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DELTA REPORT

10-Q

AXL - AMERICAN AXLE & MANUFACTU
10-Q - JUNE 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	698
CHANGES	285
DELETIONS	154
ADDITIONS	259

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

FORM 10-Q

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

For the quarterly period ended **March 31, 2023** **June 30, 2023**

or

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

For the transition period from _____ to _____

Commission File Number: 1-14303

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

38-3161171

(I.R.S. Employer Identification No.)

One Dauch Drive, Detroit, Michigan

(Address of Principal Executive Offices)

48211-1198

(Zip Code)

(313) 758-2000

(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	AXL	New York Stock Exchange

As of **May 2, 2023** **August 1, 2023**, the latest practicable date, the number of shares of the registrant's Common Stock, par value \$0.01 per share, outstanding was **117,019,709** **117,057,899** shares.

Internet Website Access to Reports

The website for American Axle & Manufacturing Holdings, Inc. is www.aam.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or

furnished to, the Securities and Exchange Commission (SEC). The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, JUNE 30, 2023
TABLE OF CONTENTS

	Page Number
FORWARD-LOOKING STATEMENTS	1
Part I FINANCIAL INFORMATION	2
Item 1 Financial Statements	2
Condensed Consolidated Statements of Operations Income	2
Condensed Consolidated Statements of Comprehensive Income (Loss)	3
Condensed Consolidated Balance Sheets	4
Condensed Consolidated Statements of Cash Flows	5
Condensed Consolidated Statements of Stockholders' Equity	6
Notes to Condensed Consolidated Financial Statements	7
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	28 30
Item 3 Quantitative and Qualitative Disclosures About Market Risk	38 46
Item 4 Controls and Procedures	39 47
Part II OTHER INFORMATION	40 48
Item 1A Risk Factors	40 48
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	40 48
Item 5 Other Information	48
Item 6 Exhibits	41 49
Signatures	42 50

FORWARD-LOOKING STATEMENTS

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

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

- global economic conditions, including the impact of inflation, recession or recessionary concerns, or slower growth in the markets in which we operate;
- reduced purchases of our products by General Motors Company (GM), Stellantis N.V. (Stellantis), Ford Motor Company (Ford) or other customers;
- our ability to respond to changes in technology, increased competition or pricing pressures;
- 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;
- reduced demand for our customers' products (particularly light trucks and sport utility vehicles (SUVs) produced by GM, Stellantis and Ford);
- risks inherent in our global operations (including tariffs and the potential consequences thereof to us, our suppliers, and our customers and their suppliers, adverse changes in trade agreements, such as the United States-Mexico-Canada Agreement (USMCA), **compliance with customs and trade regulations**, immigration policies, political stability or geopolitical conflicts, taxes and other law changes, potential disruptions of production and supply, and currency rate fluctuations);
- supply shortages, such as the semiconductor shortage that the automotive industry is currently experiencing and the availability of natural gas or other fuel and utility sources in certain regions, labor shortages, including increased labor costs, or price increases in raw material and/or freight, utilities or other operating supplies for us or our customers as a result of pandemic or epidemic illness such as COVID-19, geopolitical conflicts, natural disasters or otherwise;
- a significant disruption in operations at one or more of our key manufacturing facilities;
- negative or unexpected tax consequences;
- risks related to a failure of our information technology systems and networks, including cloud-based applications, and risks associated with current and emerging technology threats and damage from computer viruses, unauthorized access, cyber attacks and other similar disruptions;
- our suppliers', our customers' and their suppliers' ability to maintain satisfactory labor relations and avoid work stoppages;
- cost or availability of financing for working capital, capital expenditures, research and development (R&D) or other general corporate purposes including acquisitions, as well as our ability to comply with financial covenants;
- our customers' and suppliers' availability of financing for working capital, capital expenditures, R&D or other general corporate purposes;
- an impairment of our goodwill, other intangible assets, or long-lived assets if our business or market conditions indicate that the carrying values of those assets exceed their fair values;
- liabilities arising from warranty claims, product recall or field actions, product liability and legal proceedings to which we are or may become a party, or the impact of product recall or field actions on our customers;
- our ability or our customers' and suppliers' ability to successfully launch new product programs on a timely basis;
- risks of environmental issues, including impacts of climate-related events, that could result in unforeseen issues or costs at our facilities, or risks of noncompliance with environmental laws and regulations, including reputational damage;
- our ability to maintain satisfactory labor relations and avoid work stoppages;
- our ability to consummate and successfully integrate acquisitions and joint ventures;
- our ability to achieve the level of cost reductions required to sustain global cost competitiveness or our ability to recover certain cost increases from our customers;
- our ability to realize the expected revenues from our new and incremental business backlog;
- price volatility in, or reduced availability of, fuel;
- our ability to protect our intellectual property and successfully defend against assertions made against us;
- adverse changes in laws, government regulations or market conditions affecting our products or our customers' products;
- our ability or our customers' and suppliers' ability to comply with regulatory requirements and the potential costs of such compliance;
- changes in liabilities arising from pension and other postretirement benefit obligations;
- our ability to attract and retain qualified personnel in key positions and functions; 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 **OPERATIONS INCOME** (Unaudited)

	Three Months Ended		Three Months Ended		Six Months Ended	
	March 31,		June 30,		June 30,	
	2023	2022	2023	2022	2023	2022
	<i>(in millions, except per share data)</i>		<i>(in millions, except per share data)</i>			

Net sales	Net sales	\$ 1,493.9	\$ 1,436.2	Net sales	\$ 1,570.7	\$ 1,438.3	\$ 3,064.6	\$ 2,874.5
Cost of goods sold	Cost of goods sold	1,333.3	1,249.4	Cost of goods sold	1,392.5	1,264.8	2,725.8	2,514.2
Gross profit	Gross profit	160.6	186.8	Gross profit	178.2	173.5	338.8	360.3
Selling, general and administrative expenses	Selling, general and administrative expenses	98.3	86.1	Selling, general and administrative expenses	91.1	84.8	189.4	170.9
Amortization of intangible assets	Amortization of intangible assets	21.4	21.5	Amortization of intangible assets	21.4	21.4	42.8	42.9
Restructuring and acquisition-related costs	Restructuring and acquisition-related costs	4.8	8.9	Restructuring and acquisition-related costs	7.9	9.6	12.7	18.5
Operating income	Operating income	36.1	70.3	Operating income	57.8	57.7	93.9	128.0
Interest expense	Interest expense	(50.5)	(44.7)	Interest expense	(50.2)	(42.7)	(100.7)	(87.4)
Interest income	Interest income	5.9	3.0	Interest income	5.9	3.2	11.8	6.2
Other income (expense)	Other income (expense)			Other income (expense)				
Debt refinancing and redemption costs	Debt refinancing and redemption costs	—	(5.6)	Debt refinancing and redemption costs	—	(0.2)	—	(5.8)
Unrealized loss on equity securities		(0.3)	(18.0)					
Gain on bargain purchase of business				Gain on bargain purchase of business			—	11.6
Unrealized gain (loss) on equity securities				Unrealized gain (loss) on equity securities			0.3	(3.7)
Other income (expense), net	Other income (expense), net	3.7	(1.0)	Other income (expense), net	(0.5)	(2.4)	3.2	(3.4)
Income (loss) before income taxes		(5.1)	4.0					
Income before income taxes				Income before income taxes			13.3	23.5
Income tax expense	Income tax expense	—	3.0	Income tax expense	5.3	0.6	5.3	3.6
Net income (loss)		\$ (5.1)	\$ 1.0					
Net income				Net income			\$ 8.0	\$ 22.9
Basic earnings (loss) per share		\$ (0.04)	\$ 0.01					
Basic earnings per share				Basic earnings per share			\$ 0.07	\$ 0.19
Diluted earnings (loss) per share		\$ (0.04)	\$ 0.01					

Diluted earnings per share	Diluted earnings per share	\$	0.07	\$	0.19	\$	0.02	\$	0.20
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See accompanying notes to condensed consolidated financial statements.

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

		Three Months Ended		Three Months Ended		Six Months Ended	
		March 31,		June 30,		June 30,	
		2023	2022	2023	2022	2023	2022
		(in millions)		(in millions)			
Net income (loss)		\$ (5.1)	\$ 1.0				
Net income				Net income		\$ 8.0	\$ 22.9
Other comprehensive income (loss)	Other comprehensive income (loss)			Other comprehensive income (loss)		\$ 2.9	\$ 23.9
Defined benefit plans, net of tax (a)	Defined benefit plans, net of tax (a)	(0.7)	1.3	Defined benefit plans, net of tax (a)	(0.7)	(1.4)	2.6
Foreign currency translation adjustments	Foreign currency translation adjustments	8.8	6.0	Foreign currency translation adjustments	(4.7)	4.1	(36.3)
Changes in cash flow hedges, net of tax (b)	Changes in cash flow hedges, net of tax (b)	2.5	15.7	Changes in cash flow hedges, net of tax (b)	17.3	19.8	14.0
Other comprehensive income		10.6	23.0				
Other comprehensive income (loss)	Other comprehensive income (loss)			Other comprehensive income (loss)		11.9	(42.7)
Comprehensive income		\$ 5.5	\$ 24.0			22.5	(19.7)
Comprehensive income (loss)	Comprehensive income (loss)			Comprehensive income (loss)		\$ 19.9	\$ (19.8)
						\$ 25.4	\$ 4.2

(a) Amounts are net of tax of \$0.5 \$0.4 million and \$0.9 million for the three and six months ended March 31, 2023 June 30, 2023 and \$(0.5) million and \$(1.0) million for the three and six months ended March 31, 2022 June 30, 2022.

(b) Amounts are net of tax of \$1.8 \$(3.5) million and \$(1.7) million for the three and six months ended March 31, 2023 June 30, 2023 and \$(2.9) \$0.2 million and \$(2.7) million for the three and six months ended March 31, 2022 June 30, 2022.

See accompanying notes to condensed consolidated financial statements.

