity	—	(5.9 )	(0.3 )	(10.5 )	—	(16.7 )
Debt issuance costs	—	(0.3 )	—	—	—	(0.3 )
Employee stock option exercises	—	1.2	—	—	—	1.2
Purchase of treasury stock	(0.3 )	—	—	—	—	(0.3 )
Intercompany activity	0.4	(0.4 )	—	19.3	(19.3 )	—
Net cash provided by (used in) financing activities	0.1	(5.4 )	(0.3 )	8.8	(19.3 )	(16.1 )
Effect of exchange rate changes on cash	—	—	—	(2.8 )	—	(2.8 )
Net increase in cash and cash equivalents	—	2.3	—	62.7	—	65.0
Cash and cash equivalents at beginning of period	—	36.9	—	117.1	—	154.0
Cash and cash equivalents at end of period	\$—	\$39.2	\$—	\$ 179.8	\$—	\$219.0



## AMERICAN AXLE &amp; MANUFACTURING HOLDINGS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Holdings	AAM Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elims	Consolidated
2013						
Net cash provided by (used in) operating activities	\$0.6	\$(55.4)	) \$46.8	\$ 110.3	\$—	\$102.3
Investing activities						
Purchases of property, plant and equipment	—	(43.6)	) (7.0)	(127.6)	) —	(178.2)
Proceeds from sale of property, plant and equipment	—	4.9	0.5	0.4	—	5.8
Proceeds from sale-leaseback of equipment	—	23.5	—	—	—	23.5
Intercompany activity			(40.1)	)	40.1	—
Net cash used in investing activities	—	(15.2)	) (46.6)	(127.2)	) 40.1	(148.9)
Financing activities						
Net debt activity	—	97.0	(0.2)	) 19.0	—	115.8
Debt issuance costs	—	(12.9)	) —	—	—	(12.9)
Employee stock option exercises	—	0.8	—	—	—	0.8
Purchase of treasury stock	(0.4)	) —	—	—	—	(0.4)
Intercompany activity	(0.2)	) 0.2	—	40.1	(40.1)	) —
Net cash provided by (used in) financing activities	(0.6)	) 85.1	(0.2)	) 59.1	(40.1)	) 103.3
Effect of exchange rate changes on cash	—	—	—	(0.5)	) —	(0.5)
Net increase in cash and cash equivalents	—	14.5	—	41.7	—	56.2
Cash and cash equivalents at beginning of period	—	10.6	—	51.8	—	62.4
Cash and cash equivalents at end of period	\$—	\$25.1	\$—	\$ 93.5	\$—	\$118.6

## 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, 2013.

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.

Management's Discussion and Analysis has been revised for the effects of the restatement. See Note 1 - Organization and Basis of Presentation.

### 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 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 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 68% of our consolidated net sales in the first nine months of 2014, 73% of our consolidated net sales in the first nine months of 2013 and 71% of our consolidated net sales for the full year 2013.

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 a Lifetime Program Contract (LPC). 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 are also the principal supplier of driveline system products for the Chrysler Group LLC's (Chrysler) heavy-duty Ram full-size pickup trucks and its derivatives. Sales to Chrysler were approximately 18% of our total net sales in the first nine months of 2014 as compared to 9% for the first nine months of 2013 and 12% for the full-year 2013. In addition to GM and Chrysler, we supply driveline systems and other related components to Volkswagen AG, Audi AG, Scania AB, Mack Trucks Inc., Harley-Davidson Inc., Nissan Motor Co. Ltd., PACCAR Inc., Jaguar Land Rover Limited, Tata Motors, Deere & Company, Ford Motor Company, Beijing Benz Automotive Co., Ltd. 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 37% to \$882.7 million in the first nine months of 2014 as compared to \$646.6 million in the first nine months of 2013.



RESULTS OF OPERATIONS — THREE MONTHS ENDED SEPTEMBER 30, 2014 AS COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2013

**Net Sales** Net sales increased \$130.0 million to \$950.8 million in the third quarter of 2014 as compared to \$820.8 million in the third quarter of 2013. Our sales in the third quarter of 2014, as compared to the third quarter of 2013, reflect an increase of approximately 10% 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 third quarter of 2014 also reflects higher sales in support of 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 by 7.4% to \$1,676 in the third quarter of 2014 as compared to \$1,560 in the third quarter of 2013. The increase is primarily due to additional content on GM and Chrysler's next generation full-size pickup truck programs. Our 4WD/AWD penetration rate on these vehicle programs increased to 67.9% in the third quarter of 2014 as compared to 65.7% in the third quarter of 2013.

**Gross Profit** Gross profit increased to \$140.7 million in the third quarter of 2014 as compared to \$125.3 million in the third quarter of 2013. Gross margin was 14.8% in the third quarter of 2014 as compared to 15.3% in the third quarter of 2013. The increase in gross profit in the third quarter of 2014, as compared to the third quarter of 2013, primarily reflects the benefit of higher contribution margin on increased sales.

**Selling, General and Administrative Expenses (SG&A)** SG&A (including research and development (R&D)) was \$64.0 million or 6.7% of net sales in the third quarter of 2014 as compared to \$57.8 million or 7.0% of net sales in the third quarter of 2013. R&D was \$26.4 million in the third quarter of 2014 as compared to \$23.6 million in the third quarter of 2013. The change in SG&A in the third quarter of 2014 as compared to the third quarter of 2013 is primarily due to higher R&D expense and costs associated with upgrades to our enterprise resource planning systems.

Additionally, SG&A in the third quarter of 2013 also included the adverse impact of a net charge of \$5.3 million due to the passing of our Co-Founder and Executive Chairman of the Board of Directors. This net charge included the acceleration of stock-based compensation upon vesting and the recognition of prior service cost for supplemental executive retirement benefits, which was partially offset by the proceeds AAM received as the beneficiary of a key man life insurance policy.

**Operating Income** Operating income increased to \$76.7 million in the third quarter of 2014 as compared to \$67.5 million in the third quarter of 2013. Operating margin was 8.1% in the third quarter of 2014 as compared to 8.2% in the third quarter of 2013. The changes in operating income and operating margin were due to factors discussed in Gross Profit above.

**Interest Expense and Investment Income** Interest expense was \$25.1 million in the third quarter of 2014 as compared to \$30.0 million in the third quarter of 2013. The decrease in interest expense reflects the decrease in our weighted-average interest rate in the third quarter of 2014 as compared to the third quarter of 2013. Investment income was \$0.7 million in the third quarter of 2014 as compared to \$0.1 million in the third quarter of 2013.

The weighted-average interest rate of our long-term debt outstanding was 6.2% in the third quarter of 2014 and 7.4% in the third quarter of 2013.

**Other, net** Other, net, which includes the net effect of foreign exchange gains and losses and our proportionate share of earnings (loss) from equity in unconsolidated subsidiaries, was expense of \$0.8 million in the third quarter of 2014 and income of \$0.1 million in the third quarter of 2013.

**Income Tax Expense** Income tax expense was \$7.5 million in the third quarter of 2014 as compared to \$6.1 million in the third quarter of 2013. Our effective income tax rate was 14.6% in the third quarter of 2014 as compared to 16.1% in the third quarter of 2013.

Our income tax expense and effective tax rate for the three months ended September 30, 2014 and September 30, 2013 primarily reflect favorable foreign tax rates, along with our inability to realize a tax benefit for current foreign losses. For the three months ended September 30, 2013, we recorded tax expense of \$2.2 million relating to certain changes in estimates in a foreign jurisdiction.

**Net Income and Earnings Per Share (EPS)** Net income increased to \$44.0 million in the third quarter of 2014 as compared to \$31.6 million in the third quarter of 2013. Diluted EPS increased to \$0.57 in the third quarter of 2014 as compared to \$0.41 in the third quarter of 2013. Net income and EPS for the third quarters of 2014 and 2013 were primarily impacted by the factors discussed in Net Sales, Gross Profit and Income Tax Expense above.