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

		March 31, 2023	December 31, 2022			June 30, 2023	December 31, 2022
		(Unaudited)				(Unaudited)	
		(in millions)				(in millions)	
Assets	Assets			Assets			
Current assets	Current assets			Current assets			
Cash and cash equivalents	Cash and cash equivalents	\$ 465.7	\$ 511.5	Cash and cash equivalents	\$ 511.1	\$ 511.5	
Accounts receivable, net	Accounts receivable, net	892.1	820.2	Accounts receivable, net	921.1	820.2	
Inventories, net	Inventories, net	464.6	463.9	Inventories, net	477.1	463.9	
Prepaid expenses and other	Prepaid expenses and other	182.1	197.8	Prepaid expenses and other	200.3	197.8	
Total current assets	Total current assets	2,004.5	1,993.4	Total current assets	2,109.6	1,993.4	

Property, plant and equipment, net	Property, plant and equipment, net	1,864.7	1,903.0	Property, plant and equipment, net	1,817.9	1,903.0
Deferred income taxes	Deferred income taxes	135.0	119.0	Deferred income taxes	135.8	119.0
Goodwill	Goodwill	181.7	181.6	Goodwill	181.7	181.6
Other intangible assets, net	Other intangible assets, net	595.1	616.2	Other intangible assets, net	574.2	616.2
GM postretirement cost sharing asset	GM postretirement cost sharing asset	129.5	127.6	GM postretirement cost sharing asset	128.2	127.6
Operating lease right-of-use assets	Operating lease right-of-use assets	106.3	107.2	Operating lease right-of-use assets	103.3	107.2
Other assets and deferred charges	Other assets and deferred charges	436.1	421.4	Other assets and deferred charges	456.7	421.4
Total assets	Total assets	\$ 5,452.9	\$ 5,469.4	Total assets	\$ 5,507.4	\$ 5,469.4
Liabilities and Stockholders' Equity	Liabilities and Stockholders' Equity			Liabilities and Stockholders' Equity		
Current liabilities	Current liabilities			Current liabilities		
Current portion of long-term debt	Current portion of long-term debt	\$ 49.6	\$ 75.9	Current portion of long-term debt	\$ 16.3	\$ 75.9
Accounts payable	Accounts payable	771.3	734.0	Accounts payable	828.4	734.0
Accrued compensation and benefits	Accrued compensation and benefits	167.4	186.6	Accrued compensation and benefits	183.8	186.6
Deferred revenue	Deferred revenue	26.9	28.1	Deferred revenue	15.9	28.1
Current portion of operating lease liabilities	Current portion of operating lease liabilities	21.2	21.1	Current portion of operating lease liabilities	20.8	21.1
Accrued expenses and other	Accrued expenses and other	161.6	153.6	Accrued expenses and other	168.4	153.6
Total current liabilities	Total current liabilities	1,198.0	1,199.3	Total current liabilities	1,233.6	1,199.3
Long-term debt, net	Long-term debt, net	2,847.7	2,845.1	Long-term debt, net	2,853.9	2,845.1
Deferred revenue	Deferred revenue	68.5	73.4	Deferred revenue	69.3	73.4
Deferred income taxes	Deferred income taxes	11.0	10.7	Deferred income taxes	6.4	10.7
Long-term portion of operating lease liabilities	Long-term portion of operating lease liabilities	86.4	87.2	Long-term portion of operating lease liabilities	84.1	87.2
Postretirement benefits and other long-term liabilities	Postretirement benefits and other long-term liabilities	619.6	626.4	Postretirement benefits and other long-term liabilities	615.3	626.4
Total liabilities	Total liabilities	4,831.2	4,842.1	Total liabilities	4,862.6	4,842.1
Stockholders' equity	Stockholders' equity			Stockholders' equity		
Common stock, par value \$0.01 per share; 150.0 million shares authorized;	Common stock, par value \$0.01 per share; 150.0 million shares authorized;			Common stock, par value \$0.01 per share; 150.0 million shares authorized;		
127.3 million shares issued as of March 31, 2023 and 123.3 million shares issued as of December 31, 2022		1.3	1.3			
127.4 million shares issued as of June 30, 2023 and 123.3 million shares issued as of December 31, 2022				127.4 million shares issued as of June 30, 2023 and 123.3 million shares issued as of December 31, 2022	1.3	1.3
Paid-in capital	Paid-in capital	1,372.6	1,369.2	Paid-in capital	1,376.0	1,369.2
Accumulated deficit	Accumulated deficit	(254.7)	(249.6)	Accumulated deficit	(246.7)	(249.6)

Treasury stock at cost, 10.3 million shares as of March 31, 2023 and 8.7 million shares as of December 31, 2022		(232.7)	(218.2)		
Treasury stock at cost, 10.3 million shares as of June 30, 2023 and 8.7 million shares as of December 31, 2022				(232.9)	(218.2)
Accumulated other comprehensive income (loss)	Accumulated other comprehensive income (loss)			Accumulated other comprehensive income (loss)	
Defined benefit plans, net of tax	Defined benefit plans, net of tax	(147.6)	(146.9)	Defined benefit plans, net of tax	(146.9)
Foreign currency translation adjustments	Foreign currency translation adjustments	(140.9)	(149.7)	Foreign currency translation adjustments	(149.7)
Unrecognized gain on cash flow hedges, net of tax	Unrecognized gain on cash flow hedges, net of tax	23.7	21.2	Unrecognized gain on cash flow hedges, net of tax	21.2
Total stockholders' equity	Total stockholders' equity	621.7	627.3	Total stockholders' equity	627.3
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 5,452.9	\$ 5,469.4	Total liabilities and stockholders' equity	\$ 5,507.4 \$ 5,469.4

See accompanying notes to condensed consolidated financial statements.

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

		Three Months Ended		Six Months Ended	
		March 31,		June 30,	
		2023	2022	2023	2022
		(in millions)		(in millions)	
Operating activities	Operating activities			Operating activities	
Net income (loss)		\$ (5.1)	\$ 1.0		
Adjustments to reconcile net income (loss) to net cash provided by operating activities					
Net income				Net income	\$ 2.9 \$ 23.9
Adjustments to reconcile net income to net cash provided by operating activities				Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	Depreciation and amortization	124.9	120.4	Depreciation and amortization	245.4 242.3
Deferred income taxes	Deferred income taxes	(15.4)	(8.6)	Deferred income taxes	(21.0) (14.2)
Stock-based compensation	Stock-based compensation	3.4	4.5	Stock-based compensation	6.8 9.1
Pensions and other postretirement benefits, net of contributions	Pensions and other postretirement benefits, net of contributions	(4.0)	(1.8)	Pensions and other postretirement benefits, net of contributions	(7.0) (4.6)
Loss (gain) on disposal of property, plant and equipment, net	Loss (gain) on disposal of property, plant and equipment, net	0.5	(2.8)	Loss (gain) on disposal of property, plant and equipment, net	3.2 (2.2)

Unrealized loss on equity securities	Unrealized loss on equity securities	0.3	18.0	Unrealized loss on equity securities	—	21.7
Gain on bargain purchase of business				Gain on bargain purchase of business	—	(11.6)
Debt refinancing and redemption costs	Debt refinancing and redemption costs	—	5.6	Debt refinancing and redemption costs	—	5.8
Changes in operating assets and liabilities	Changes in operating assets and liabilities			Changes in operating assets and liabilities		
Accounts receivable	Accounts receivable	(68.4)	(166.0)	Accounts receivable	(97.4)	(147.1)
Inventories	Inventories	2.9	(2.1)	Inventories	(7.9)	(25.4)
Accounts payable and accrued expenses	Accounts payable and accrued expenses	25.2	110.2	Accounts payable and accrued expenses	99.2	145.7
Deferred revenue	Deferred revenue	(6.9)	(8.3)	Deferred revenue	(17.2)	(7.7)
Other assets and liabilities	Other assets and liabilities	(25.3)	(1.6)	Other assets and liabilities	(42.1)	(20.5)
Net cash provided by operating activities	Net cash provided by operating activities	32.1	68.5	Net cash provided by operating activities	164.9	215.2
Investing activities	Investing activities			Investing activities		
Purchases of property, plant and equipment	Purchases of property, plant and equipment	(46.6)	(28.6)	Purchases of property, plant and equipment	(90.7)	(71.2)
Proceeds from sale of property, plant and equipment	Proceeds from sale of property, plant and equipment	0.4	4.2	Proceeds from sale of property, plant and equipment	0.4	4.2
Acquisition of business, net of cash acquired	Acquisition of business, net of cash acquired	(0.6)	(6.7)	Acquisition of business, net of cash acquired	(1.3)	(87.6)
Proceeds from insurance claim (Note 15)	Proceeds from insurance claim (Note 15)	17.0	—	Proceeds from insurance claim (Note 15)	17.0	4.6
Other investing activities	Other investing activities	(0.7)	(0.2)	Other investing activities	(3.3)	(0.2)
Net cash used in investing activities	Net cash used in investing activities	(30.5)	(31.3)	Net cash used in investing activities	(77.9)	(150.2)
Financing activities	Financing activities			Financing activities		
Payments of Revolving Credit Facility	Payments of Revolving Credit Facility	(25.0)	—	Payments of Revolving Credit Facility	(25.0)	—
Proceeds from issuance of long-term debt	Proceeds from issuance of long-term debt	5.4	220.5	Proceeds from issuance of long-term debt	33.9	220.7
Payments of long-term debt	Payments of long-term debt	(11.3)	(252.1)	Payments of long-term debt	(71.2)	(310.6)
Debt issuance costs	Debt issuance costs	—	(3.5)	Debt issuance costs	(3.1)	(4.4)
Purchase of treasury stock	Purchase of treasury stock	(14.5)	(1.8)	Purchase of treasury stock	(14.7)	(1.9)
Other financing activities	Other financing activities	(3.7)	(1.8)	Other financing activities	(7.3)	9.5
Net cash used in financing activities	Net cash used in financing activities	(49.1)	(38.7)	Net cash used in financing activities	(87.4)	(86.7)