**RESULTS OF OPERATIONS — NINE MONTHS ENDED SEPTEMBER 30, 2014 AS COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2013**

**Net Sales** Net sales increased to \$2,756.5 million in the first nine months of 2014 as compared to \$2,376.0 million in the first nine months of 2013. The increase in sales in the first nine months of 2014 as compared to the first nine months of 2013 primarily reflects an increase of approximately 9% in production volumes for the North American light truck and SUV programs we currently support for GM and Chrysler and higher sales in support of Chrysler's AWD Jeep Cherokee. Sales in the first nine months of 2013 also reflect the adverse impact of the labor strike at General Motors' Rayong factory in Thailand, which we estimate to be approximately \$12.5 million.

Our content-per-vehicle (as measured by the dollar value of our products supporting our customers' North American light truck and SUV programs) increased by 7.6% to \$1,657 in the first nine months of 2014 as compared to \$1,540 in the first nine months of 2013. The increase is primarily due to additional content on GM and Chrysler's next generation full-size pickup truck programs. Our 4WD/AWD penetration rate increased to 67.3% in the first nine months of 2014 as compared to 66.2% in the first nine months of 2013.

**Gross Profit** Gross profit increased to \$411.6 million in the first nine months of 2014 as compared to \$351.8 million in the first nine months of 2013. Gross margin was 14.9% in the first nine months of 2014 as compared to 14.8% in the first nine months of 2013. The changes in gross profit and margin in the first nine months of 2014, as compared to the first nine months of 2013, primarily reflect the benefit of higher contribution margin on increased sales, as well as lower launch preparation costs.

**Selling, General and Administrative Expenses (SG&A)** SG&A (including research and development (R&D)) was \$182.6 million or 6.6% of net sales in the first nine months of 2014 as compared to \$177.9 million or 7.5% of net sales in the first nine months of 2013. R&D was \$76.6 million in the first nine months of 2014 as compared to \$79.4 million in the first nine months of 2013. The change in SG&A in the first nine months of 2014 as compared to the first nine months of 2013 is primarily due to an increase in costs associated with upgrades to our enterprise resource planning systems.

Additionally, SG&A in the first nine months of 2013 also included the adverse impact of a net charge of \$5.3 million due to the passing of our Co-Founder and Executive Chairman of the Board of Directors. This net charge included the acceleration of stock-based compensation upon vesting and the recognition of prior service cost for supplemental executive retirement benefits, which was partially offset by the proceeds AAM received as the beneficiary of a key man life insurance policy.

**Operating Income** Operating income increased to \$229.0 million in the first nine months of 2014 as compared to \$173.9 million in the first nine months of 2013. Operating margin increased to 8.3% in the first nine months of 2014 as compared to 7.3% in the first nine months of 2013. 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 \$75.2 million in the first nine months of 2014 as compared to \$87.9 million in the first nine months of 2013. The decrease in interest expense reflects the decrease in our weighted-average interest rate in the first nine months of 2014 as compared to the first nine months of 2013.

Investment income was \$1.3 million in the first nine months of 2014 as compared to \$0.4 million in the first nine months of 2013.

The weighted-average interest rate of our long-term debt outstanding was 6.3% in the first nine months of 2014 and 7.5% in the first nine months of 2013.

Other Income (Expense) Following are the components of Other income (expense) for the first nine months of 2014 and 2013:

Debt refinancing and redemption costs In the first nine months of 2013, we expensed \$11.2 million of unamortized debt issuance costs and prepayment premiums related to the termination of our class C revolving credit facility, the purchase of \$172.6 million of our 7.875% senior unsecured notes (7.875% Notes) pursuant to a tender offer and the subsequent redemption of the remaining \$127.4 million of our 7.875% Notes.

Other, net Other, net, which includes the net effect of foreign exchange gains and losses and our proportionate share of earnings from equity in unconsolidated subsidiaries, was income of \$0.5 million in the first nine months of 2014 as compared to expense of \$1.4 million in the first nine months of 2013.

**Income Tax Expense** Income tax expense was \$25.8 million in the first nine months of 2014 as compared to \$9.1 million in the first nine months of 2013. Our effective income tax rate was 16.6% in the first nine months of 2014 as compared to 12.3% in the first nine months of 2013. Our income tax expense and effective tax rates for the nine months ended September 30, 2014 and September 30, 2013 primarily reflect favorable foreign tax rates, along with our inability to realize a tax benefit for foreign losses. For the nine months ended September 30, 2013, we recorded tax expense of \$2.2 million relating to certain changes in estimates in a foreign jurisdiction.