Effect of exchange rate changes on cash	Effect of exchange rate changes on cash	1.7	1.2	Effect of exchange rate changes on cash	—	(7.1)
Net decrease in cash and cash equivalents	Net decrease in cash and cash equivalents	(45.8)	(0.3)	Net decrease in cash and cash equivalents	(0.4)	(28.8)
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	511.5	530.2	Cash and cash equivalents at beginning of period	511.5	530.2
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	\$ 465.7	\$ 529.9	Cash and cash equivalents at end of period	\$ 511.1	\$ 501.4
Supplemental cash flow information	Supplemental cash flow information			Supplemental cash flow information		
Interest paid	Interest paid	\$ 41.6	\$ 38.6	Interest paid	\$ 88.8	\$ 86.5
Income taxes paid, net	Income taxes paid, net	\$ 26.0	\$ 4.8	Income taxes paid, net	\$ 40.6	\$ 20.5

See accompanying notes to condensed consolidated financial statements.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

		Common Stock						Accumulated		Common Stock						Accumulated
		Shares	Par	Paid-in	Retained	Treasury	Other			Shares	Par	Paid-in	Retained	Treasury	Other	
		Outstanding	Value	Capital	Earnings	Stock	Comprehensive			Outstanding	Value	Capital	Earnings	Stock	Income (Loss)	
		(in millions)								(in millions)						
Balance at January 1, 2022	Balance at January 1, 2022	114.0	\$ 1.3	\$ 1,351.5	\$ (313.9)	\$ (216.3)	\$ (364.8)			Balance at January 1, 2022	114.0	\$ 1.3	\$ 1,351.5	\$ (313.9)	\$ (216.3)	\$ (364.8)
Net income	Net income	—	—	—	1.0	—	—			Net income	—	—	—	1.0	—	—
Vesting of stock-based compensation	Vesting of stock-based compensation	0.7	—	—	—	—	—			Vesting of stock-based compensation	0.7	—	—	—	—	—
Stock-based compensation	Stock-based compensation	—	—	4.5	—	—	—			Stock-based compensation	—	—	4.5	—	—	—
Purchase of treasury stock	Purchase of treasury stock	(0.2)	—	—	—	(1.8)	—			Purchase of treasury stock	(0.2)	—	—	—	(1.8)	—
Changes in cash flow hedges	Changes in cash flow hedges	—	—	—	—	—	15.7			Changes in cash flow hedges	—	—	—	—	—	15.7
Foreign currency translation adjustments	Foreign currency translation adjustments	—	—	—	—	—	6.0			Foreign currency translation adjustments	—	—	—	—	—	6.0
Defined benefit plans, net	Defined benefit plans, net	—	—	—	—	—	1.3			Defined benefit plans, net	—	—	—	—	—	1.3
Balance at March 31, 2022	Balance at March 31, 2022	114.5	\$ 1.3	\$ 1,356.0	\$ (312.9)	\$ (218.1)	\$ (341.8)			Balance at March 31, 2022	114.5	\$ 1.3	\$ 1,356.0	\$ (312.9)	\$ (218.1)	\$ (341.8)
Net income										Net income	—	—	—	22.9	—	—
Stock-based compensation										Stock-based compensation	—	—	4.6	—	—	—
Purchase of treasury stock										Purchase of treasury stock	—	—	—	—	(0.1)	—
Changes in cash flow hedges										Changes in cash flow hedges	—	—	—	—	—	(1.7)

Foreign currency translation adjustments	Foreign currency translation adjustments		—	—	—	—	—	(42.3)
Defined benefit plans, net	Defined benefit plans, net		—	—	—	—	—	1.3
Balance at June 30, 2022	Balance at June 30, 2022		114.5	\$ 1.3	\$ 1,360.6	\$	(290.0) \$ (218.2) \$	(384.5)

		Common Stock			Retained Earnings			Accumulated Other Comprehensive Income (Loss)			Common Stock			Retained Earnings			Accumulated Other Comprehensive Income (Loss)		
		Shares Outstanding	Par Value	Paid-in Capital	(Accumulated Deficit)	Treasury Stock					Shares Outstanding	Par Value	Paid-in Capital	(Accumulated Deficit)	Treasury Stock				
		(in millions)									(in millions)								
Balance at January 1, 2023	Balance at January 1, 2023	114.6	\$ 1.3	\$ 1,369.2	\$ (249.6)	\$ (218.2)	\$	(275.4)			114.6	\$ 1.3	\$ 1,369.2	\$ (249.6)	\$ (218.2)	\$	(275.4)		
Net loss	Net loss	—	—	—	(5.1)	—		—			—	—	—	(5.1)	—		—		
Vesting of stock-based compensation	Vesting of stock-based compensation	4.0	—	—	—	—		—			4.0	—	—	—	—		—		
Stock-based compensation	Stock-based compensation	—	—	3.4	—	—		—			—	—	3.4	—	—		—		
Purchase of treasury stock	Purchase of treasury stock	(1.6)	—	—	—	(14.5)		—			(1.6)	—	—	—	(14.5)		—		
Changes in cash flow hedges	Changes in cash flow hedges	—	—	—	—	—		2.5			—	—	—	—	—		2.5		
Foreign currency translation adjustments	Foreign currency translation adjustments	—	—	—	—	—		8.8			—	—	—	—	—		8.8		
Defined benefit plans, net	Defined benefit plans, net	—	—	—	—	—		(0.7)			—	—	—	—	—		(0.7)		
Balance at March 31, 2023	Balance at March 31, 2023	117.0	\$ 1.3	\$ 1,372.6	\$ (254.7)	\$ (232.7)	\$	(264.8)			117.0	\$ 1.3	\$ 1,372.6	\$ (254.7)	\$ (232.7)	\$	(264.8)		
Net income	Net income										—	—	—	8.0	—		—		
Vesting of restricted stock units	Vesting of restricted stock units										0.1	—	—	—	—		—		
Stock-based compensation	Stock-based compensation										—	—	3.4	—	—		—		
Purchase of treasury stock	Purchase of treasury stock										—	—	—	—	(0.2)		—		
Changes in cash flow hedges	Changes in cash flow hedges										—	—	—	—	—		17.3		
Foreign currency translation adjustments	Foreign currency translation adjustments										—	—	—	—	—		(4.7)		

Defined benefit plans, net	Defined benefit plans, net	—	—	—	—	—	(0.7)
Balance at June 30, 2023	Balance at June 30, 2023	117.1	\$ 1.3	\$ 1,376.0	\$ (246.7)	\$ (232.9)	\$ (252.9)

See accompanying notes to condensed consolidated financial statements.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, JUNE 30, 2023
(Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization As a leading global tier 1 automotive and mobility supplier, AAM designs, engineers and manufactures Driveline and Metal Forming technologies to support electric, hybrid, and internal combustion vehicles. Headquartered in Detroit, with over 80 facilities in 18 countries, AAM is bringing the future faster for a safer and more sustainable tomorrow.

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, 2022 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. These estimates and assumptions are impacted by risks and uncertainties, including those associated with the significant disruptions in the supply chain that continue to impact the automotive industry, including volatility in metal, commodity and utility costs, shortages of certain raw materials and components, including semiconductor chips, increased transportation costs, higher labor costs and labor shortages. While we have made estimates and assumptions based on the facts and circumstances available as of the date of this report, the full impact of these matters cannot be predicted, and actual results could differ materially from those estimates and assumptions.

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, 2022.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. RESTRUCTURING AND ACQUISITION-RELATED COSTS

In the first quarter of 2020, we initiated a global restructuring program (the 2020 Program). The primary objectives of the 2020 Program are to achieve efficiencies within our corporate and business unit support teams to reduce cost in our business, and to structurally adjust our operations to a new level of market demand based on the impact of COVID-19. We expect to complete restructuring actions under the 2020 Program in 2023.

In the second quarter of 2021, we completed the acquisition of a manufacturing facility in Emporium, Pennsylvania (Emporium), and subsequently determined that we will cease production at the facility and relocate the production capacity to other AAM manufacturing facilities. As a result, during the three six months ended March 31, 2023 June 30, 2023, we incurred restructuring charges related to the anticipated closure of the facility and we expect to complete restructuring actions associated with the closure of the facility in 2023.

In 2022, we completed our acquisition of Tekfor Group (Tekfor) and have initiated certain restructuring actions associated with the acquired entities in the first quarter of 2023. We expect to incur restructuring costs associated with the acquired entities through 2023.

A summary of our restructuring activity for the first three six months of 2023 and 2022 is shown below:

		Severance Charges	Implementation Costs	Total		Severance Charges	Implementation Costs	Total
		(in millions)				(in millions)		
Accrual at December 31, 2021	Accrual at December 31, 2021	\$ 0.7	\$ 2.7	\$ 3.4	Accrual at December 31, 2021	\$ 0.7	\$ 2.7	\$ 3.4
Charges	Charges	1.3	5.9	7.2	Charges	1.3	10.3	11.6
Cash utilization	Cash utilization	(0.8)	(6.6)	(7.4)	Cash utilization	(1.2)	(10.6)	(11.8)

Accrual at March 31, 2022									
		\$	1.2	\$	2.0	\$	3.2		
Accrual at June 30, 2022					Accrual at June 30, 2022				
		\$		\$		\$	0.8	\$	2.4
									\$ 3.2
Accrual at December 31, 2022	Accrual at December 31, 2022				Accrual at December 31, 2022				
		\$	2.4	\$	1.4	\$	3.8		
Charges	Charges		0.3		3.7		4.0		
Cash utilization	Cash utilization		(0.7)		(2.5)		(3.2)		
Accrual at March 31, 2023									
		\$	2.0	\$	2.6	\$	4.6		
Accrual at June 30, 2023					Accrual at June 30, 2023				
		\$		\$		\$	1.7	\$	3.3
									\$ 5.0

As part of our restructuring actions, we incurred total severance charges of approximately \$0.3 million \$1.4 million and \$1.3 million during the three six months ended March 31, 2023 June 30, 2023 and 2022, respectively. We also incurred total implementation costs of approximately \$3.7 million \$9.3 million and \$5.9 million \$10.3 million during the three six months ended March 31, 2023 June 30, 2023 and 2022, respectively. Implementation costs consist primarily of plant exit costs. We incurred \$1.6 \$4.9 million of restructuring costs under the 2020 Program, \$2.1 \$4.4 million of costs associated with the anticipated closure of Emporium, and \$0.3 \$1.4 million of costs related to restructuring actions associated with Tekfor in the three six months ended March 31, 2023 June 30, 2023. We have incurred \$102.2 \$105.5 million of total restructuring costs under the 2020 Program since inception and have incurred \$14.2 \$16.5 million of total costs related to the anticipated closure of Emporium.