Additionally, in the first nine months of 2013, we recorded a tax benefit of \$1.5 million relating to the release of a prior year unrecognized tax benefit due to the expiration of the applicable statute of limitations and a tax benefit of \$3.3 million relating to an election we made in the first nine months of 2013 regarding the treatment of foreign exchange gains and losses in a foreign jurisdiction.

**Net Income and Earnings Per Share (EPS)** Net income was \$129.8 million in the first nine months of 2014 as compared to \$64.7 million in the first nine months of 2013. Diluted earnings per share was \$1.68 in the first nine months of 2014 as compared to \$0.84 in the first nine months of 2013. Net income and EPS for the first nine months of 2014 and 2013 were primarily impacted by the factors discussed in Gross Profit, SG&A, Interest Expense and Debt Refinancing and Redemption Costs 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 nine months of 2014, net cash provided by operating activities increased to \$231.6 million as compared to \$102.3 million in the first nine months of 2013. The following factors impacted cash provided by operating activities in the first nine months of 2014 as compared to the first nine months of 2013:

**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 \$27.5 million in the first nine months of 2014 and recorded a receivable for the remaining \$6.9 million that we expect to receive in the fourth quarter of 2014. We initially recorded deferred revenue of \$34.4 million related to this agreement, and in the first nine months of 2014, we recognized revenue of \$3.9 million related to this agreement, of which \$1.8 million was recorded in the third quarter of 2014. As of September 30, 2014, we have \$7.2 million of deferred revenue that is classified as a current liability and \$23.3 million of deferred revenue that is recorded as a noncurrent liability on our Condensed Consolidated Balance Sheet.

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. We initially recorded deferred revenue of \$9.3 million related to this agreement. We began recognizing this deferred revenue as revenue in the third quarter of 2014 when this program launched in certain markets. In the first nine months of 2014, we recognized revenue of \$0.3 million related to this agreement. As of September 30, 2014 we have recorded deferred revenue of \$9.0 million, \$1.1 million of which is classified as a current liability and \$7.9 million which is recorded as a noncurrent liability on our Condensed Consolidated Balance Sheet.



Interest paid Interest paid in the first nine months of 2014 was \$63.7 million as compared to \$85.8 million in the first nine months of 2013. The decrease primarily relates to a reduction in interest expense in 2014 as compared to 2013.

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 2014. We expect our cash payments for other postretirement benefit obligations in 2014, net of GM cost sharing, to be approximately \$17 million.

On September 22, 2014, we announced a plan to offer a voluntary one-time lump sum cash payment option to certain eligible terminated vested participants in our U.S. pension plans that, if accepted, would settle our pension obligations to them (“AAM Pension Payout Offer”). We expect that the lump sum settlements, which will be paid from plan assets, will reduce our liabilities and administrative costs.

The AAM Pension Payout Offer will be open from October 2, 2014 through November 12, 2014 to approximately 6,000 of our 14,000 total U.S. pension plan participants. In addition to the lump sum cash payment option, the AAM Pension Payout Offer will allow participants to commence payment of their monthly benefits early.

The one-time lump sum cash payments will be made in December 2014. As a result, we expect to incur a non-cash charge in the fourth quarter of 2014. The amount of this non-cash charge will be based upon participation rates, the value of plan assets and discount rates at December 31, 2014.

**Investing Activities** Capital expenditures were \$156.2 million in the first nine months of 2014 as compared to \$178.2 million in the first nine months of 2013. We expect our capital spending to approximate 6.0% of sales, which includes support for our significant global program launches in 2014 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 nine months of 2014, we have classified \$7.2 million of these proceeds, which represents the amount related to the land and building for which we will have no future continuing involvement, in the Investing Activities section of our Condensed Consolidated Statement of Cash Flows.

In the first nine months of 2013, we entered into sale-leaseback transactions for equipment recently purchased. We received proceeds of \$23.5 million in the first nine months of 2013 related to these transactions.

We also received proceeds of \$4.5 million in the first nine months of 2013 related to the sale of property, plant and equipment at our Detroit Manufacturing Complex that we had previously written down to its estimated fair value as a result of asset impairments.