Substantially all of our total restructuring costs for the three six months ended March 31, 2023 June 30, 2023 related to our Metal Forming segment. Approximately \$0.7 \$1.0 million and \$3.4 \$6.1 million of our total restructuring costs for the three six months ended March 31, 2022 June 30, 2022 related to our Driveline and Metal Forming segments, respectively, while the remainder were corporate costs. We expect to incur approximately \$10 million to \$20 million of total restructuring charges in 2023 associated with the 2020 Program, our closure of Emporium and restructuring actions related to Tekfor.

The following table represents a summary of acquisition-related charges incurred primarily related to our acquisition of Tekfor, as well as integration costs incurred for acquisitions:

	Acquisition-Related		
	Costs	Integration Expenses	Total
	<i>(in millions)</i>		
Charges for the three months ended March 31, 2023	\$ —	\$ 0.8	\$ 0.8
Charges for the three months ended March 31, 2022	1.1	0.6	1.7

	Acquisition-Related		
	Costs	Integration Expenses	Total
	<i>(in millions)</i>		
Charges for the six months ended June 30, 2023	\$ —	\$ 2.0	\$ 2.0
Charges for the six months ended June 30, 2022	5.7	1.2	6.9

Acquisition-related costs primarily consist of advisory, legal, accounting, valuation and certain other professional or consulting fees incurred. Integration expenses primarily reflect costs incurred for information technology infrastructure and enterprise resource planning systems, and consulting fees incurred in conjunction with integration activities. Total restructuring charges and acquisition-related charges are presented on a separate line item titled Restructuring and acquisition-related costs in our Condensed Consolidated Statements of Operations Income and totaled \$4.8 million \$7.9 million and \$9.6 million for the three months ended March 31, 2023 June 30, 2023 and \$8.9 million June 30, 2022, respectively, and \$12.7 million and \$18.5 million for the three six months ended March 31, 2022 June 30, 2023 and June 30, 2022, respectively.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. INVENTORIES

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

Inventories consist of the following:

		March 31, 2023		December 31, 2022		June 30, 2023		December 31, 2022	
		(in millions)		(in millions)		(in millions)		(in millions)	
Raw materials and work-in-progress	Raw materials and work-in-progress	\$	407.8	\$	398.9	\$	423.5	\$	398.9
Finished goods	Finished goods		88.5		92.5		88.0		92.5
Gross inventories	Gross inventories		496.3		491.4		511.5		491.4
Inventory valuation reserves	Inventory valuation reserves		(31.7)		(27.5)		(34.4)		(27.5)
Inventories, net	Inventories, net	\$	464.6	\$	463.9	\$	477.1	\$	463.9

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill The following table provides a reconciliation of changes in goodwill for the **three** **six** months ended **March 31, 2023** **June 30, 2023**:

	Consolidated
	(in millions)
Balance at December 31, 2022	\$ 181.6
Foreign currency translation	0.1
Balance at March 31, 2023 June 30, 2023	\$ 181.7

We conduct our annual goodwill impairment test in the fourth quarter of each year, as well as whenever adverse events or changes in circumstances indicate a possible impairment. In performing this test, we utilize a third-party valuation specialist to assist management in determining the fair value of our reporting units. Fair value of each reporting unit is estimated based on a combination of discounted cash flows and the use of pricing multiples derived from an analysis of comparable public companies multiplied against historical and/or anticipated financial metrics of each reporting unit. These calculations contain uncertainties as they require management to make assumptions including, but not limited to, market comparables, future cash flows of the reporting units, and appropriate discount and long-term growth rates. This fair value determination is categorized as Level 3 within the fair value hierarchy.

At **March 31, 2023** **June 30, 2023**, accumulated goodwill impairment losses were \$1,435.5 million. All remaining goodwill is attributable to our Driveline reporting unit.

Other Intangible Assets The following table provides a reconciliation of the gross carrying amount and associated accumulated amortization for AAM's other intangible assets, which are all subject to amortization:

		March 31, 2023			December 31, 2022			June 30, 2023			December 31, 2022		
		(in millions)			(in millions)			(in millions)			(in millions)		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Capitalized computer software	Capitalized computer software	\$ 52.4	\$ (44.6)	\$ 7.8	\$ 52.2	\$ (43.2)	\$ 9.0	\$ 52.9	\$ (46.2)	\$ 6.7	\$ 52.2	\$ (43.2)	\$ 9.0
Customer platforms	Customer platforms	856.2	(380.6)	475.6	856.2	(364.7)	491.5	856.2	(396.4)	459.8	856.2	(364.7)	491.5
Customer relationships	Customer relationships	53.0	(20.5)	32.5	53.0	(19.7)	33.3	53.0	(21.4)	31.6	53.0	(19.7)	33.3
Technology and other	Technology and other	154.1	(74.9)	79.2	154.1	(71.7)	82.4	154.0	(77.9)	76.1	154.1	(71.7)	82.4
Total	Total	\$1,115.7	\$ (520.6)	\$ 595.1	\$1,115.5	\$ (499.3)	\$ 616.2	\$1,116.1	\$ (541.9)	\$ 574.2	\$1,115.5	\$ (499.3)	\$ 616.2

Amortization expense for our intangible assets was \$21.4 million for **both** the three months ended **March 31, 2023** **June 30, 2023** and **\$21.5** **June 30, 2022**, and was \$42.8 million for the **three** **six** months ended **March 31, 2022** **June 30, 2023** and \$42.9 million for the six months ended **June 30, 2022**. Estimated amortization expense for the years 2023 through

2027 is expected to be in the range of approximately \$80 million to \$85 million per year.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. LONG-TERM DEBT

Long-term debt consists of the following:

		March 31, 2023	December 31, 2022			June 30, 2023	December 31, 2022
		(in millions)				(in millions)	
Revolving Credit Facility	Revolving Credit Facility	\$ —	\$ 25.0	Revolving Credit Facility	\$ —	\$ 25.0	
Term Loan A Facility	Term Loan A Facility	520.0	520.0	Term Loan A Facility	500.5	520.0	
Term Loan B Facility	Term Loan B Facility	673.3	675.0	Term Loan B Facility	664.9	675.0	
6.875% Notes due 2028	6.875% Notes due 2028	400.0	400.0	6.875% Notes due 2028	400.0	400.0	
6.50% Notes due 2027	6.50% Notes due 2027	500.0	500.0	6.50% Notes due 2027	500.0	500.0	
6.25% Notes due 2026	6.25% Notes due 2026	180.0	180.0	6.25% Notes due 2026	180.0	180.0	
5.00% Notes due 2029	5.00% Notes due 2029	600.0	600.0	5.00% Notes due 2029	600.0	600.0	
Foreign credit facilities and other	Foreign credit facilities and other	73.6	72.7	Foreign credit facilities and other	73.3	72.7	
Total debt	Total debt	2,946.9	2,972.7	Total debt	2,918.7	2,972.7	
Less: Current portion of long-term debt	Less: Current portion of long-term debt	49.6	75.9	Less: Current portion of long-term debt	16.3	75.9	
Long-term debt	Long-term debt	2,897.3	2,896.8	Long-term debt	2,902.4	2,896.8	
Less: Debt issuance costs	Less: Debt issuance costs	49.6	51.7	Less: Debt issuance costs	48.5	51.7	
Long-term debt, net	Long-term debt, net	\$ 2,847.7	\$ 2,845.1	Long-term debt, net	\$ 2,853.9	\$ 2,845.1	

Senior Secured Credit Facilities Our Senior Secured Credit Facilities are comprised of the Revolving Credit Facility, Term Loan A Facility and Term Loan B Facility. The Revolving Credit Facility and Term Loan A Facility mature in the first quarter of 2027 and the Term Loan B Facility matures in the fourth quarter of 2029. At **March 31, 2023** **June 30, 2023**, we had \$891.2 million available under the Revolving Credit Facility. This availability reflects a reduction of \$33.8 million for standby letters of credit issued against the facility. In the first quarter of 2023, we paid \$25.0 million on our Revolving Credit Facility that had been drawn in the fourth quarter of 2022.

On June 28, 2023, Holdings and AAM, Inc. entered into the First Amendment to the Amended and Restated Credit Agreement (the First Amendment), which covers the period from June 28, 2023 through the filing of our second quarter 2024 results, or earlier at AAM's option, subject to certain conditions (the Amendment Period). The First Amendment, among other things, increased the maximum levels of the total net leverage ratio covenant and reduced the minimum levels of cash interest expense coverage ratio covenant during the Amendment Period, modified certain categories of the applicable margin (determined based on the total net leverage ratio of Holdings) for the duration of the Amendment Period with respect to interest rates under the Term Loan A Facility and the Revolving Credit Facility, and modified certain covenants restricting the ability of Holdings, AAM, Inc. and certain subsidiaries of Holdings to create, incur, assume, or permit to exist certain additional indebtedness and liens and to make or agree to pay or make certain restricted payments, voluntary payments and distributions. The terms of the Term Loan B Facility under the Amended and Restated Credit Agreement, including maturity dates, interest rates and their applicable margins, remain unchanged. We paid debt issuance costs of \$3.1 million in the three months ended June 30, 2023 related to the First Amendment.

As of June 30, 2023, we have prepaid \$23.0 million of the outstanding principal on our Term Loan A Facility and Term Loan B Facility. These payments satisfy our obligation for principal payments under the Term Loan A Facility and Term Loan B Facility for the next four quarters.

In March 2022, Holdings and AAM, Inc. entered into the Amended **&** Restated Credit Agreement. The Amended **&** Restated Credit Agreement, among other things, increased the principal amount of the Term Loan A Facility to \$520.0 million, extended the maturity date of the Term Loan A Facility and the Revolving Credit Facility each to March 11, 2027, and established the use under the Term Loan A Facility and Revolving Credit Facility of the Secured Overnight Financing Rate (SOFR) and the minimum Adjusted Term

SOFR Rate for Eurodollar-based loans denominated in U.S. Dollars and the Sterling Overnight Index Average (SONIA) and the minimum adjusted daily simple SONIA for loans denominated in Sterling. We expensed \$0.2 million of debt refinancing costs, paid accrued interest of \$1.0 million, and paid debt issuance costs of \$3.5 \$4.4 million in the three six months ended March 31, 2022 June 30, 2022 related to the Amended 8 and Restated Credit Agreement.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Also in the first quarter six months of 2022, we made a voluntary prepayment prepayments of \$25.0 \$50.0 million on our Term Loan B Facility. As a result, we expensed approximately \$0.2 \$0.4 million for the write-off of a portion of the unamortized debt issuance costs that we had been amortizing over the expected life of this borrowing.

The Senior Secured Credit Facilities provide back-up liquidity for our foreign credit facilities. We intend to use the availability of long-term financing under the Senior Secured Credit Facilities 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.

Redemption of 6.25% Notes due 2026 In the first quarter of 2022, we used the proceeds from the upsized Term Loan A Facility to voluntarily redeem a portion of our 6.25% Notes due 2026. This resulted in a principal payment of \$220.0 million and \$0.2 million in accrued interest. We also expensed approximately \$1.8 million for the write-off of a portion of the unamortized debt issuance costs that we had been amortizing over the expected life of the borrowing, and approximately \$3.4 million for the payment of an early redemption premium.

Repayment of Tekfor Group Indebtedness Upon the acquisition of Tekfor in June 2022, we assumed \$23.4 million of existing Tekfor indebtedness, of which we repaid \$10.7 million in the second quarter of 2022.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Foreign credit facilities and Other We utilize local currency credit facilities to finance the operations of certain foreign subsidiaries. At March 31, 2023 June 30, 2023, \$73.6 million \$73.3 million was outstanding under our foreign credit facilities, as compared to \$72.7 million at December 31, 2022. At March 31, 2023 June 30, 2023, an additional \$63.7 million \$72.8 million was available under our foreign credit facilities.

Weighted-Average Interest Rate The weighted-average interest rate of our long-term debt outstanding was 6.6% at both March 31, 2023 June 30, 2023 and December 31, 2022.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. DERIVATIVES

Our business and financial results are affected by fluctuations in global 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 derivative contracts From time to time, we use foreign currency forward contracts to reduce the effects of fluctuations in exchange rates relating to certain foreign currencies. As of March 31, 2023 June 30, 2023 and December 31, 2022, we had currency forward contracts outstanding with a total notional amount of \$192.3 million \$197.6 million and \$179.9 million, respectively, that hedge our exposure to changes in foreign currency exchange rates for certain payroll expenses into the fourth first quarter of 2025 2026 and the purchase of certain direct and indirect inventory and other working capital items into the fourth first quarter of 2023 2024.

Fixed-to-fixed cross-currency swap In 2022, we entered into a fixed-to-fixed cross-currency swap to reduce the variability of functional currency equivalent cash flows associated with changes in exchange rates on certain Euro-based intercompany loans. We had notional amounts outstanding under fixed-to-fixed cross-currency swaps of €200.0 million at both March 31, 2023 June 30, 2023 and December 31, 2022, which were equivalent to \$216.6 \$218.0 million and \$213.9 million, respectively. The fixed-to-fixed cross-currency swap hedges our exposure to changes in exchange rates on the intercompany loans into the second quarter of 2024.

Variable-to-fixed interest rate swaps In 2022, and in the first quarter of 2023, we entered into variable-to-fixed interest rate swaps to reduce the variability of cash flows associated with interest payments on our variable rate debt. As of March 31, 2023 June 30, 2023, we have \$700.0 million notional amount hedged in relation to our variable-to-fixed interest rate swaps into the third quarter of 2027, \$200.0 million of which continues into the fourth quarter of 2029.

The following table summarizes the reclassification of pre-tax derivative gains and losses into net income from accumulated other comprehensive income (loss) for those derivative instruments designated as cash flow hedges under Accounting Standards Codification (ASC) 815 - *Derivatives and Hedging*:

		Gain (Loss)	Total of	Gain			Gain (Loss)	
	Location	Reclassified During	Financial	Expected		Location	Reclassified During	
	of Gain	Three Months Ended	Statement	to be		of Gain	Three Months Ended	Six Months En
	(Loss)			Reclassified		(Loss)		

		Reclassified into Net Income	March 31,		Line Item	During the Next 12 Months		Reclassified into Net Income	June 30,		June 30,	
			2023	2022	2023				2023	2022	2023	
			(in millions)						(in millions)			
Currency forward contracts	Currency forward contracts	Cost of Goods Sold	\$ 3.3	\$ 1.2	\$ 1,333.3	\$ 14.3	Currency forward contracts	Cost of Goods Sold	\$ 5.5	\$ 1.9	\$ 8.8	\$
Fixed-to-fixed cross-currency swap	Fixed-to-fixed cross-currency swap	Other Income (Expense), net	(2.7)	6.0	3.7	0.3	Fixed-to-fixed cross-currency swap	Other Income (Expense), net	(1.3)	11.9	(4.0)	
Variable-to-fixed interest rate swap	Variable-to-fixed interest rate swap	Interest Expense	0.6	(2.9)	(50.5)	0.8	Variable-to-fixed interest rate swap	Interest Expense	0.2	(0.5)	0.8	

See Note 12 - Reclassifications Out of Accumulated Other Comprehensive Income (Loss) (AOCI) for amounts recognized in other comprehensive income during the three and six months ended **March 31, 2023**, **June 30, 2023** and 2022.

The following table summarizes the amount and location of gains and losses recognized in the Condensed Consolidated Statements of **Operations** **Income** for those derivative instruments not designated as hedging instruments under ASC 815:

	Location of Gain Recognized in Net Income	Gain Recognized During Three Months Ended March 31,		Total of Financial Statement Line Item	
		2023	2022	2023	
		(in millions)			
Currency forward contracts	Other Income (Expense), net	\$ 2.1	\$ 1.0	\$	3.7

	Location of Gain Recognized in Net Income	Gain Recognized During Three Months Ended June 30,		Six Months Ended June 30,		Total of Financial Statement Line Item	
		2023	2022	2023	2022	2023	
		(in millions)					
Currency forward contracts	Other Income (Expense), net	\$ 1.6	\$ 0.1	\$ 3.7	\$ 1.1	\$	3.2

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. FAIR VALUE

ASC 820 - *Fair Value Measurement* 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 carrying value of our financial assets and liabilities that are recognized at fair value on a recurring basis, using available market information and other observable data, are as follows:

	Fair Value	Fair Value
--	------------	------------

		December 31,					December 31,					
		March 31, 2023		2022		Input		June 30, 2023		2022		Input
		(in millions)						(in millions)				
Balance Sheet Classification	Balance Sheet Classification						Balance Sheet Classification					
Cash equivalents	Cash equivalents	\$	306.2	\$	363.6	Level 1	Cash equivalents	\$	324.1	\$	363.6	Level 1
Prepaid expenses and other	Prepaid expenses and other						Prepaid expenses and other					
Cash flow hedges - currency forward contracts	Cash flow hedges - currency forward contracts		14.3		8.2	Level 2	Cash flow hedges - currency forward contracts		17.3		8.2	Level 2
Cash flow hedges - variable-to-fixed interest rate swap	Cash flow hedges - variable-to-fixed interest rate swap		1.1		2.4	Level 2	Cash flow hedges - variable-to-fixed interest rate swap		4.5		2.4	Level 2
Nondesignated - currency forward contracts	Nondesignated - currency forward contracts		1.2		0.5	Level 2	Nondesignated - currency forward contracts		1.4		0.5	Level 2
Other assets and deferred charges	Other assets and deferred charges						Other assets and deferred charges					
Cash flow hedges - currency forward contracts	Cash flow hedges - currency forward contracts		6.2		3.0	Level 2	Cash flow hedges - currency forward contracts		7.6		3.0	Level 2
Cash flow hedges - variable-to-fixed interest rate swap	Cash flow hedges - variable-to-fixed interest rate swap		3.5		8.5	Level 2	Cash flow hedges - variable-to-fixed interest rate swap		15.1		8.5	Level 2
Investment in equity securities	Investment in equity securities		1.6		1.9	Level 1	Investment in equity securities		1.9		1.9	Level 1
Accrued expenses and other	Accrued expenses and other						Accrued expenses and other					
Cash flow hedges - variable-to-fixed interest rate swap			0.3		—	Level 2						
Cash flow hedges - fixed-to-fixed cross-currency swap							Cash flow hedges - fixed-to-fixed cross-currency swap		6.5		—	Level 2
Postretirement benefits and other long-term liabilities	Postretirement benefits and other long-term liabilities						Postretirement benefits and other long-term liabilities					
Cash flow hedges - fixed-to-fixed cross-currency swap	Cash flow hedges - fixed-to-fixed cross-currency swap		4.7		1.5	Level 2	Cash flow hedges - fixed-to-fixed cross-currency swap		—		1.5	Level 2
Cash flow hedges - variable-to-fixed interest rate swap			1.5		—	Level 2						

The carrying values of our cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturities of these instruments. The carrying values of our borrowings under the foreign credit facilities approximate their fair value due to the frequent resetting of the interest rates.