**Financing Activities** In the first nine months of 2014, net cash used in financing activities was \$16.1 million as compared to net cash provided by financing activities of \$103.3 million in the first nine months of 2013. Total debt outstanding decreased \$16.5 million in the first nine months of 2014 to \$1,542.6 million as compared to \$1,559.1 million at year-end 2013, primarily as a result of a reduction in borrowings on our foreign credit facilities.

**Revolving Credit Facility and Term Facility** As of September 30, 2014, the revolving credit facility provided up to \$523.5 million of revolving bank financing commitments through September 13, 2018. At September 30, 2014, 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. We paid remaining debt issuance costs of \$0.1 million in the first nine months of 2014 related to the revolving credit facility and term 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 nine months of 2014, we made principal payments of \$5.6 million on our term facility.

In the first quarter of 2013, we terminated our class C loan facility of \$72.8 million, which would have matured on June 30, 2013. Upon termination, we expensed \$0.5 million of unamortized debt issuance costs related to the class C facility. We had been amortizing the debt issuance costs over the expected life of the borrowing.

6.25% Notes In the first quarter of 2013, we issued \$400.0 million of 6.25% senior unsecured notes due 2021 (6.25% Notes). Net proceeds from the 6.25% Notes were used to purchase and redeem the entire \$300.0 million outstanding of our 7.875% senior unsecured notes due 2017 (7.875% Notes) and for other general corporate purposes. We paid debt issuance costs of \$6.6 million in the first nine months of 2013 related to the 6.25% Notes.

**7.875% Notes** In the first quarter of 2013, we expensed \$8.5 million related to tender and redemption premiums, \$0.1 million of professional fees and unamortized debt issuance costs of \$2.1 million related to the purchase and redemption of the 7.875% Notes. We had been amortizing the debt issuance costs for the 7.875% Notes over the expected life of the borrowing.

**5.125% Notes** In the fourth quarter of 2013, we issued \$200.0 million of 5.125% senior unsecured notes due 2019 (5.125% Notes). Net proceeds from the 5.125% Notes were used to redeem the remaining \$190.0 million outstanding under our 9.25% senior secured notes due 2017. We paid remaining debt issuance costs of \$0.2 million in the first nine months of 2014 related to the 5.125% Notes.

We utilize local currency credit facilities to finance the operations of certain foreign subsidiaries. At September 30, 2014, \$43.2 million was outstanding under these facilities and an additional \$49.2 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 third quarter of 2014, and we do not expect such expenditures to be significant for the remainder of 2014.

### 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 and Pound Sterling. At September 30, 2014, we had currency forward contracts with a notional amount of \$89.7 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 \$8.2 million at September 30, 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 September 30, 2014, 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 September 30, 2014) on our long-term debt outstanding at September 30, 2014 would be approximately \$1.9 million on an annualized basis.

### Item 4. Controls and Procedures (Revised)

#### Evaluation of Disclosure Controls and Procedures

In connection with the restatement of our Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Comprehensive Income, Condensed Consolidated Balance Sheet and Condensed Consolidated Statement of Cash Flow, which is more fully described in Note 1. Organization and Basis of Presentation located in the Notes to Condensed Consolidated Financial Statements elsewhere in this Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2014, under the direction of our Chief Executive Officer and Chief Financial Officer, we reevaluated our disclosure controls and procedures and internal controls over financial reporting. We identified a material weakness in the effectiveness of our internal control over financial reporting with respect to our accounting for changes in certain accrued accounts payable balances at a single location. As a result, we 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 not effective as of September 30, 2014.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

As of September 30, 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. Corporate Finance executives were not sufficiently involved in the review and analysis of the underlying support for changes in the accrued accounts payable balances at the location. As a result, Corporate Finance lacked sufficient information to properly assess the accounting for the correction of an overstatement of such accounts under generally accepted

accounting principles.

#### Change in Internal Control over Financial Reporting

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 the accrued accounts payable balances. We have retrained Finance executives at the location where the overstatement of the 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.

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Except as described above, there were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

As of February 23, 2015, management believes 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 has been remediated.

## PART II. OTHER INFORMATION

### Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in our December 31, 2013 Form 10-K.

### 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)  
February 23, 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.