We have an investment in the equity securities of REE Automotive, an e-mobility company. These equity securities are measured at fair value each reporting period with changes in fair value reported through an unrealized gain or loss within Other income (expense), net in our Condensed Consolidated Statement of Operations. Income. As of March 31, 2023 June 30, 2023, our investment in REE shares was valued at \$1.6 \$1.9 million based on a closing price on that date of \$0.33 \$0.38 per share.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We estimated the fair value of the amounts outstanding on our debt using available market information and other observable data, to be as follows:

		March 31, 2023		December 31, 2022		Input		June 30, 2023		December 31, 2022		Input
		Carrying Amount	Fair Value	Carrying Amount	Fair Value			Carrying Amount	Fair Value	Carrying Amount	Fair Value	
		(in millions)						(in millions)				
Revolving Credit Facility	Revolving Credit Facility	\$ —	\$ —	\$ 25.0	\$ 25.0	Level 2	Revolving Credit Facility	\$ —	\$ —	\$ 25.0	\$ 25.0	Level 2
Term Loan A Facility	Term Loan A Facility	520.0	509.6	520.0	510.3	Level 2	Term Loan A Facility	500.5	489.9	520.0	510.3	Level 2
Term Loan B Facility	Term Loan B Facility	673.3	668.3	675.0	658.1	Level 2	Term Loan B Facility	664.9	662.4	675.0	658.1	Level 2
6.875% Notes due 2028	6.875% Notes due 2028	400.0	359.9	400.0	355.4	Level 2	6.875% Notes due 2028	400.0	370.0	400.0	355.4	Level 2
6.50% Notes due 2027	6.50% Notes due 2027	500.0	456.4	500.0	452.5	Level 2	6.50% Notes due 2027	500.0	471.3	500.0	452.5	Level 2
6.25% Notes due 2026	6.25% Notes due 2026	180.0	172.8	180.0	165.7	Level 2	6.25% Notes due 2026	180.0	174.2	180.0	165.7	Level 2
5.00% Notes due 2029	5.00% Notes due 2029	600.0	499.5	600.0	474.9	Level 2	5.00% Notes due 2029	600.0	499.5	600.0	474.9	Level 2

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. EMPLOYEE BENEFIT PLANS

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

The components of net periodic benefit cost (credit) are as follows:														
		Pension Benefits				Pension Benefits								
		Three Months Ended				Three Months Ended				Six Months Ended				
		March 31,				June 30,				June 30,				
		2023		2022		2023		2022		2023		2022		
		(in millions)				(in millions)								
Service cost	Service cost	\$	0.3	\$	0.5	Service cost	\$	0.2	\$	0.4	\$	0.5	\$	0.9
Interest cost	Interest cost		6.0		4.2	Interest cost		6.1		4.2		12.1		8.4
Expected asset return	Expected asset return		(7.2)		(8.0)	Expected asset return		(7.3)		(7.8)		(14.5)		(15.8)
Amortized loss	Amortized loss		1.0		1.9	Amortized loss		1.1		1.9		2.1		3.8
Net periodic benefit cost (credit)	Net periodic benefit cost (credit)	\$	0.1	\$	(1.4)	Net periodic benefit cost (credit)	\$	0.1	\$	(1.3)	\$	0.2	\$	(2.7)
		Other Postretirement Benefits				Other Postretirement Benefits								
		Three Months Ended				Three Months Ended				Six Months Ended				
		March 31,				June 30,				June 30,				
		2023		2022		2023		2022		2023		2022		
		(in millions)				(in millions)								

Service cost	Service cost	\$ —	\$ 0.1	Service cost	\$ 0.1	\$ —	\$ 0.1	\$ 0.1
Interest cost	Interest cost	2.5	2.1	Interest cost	2.5	2.1	5.0	4.2
Amortized loss (gain)	Amortized loss (gain)	(2.1)	0.1	Amortized loss (gain)	(2.1)	0.1	(4.2)	0.2
Amortized prior service credit	Amortized prior service credit	(0.1)	(0.2)	Amortized prior service credit	(0.1)	(0.2)	(0.2)	(0.4)
Net periodic benefit cost	Net periodic benefit cost	\$ 0.3	\$ 2.1	Net periodic benefit cost	\$ 0.4	\$ 2.0	\$ 0.7	\$ 4.1

The noncurrent liabilities associated with our pension and other postretirement benefit plans are classified as Postretirement benefits and other long-term liabilities on our Condensed Consolidated Balance Sheets. As of March 31, 2023, June 30, 2023 and December 31, 2022, we have a noncurrent pension liability of \$71.7 million, \$69.6 million and \$73.5 million, respectively. As of March 31, 2023, June 30, 2023 and December 31, 2022, we have a noncurrent other postretirement benefits liability of \$303.3 million, \$302.0 million and \$304.8 million, respectively.

Due to the availability of our pre-funded pension balances (previous contributions in excess of prior required pension contributions), we expect our regulatory pension funding requirements in 2023 to be less than \$1.0 million. We expect our cash payments for other postretirement benefit obligations in 2023, net of GM cost sharing, to be approximately \$14.6 million.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. PRODUCT WARRANTIES

We record a liability for estimated warranty obligations at the dates our products are sold. These estimates are established using sales volumes and internal and external warranty data where there is no payment history and historical information about the average cost of warranty claims for customers with prior claims. We estimate our costs based on the contractual arrangements with our customers, existing customer warranty terms and internal and external warranty data, which includes a determination of our warranty claims and actions taken to improve product quality and minimize warranty claims. We continuously evaluate these estimates and our customers' administration of their warranty programs. We 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					Three Months Ended		Six Months Ended			
	March 31,					June 30,		June 30,			
	2023	2022				2023	2022	2023	2022		
	(in millions)					(in millions)					
Beginning balance	Beginning balance	\$ 54.1	\$ 59.5	Beginning balance	\$ 61.4	\$ 60.4	\$ 54.1	\$ 59.5			
Accruals	Accruals	8.7	4.0	Accruals	3.6	3.9	12.3	7.9			
Payments	Payments	(1.8)	(3.1)	Payments	(2.5)	(1.0)	(4.3)	(4.1)			
Adjustment to prior period accruals				Adjustment to prior period accruals			(0.4)	(0.6)	(0.4)	(0.6)	
Foreign currency translation	Foreign currency translation	0.4	—	Foreign currency translation	(0.4)	(0.8)	—	(0.8)			
Ending balance	Ending balance	\$ 61.4	\$ 60.4	Ending balance	\$ 61.7	\$ 61.9	\$ 61.7	\$ 61.9			

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. INCOME TAXES

We adjust our effective tax rate each quarter based on our estimated annual effective tax rate. We also record the tax impact of certain discrete, unusual or infrequently occurring items, including changes in judgment about valuation allowances and the effects of changes in tax laws or rates on deferred tax balances, 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.

Our income tax expense and effective income tax rate for the three and six months ended March 31, 2023 June 30, 2023 and 2022 are as follows:

	Three Months Ended March 31,					Three Months Ended June 30,				Six Months Ended June 30,				
	2023		2022			2023		2022		2023		2022		
	(in millions)					(in millions)								
Income tax expense	Income tax expense	\$	—	\$	3.0	Income tax expense	\$	5.3	\$	0.6	\$	5.3	\$	3.6
Effective income tax rate	Effective income tax rate	—	%	75.0	%	rate	39.8	%	2.6	%	64.6	%	13.1	%

During the three months ended March 31, 2023 June 30, 2023, we recognized an income tax benefit of approximately \$3.2 million related to the release of a valuation allowance in a foreign jurisdiction. For the three and six months ended June 30, 2023, in computing our estimated annual effective tax rate, we recorded a full valuation allowance against the deferred tax asset on the current year estimated disallowed interest expense in the U.S. In addition, we recorded a valuation allowance against a portion of the deferred tax asset on prior year disallowed interest expense in the U.S. and reduced our liability for unrecognized income tax benefits and related interest and penalties as a result of a change in estimate on previously recorded unrecognized tax benefits in certain jurisdictions, resulting in net tax expense of \$3.4 million during the three six months ended March 31, 2023 June 30, 2023.

Our effective income tax rate rates for the three and six months ended March 31, 2023 varies June 30, 2023 vary from our effective income tax rate rates for the three and six months ended March 31, 2022 June 30, 2022 primarily as a result of the impact of the discrete items noted above, the \$11.6 million gain on bargain purchase of business that was recognized in both the three and six months ended June 30, 2022, which was not subject to income tax, and the mix of earnings on a jurisdictional basis and the impact of the discrete items noted above. basis.

For the three and six months ended March 31, 2023 June 30, 2023, our effective income tax rate varies rates vary from the U.S. federal statutory rate primarily due to the unfavorable impact related to the disallowed interest expense deductions in the U.S., net of the impact of the reduction in unrecognized tax benefits, as well as favorable foreign tax rates and the impact of tax credits. For the three and six months ended March 31, 2022 June 30, 2022, our effective income tax rate varies rates vary from the U.S. federal statutory rate primarily due to the gain on bargain purchase of business that was recognized, a benefit from foreign derived intangible income deductions, the change in jurisdictional mix of earnings, as well as favorable foreign tax rates and the impact of tax credits.

In accordance with the guidance in ASC 740 - *Income Taxes*, we review the likelihood that we will realize the benefit of deferred tax assets and estimate whether recoverability of our deferred tax assets is "more likely than not" based on the available evidence. Due to the uncertainty associated with the extent and ultimate impact of the significant supply chain constraints affecting the automotive industry, including volatility in metal and commodity costs, higher utility costs, increased transportation costs, higher labor costs and labor shortages, we may experience lower than projected earnings in certain jurisdictions in future periods, and as a result, it is reasonably possible that changes in valuation allowances could be recognized in future periods and such changes could be material to our financial statements.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Other Income Tax Matters

During their examination of our 2015 U.S. federal income tax return, the Internal Revenue Service (IRS) asserted that income earned by a Luxembourg subsidiary from its Mexican branch operations should be categorized as foreign base company sales income (FBCSI) under Section 954(d) of the Internal Revenue Code and recognized currently as taxable income on our 2015 U.S. federal income tax return. As a result of this assertion, the IRS issued a Notice of Proposed Adjustment (NOPA). AAM disagreed with the NOPA, believes that the proposed adjustment is without merit and contested the matter through the IRS's administrative appeals process. No resolution was reached in the appeals process and in September 2022, the IRS issued a Notice of Deficiency. The IRS subsequently issued a Notice of Tax Due in December 2022 and AAM paid the assessed tax and interest of \$10.1 million in January 2023. We have filed a claim for refund for the amount of tax and interest paid related to this matter for the 2015 tax year and, if necessary, will file suit in the U.S. Court of Federal Claims. We believe it is likely that we will be successful in ultimately defending our position. As such, we have not recorded any impact of the IRS's proposed adjustment in our condensed consolidated financial statements as of, and for the three and six months ended, March 31, 2023 June 30, 2023, with the exception of the cash payment and associated income tax receivable of \$10.1 million paid by AAM to the IRS in the first quarter of 2023. As of March 31, 2023 June 30, 2023, in the event AAM is not successful in defending its position, the potential additional income tax expense, including estimated interest charges, related to tax years 2015 through 2022, is estimated to be in the range of approximately \$285 million to \$335 million.

In a matter of related interest, in May 2020, the U.S. Tax Court ruled against another U.S. corporation, finding that the income it earned through a Mexican branch of its Luxembourg subsidiary corporation was FBCSI. In that situation, the taxpayer appealed the U.S. Tax Court decision to the U.S. Court of Appeals for the Sixth Circuit. In December 2021, the U.S. Court of Appeals affirmed, in a split decision, the Tax Court decision in favor of the IRS. In January 2022, the taxpayer in the above referenced matter filed a petition for rehearing and this petition was denied. Finally, in June 2022, the taxpayer filed a petition with the U.S. Supreme Court to review the judgment of the U.S. Court of Appeals for the Sixth Circuit and in November 2022 that petition was also denied. Notwithstanding the decisions rendered in that case, and because our position is based upon different facts and

circumstances, including but not limited to, differences in structure, and different income tax regulations in effect for our tax years under examination, we continue to believe, after consultation with tax and legal counsel that it is more likely than not that our structure does not give rise to FBCSI.

Negative or unexpected outcomes of tax examinations and audits, and any related litigation, could have a material adverse impact on our results of operations, financial condition and cash flows. We will continue to monitor the progress and conclusions of all ongoing audits and other communications with tax authorities and will adjust our estimated liability as necessary. As of **March 31, 2023**, **June 30, 2023** and December 31, 2022, we have recorded a liability for unrecognized income tax benefits and related interest and penalties of **\$32.8**, **\$29.6** million and \$40.5 million, respectively.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. EARNINGS (LOSS) PER SHARE (EPS)

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

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

		Three Months Ended			Three Months Ended		Six Months Ended					
		March 31,			June 30,		June 30,					
		2023	2022		2023	2022	2023	2022				
		(in millions, except per share data)			(in millions, except per share data)							
Numerator	Numerator			Numerator								
Net income (loss)		\$ (5.1)	\$ 1.0									
Net income					Net income	\$ 8.0	\$ 22.9		\$ 2.9	\$ 23.9		
Less: Net income attributable to participating securities	Less: Net income attributable to participating securities	—	—	Less: Net income attributable to participating securities	(0.1)	(1.0)	(0.1)	(1.0)				
Net income (loss) attributable to common shareholders - Basic and Dilutive		\$ (5.1)	\$ 1.0									
Net income attributable to common shareholders - Basic and Dilutive					Net income attributable to common shareholders - Basic and Dilutive				\$ 7.9	\$ 21.9	\$ 2.8	\$ 22.9
Denominators	Denominators			Denominators								
Basic common shares outstanding -	Basic common shares outstanding -			Basic common shares outstanding -								
Weighted-average shares outstanding	Weighted-average shares outstanding	119.8	118.8	Weighted-average shares outstanding	120.4	119.5	120.1	119.2				
Less: Weighted-average participating securities	Less: Weighted-average participating securities	(4.6)	(4.6)	Less: Weighted-average participating securities	(3.4)	(5.0)	(4.0)	(4.8)				
Weighted-average common shares outstanding	Weighted-average common shares outstanding	115.2	114.2	Weighted-average common shares outstanding	117.0	114.5	116.1	114.4				
Effect of dilutive securities -	Effect of dilutive securities -			Effect of dilutive securities -								
Dilutive stock-based compensation	Dilutive stock-based compensation	—	0.5	Dilutive stock-based compensation	0.2	0.8	0.2	0.6				

Diluted shares outstanding - Adjusted weighted-average shares after assumed conversions	Diluted shares outstanding - Adjusted weighted-average shares after assumed conversions	115.2	114.7	Diluted shares outstanding - Adjusted weighted-average shares after assumed conversions	117.2	115.3	116.3	115.0
Basic EPS	Basic EPS	\$ (0.04)	\$ 0.01	Basic EPS	\$ 0.07	\$ 0.19	\$ 0.02	\$ 0.20
Diluted EPS	Diluted EPS	\$ (0.04)	\$ 0.01	Diluted EPS	\$ 0.07	\$ 0.19	\$ 0.02	\$ 0.20

Basic and dilutive loss per share are the same for the three months ended March 31, 2023 because the effect of potentially dilutive stock-based compensation would have been antidilutive. Excluded potentially dilutive shares were 0.2 million in the three months ended March 31, 2023.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (AOCI)

Reclassification adjustments and other activity impacting accumulated other comprehensive income (loss) during the three six months ended March 31, 2023 June 30, 2023 and March 31, 2022 June 30, 2022 are as follows (in millions):

	Defined Benefit Plans	Foreign Currency Translation Adjustments	Unrecognized Gain (Loss) on Cash Flow Hedges	Total
Balance at December 31, 2022	\$ (146.9)	\$ (149.7)	\$ 21.2	\$ (275.4)
Other comprehensive income before reclassifications	—	8.8	1.9	10.7
Income tax effect of other comprehensive income before reclassifications	—	—	2.2	2.2
Amounts reclassified from accumulated other comprehensive income (loss)	(1.2) (a)	—	(1.2) (b)	(2.4)
Income taxes reclassified into net loss	0.5	—	(0.4)	0.1
Net change in accumulated other comprehensive income (loss)	(0.7)	8.8	2.5	10.6
Balance at March 31, 2023	\$ (147.6)	\$ (140.9)	\$ 23.7	\$ (264.8)

	Defined Benefit Plans	Foreign Currency Translation Adjustments	Unrecognized Gain (Loss) on Cash Flow Hedges	Total
Balance at March 31, 2023	\$ (147.6)	\$ (140.9)	\$ 23.7	\$ (264.8)
Other comprehensive income (loss) before reclassifications	—	(4.7)	25.2	20.5
Income tax effect of other comprehensive income (loss) before reclassifications	—	—	(3.2)	(3.2)
Amounts reclassified from accumulated other comprehensive income (loss)	(1.1) (a)	—	(4.4) (b)	(5.5)
Income taxes reclassified into net income	0.4	—	(0.3)	0.1
Net change in accumulated other comprehensive income (loss)	(0.7)	(4.7)	17.3	11.9
Balance at June 30, 2023	\$ (148.3)	\$ (145.6)	\$ 41.0	\$ (252.9)

	Defined Benefit Plans	Foreign Currency Translation Adjustments	Unrecognized Gain (Loss) on Cash Flow Hedges	Total
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Balance at December 31, 2021	\$ (241.9)	\$ (111.3)	\$ (11.6)	\$ (364.8)
Other comprehensive income before reclassifications	—	6.0	22.9	28.9
Income tax effect of other comprehensive income before reclassifications	—	—	(3.5)	(3.5)
Amounts reclassified from accumulated other comprehensive income (loss)	1.8 (a)	—	(4.3) (b)	(2.5)
Income taxes reclassified into net income	(0.5)	—	0.6	0.1
Net change in accumulated other comprehensive income (loss)	1.3	6.0	15.7	23.0
Balance at March 31, 2022	\$ (240.6)	\$ (105.3)	\$ 4.1	\$ (341.8)

	Defined Benefit Plans	Foreign Currency Translation Adjustments	Unrecognized Gain (Loss) on Cash Flow Hedges	Total
Balance at March 31, 2022	\$ (240.6)	\$ (105.3)	\$ 4.1	\$ (341.8)
Other comprehensive income (loss) before reclassifications	—	(42.3)	11.4	(30.9)
Income tax effect of other comprehensive income (loss) before reclassifications	—	—	(2.2)	(2.2)
Amounts reclassified from accumulated other comprehensive income (loss)	1.8 (a)	—	(13.3) (b)	(11.5)
Income taxes reclassified into net income	(0.5)	—	2.4	1.9
Net change in accumulated other comprehensive income (loss)	1.3	(42.3)	(1.7)	(42.7)
Balance at June 30, 2022	\$ (239.3)	\$ (147.6)	\$ 2.4	\$ (384.5)

(a) These amounts were reclassified from AOCI to Other income (expense), net for the three months ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 30, 2022**.

(b) The amounts reclassified from AOCI included **\$(3.3)** **\$(5.5)** million in cost of goods sold (COGS), **\$(0.6)** **\$(0.2)** million in interest expense and **\$2.7 million** **\$1.3 million** in Other income (expense), net for the three months ended **March 31, 2023** **June 30, 2023** and **\$(1.2)** **\$(1.9)** million in COGS, **\$2.9 million** **\$0.5 million** in interest expense and **\$(6.0)** **\$(11.9)** million in Other income (expense), net for the three months ended **March 31, 2022** **June 30, 2022**.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Defined Benefit Plans	Foreign Currency Translation Adjustments	Unrecognized Gain (Loss) on Cash Flow Hedges	Total
Balance at December 31, 2022	\$ (146.9)	\$ (149.7)	\$ 21.2	\$ (275.4)
Other comprehensive income before reclassifications	—	4.1	27.1	31.2
Income tax effect of other comprehensive income before reclassifications	—	—	(1.0)	(1.0)
Amounts reclassified from accumulated other comprehensive income (loss)	(2.3) (a)	—	(5.6) (b)	(7.9)
Income taxes reclassified into net income	0.9	—	(0.7)	0.2
Net change in accumulated other comprehensive income (loss)	(1.4)	4.1	19.8	22.5
Balance at June 30, 2023	\$ (148.3)	\$ (145.6)	\$ 41.0	\$ (252.9)

	Defined Benefit Plans	Foreign Currency Translation Adjustments	Unrecognized Gain (Loss) on Cash Flow Hedges	Total
Balance at December 31, 2021	\$ (241.9)	\$ (111.3)	\$ (11.6)	\$ (364.8)
Other comprehensive income (loss) before reclassifications	—	(36.3)	34.3	(2.0)
Income tax effect of other comprehensive income (loss) before reclassifications	—	—	(5.7)	(5.7)
Amounts reclassified from accumulated other comprehensive income (loss)	3.6 (a)	—	(17.6) (b)	(14.0)
Income taxes reclassified into net income	(1.0)	—	3.0	2.0
Net change in accumulated other comprehensive income (loss)	2.6	(36.3)	14.0	(19.7)
Balance at June 30, 2022	<u>\$ (239.3)</u>	<u>\$ (147.6)</u>	<u>\$ 2.4</u>	<u>\$ (384.5)</u>

(a) These amounts were reclassified from AOCI to Other income (expense), net for the six months ended June 30, 2023 and June 30, 2022.

(b) The amounts reclassified from AOCI included \$(8.8) million in cost of goods sold (COGS), \$(0.8) million in interest expense and \$4.0 million in Other income (expense), net for the six months ended June 30, 2023 and \$(3.1) million in COGS, \$3.4 million in interest expense and \$(17.9) million in Other income (expense), net for the six months ended June 30, 2022.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

Net sales recognized from contracts with customers, disaggregated by segment and geographical location, are presented in the following table for the three and six months ended March 31, 2023 June 30, 2023 and 2022. Net sales are attributed to regions based on the location of production. Intersegment sales have been excluded from the table.

In the first quarter of 2023, we moved a plant location that was previously reported under our Driveline segment to our Metal Forming segment in order to better align our product and process technologies. The amounts in the table below for the three and six months ended March 31, 2022 June 30, 2022 have been recast to reflect this reorganization.

		Three Months Ended June 30, 2023							
		Three Months Ended March 31, 2023					(in millions)		
		Metal					Metal		
		Driveline	Forming	Total			Driveline	Forming	Total
North America	North America	\$ 783.0	\$ 328.5	\$ 1,111.5	North America	\$ 827.1	\$ 332.6	\$ 1,159.7	
Asia	Asia	105.8	6.7	112.5	Asia	118.5	10.5	129.0	
Europe	Europe	99.8	122.9	222.7	Europe	111.4	119.2	230.6	
South America	South America	25.2	22.0	47.2	South America	29.4	22.0	51.4	
Total	Total	\$ 1,013.8	\$ 480.1	\$ 1,493.9	Total	\$ 1,086.4	\$ 484.3	\$ 1,570.7	
		Three Months Ended March 31, 2022					Three Months Ended June 30, 2022		
		Metal					Metal		
		Driveline	Forming	Total			Driveline	Forming	Total
North America	North America	\$ 808.6	\$ 318.6	\$ 1,127.2	North America	\$ 808.9	\$ 319.1	\$ 1,128.0	
Asia	Asia	117.0	10.5	127.5	Asia	93.1	8.4	101.5	
Europe	Europe	105.8	59.2	165.0	Europe	100.6	77.9	178.5	
South America	South America	14.0	2.5	16.5	South America	22.1	8.2	30.3	
Total	Total	\$ 1,045.4	\$ 390.8	\$ 1,436.2	Total	\$ 1,024.7	\$ 413.6	\$ 1,438.3	

		Six Months Ended June 30, 2023		
		Metal		
		Driveline	Forming	Total
North America	North America	\$ 1,610.1	\$ 661.1	\$2,271.2
Asia	Asia	224.3	17.2	241.5
Europe	Europe	211.2	242.1	453.3
South America	South America	54.6	44.0	98.6
Total	Total	\$ 2,100.2	\$ 964.4	\$3,064.6
		Six Months Ended June 30, 2022		
		Metal		
		Driveline	Forming	Total
North America	North America	\$ 1,617.5	\$ 637.7	\$2,255.2
Asia	Asia	210.1	18.9	229.0
Europe	Europe	206.4	137.1	343.5
South America	South America	36.1	10.7	46.8
Total	Total	\$ 2,070.1	\$ 804.4	\$2,874.5

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Contract Assets and Liabilities

The following table summarizes our beginning and ending balances for accounts receivable and contract liabilities associated with our contracts with customers (*in millions*):

		Contract					Contract		
		Accounts Receivable, Net	Contract Liabilities (Current)	Contract Liabilities (Long-term)			Accounts Receivable, Net	Contract Liabilities (Current)	Contract Liabilities (Long-term)
December 31, 2022	December 31, 2022	\$ 820.2	\$ 28.1	\$ 73.4	December 31, 2022	\$ 820.2	\$ 28.1	\$ 73.4	
March 31, 2023		892.1	26.9	68.5					
June 30, 2023	June 30, 2023				June 30, 2023	921.1	15.9	69.3	
Increase/(decrease)	Increase/(decrease)	\$ 71.9	\$ (1.2)	\$ (4.9)	Increase/(decrease)	\$ 100.9	\$ (12.2)	\$ (4.1)	

Contract liabilities relate to deferred revenue associated with various settlements and commercial agreements for which we have a future performance obligation to the customer. We recognize this deferred revenue into revenue over the life of the associated program as we satisfy our performance obligations to the customer. We do not have contract assets as defined in ASC 606. We amortized previously recorded contract liabilities into revenue as we satisfied performance obligations with our customers of approximately \$7.6 \$21.5 million and \$7.9 \$15.6 million for the three six months ended March 31, 2023 June 30, 2023 and 2022, respectively.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. ACQUISITIONS AND DISPOSITIONS

Acquisition of Tekfor Group

On June 1, 2022, our acquisition of Tekfor Group became effective and we paid a total purchase price of \$94.4 million, which was funded entirely with cash on hand. Tekfor Group manufactures high-performance components, modules and fasteners, including traditional powertrain and driveline components (for both internal combustion and hybrid applications), and e-mobility components. Our acquisition of Tekfor contributes to diversifying our geographic and customer sales mix, while also increasing our electrification product portfolio.

The acquisition of Tekfor Group was accounted for under the acquisition method under ASC 805 - *Business Combinations* with the purchase price allocated to the identifiable assets and liabilities of the acquired company based on the respective fair values of the assets and liabilities.

The following represents the fair values of the assets acquired and liabilities assumed resulting from the acquisition (*in millions*):

Total consideration transferred	\$	94.4
Cash and cash equivalents	\$	14.3
Accounts receivable		33.7
Inventories		46.3
Prepaid expenses and other long-term assets		30.1
Deferred income tax assets		5.0
Property, plant and equipment		105.5
Total assets acquired	\$	234.9
Accounts payable		33.5
Accrued expenses and other		28.1
Debt		23.4
Postretirement benefits and other long-term liabilities		41.9
Net assets acquired	\$	108.0
Gain on bargain purchase of business	\$	13.6

The gain on bargain purchase of business was primarily the result of macroeconomic factors such as the supply chain disruptions impacting the automotive industry, including the conflict between Russia and Ukraine, the semiconductor supply shortage, and increasing input costs, including materials, freight and utilities.

We finalized the valuation of the assets and liabilities of Tekfor in the first quarter of 2023 as we concluded the customary post-closing reviews associated with the acquisition. There were no adjustments to the purchase price allocation in the three or six months ended March 31, 2023 June 30, 2023.

Included in net sales and net loss income for the period from January 1, 2023 through March 31, 2023 June 30, 2023 was approximately \$101 \$199 million and a loss of \$4 approximately \$8 million, respectively, attributable to Tekfor. Included in net sales and net income for the period from the acquisition effective date on June 1, 2022 through June 30, 2022 was approximately \$29 million and \$7 million, respectively, attributable to Tekfor. The net income amount for the second quarter 2022 includes the gain on bargain purchase of business of \$11.6 million, which was prior to subsequent measurement period adjustments resulting in the final gain on bargain purchase of business of \$13.6 million, as well as a one-time expense of \$5.0 million for the step-up of inventory to fair value.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Unaudited Pro Forma Financial Information

Unaudited pro forma net sales for AAM, on a combined basis with Tekfor for the three six months ended March 31, 2022 June 30, 2022 were \$1.5 \$3.0 billion, excluding Tekfor sales to AAM during the period. Unaudited pro forma net income for the three six months ended March 31, 2022 June 30, 2022 was approximately \$1.0 \$20.0 million. Unaudited pro forma earnings per share for the three six months ended March 31, 2022 were \$0.01 June 30, 2022 was \$0.17 per share.

The unaudited pro forma net income amount for the six months ended June 30, 2022 has been adjusted by approximately \$4 million, net of tax, related to the step-up of inventory to fair value as a result of the acquisition, approximately \$5 million, net of tax, for acquisition-related costs, and approximately \$12 million for the gain on bargain purchase of business recognized, which was not subject to tax. This resulted in a net adjustment to pro forma net income of approximately \$3 million for the first six months of 2022 as we are required to disclose the unaudited pro forma amounts as if the acquisition of Tekfor had been completed on January 1, 2021.

The disclosure of unaudited pro forma net sales and earnings is for informational purposes only and does not purport to indicate the results that would actually have been obtained had the merger been completed on the assumed date for the periods presented, or which may be realized in the future.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. MANUFACTURING FACILITY FIRE AND INSURANCE RECOVERY

In the third quarter of 2020, a significant industrial fire occurred at our Malvern Manufacturing Facility in Ohio (Malvern Fire). All associates were evacuated safely and without injury and we were able to maintain continuity of supply to our customers without any significant disruptions. In the fourth quarter of 2022, we finalized the claim with our insurance providers. In January 2023, we collected the final \$24.0 million associated with this claim, of which \$7.0 million has been presented as an operating cash inflow and \$17.0 million has been presented as an investing cash inflow in our Condensed Consolidated Statement of Cash Flows for the first quarter six months of 2023. There was no impact on our Condensed Consolidated Statement of Operations Income for the three six months ended March 31, 2023 June 30, 2023 associated with the Malvern Fire.

Our insurance policies covered the repair, replacement or actual cash value of the assets that incurred loss or damage, less our applicable deductible of \$1.0 million. In addition, our insurance policies provided coverage for interruption to our business, including lost or reduced profits and reimbursement for certain expenses and costs that were incurred related to the fire. In the three six months ended March 31, 2022 June 30, 2022, we recorded \$0.7 \$1.4 million of charges primarily related to transportation and freight and other

costs incurred to resume or relocate operations and ensure continuity of supply to our customers. We also recorded an estimated insurance recovery of \$6.2 \$6.8 million and received reimbursements and advances under our insurance policies of approximately \$3.6 \$11.7 million, of which were approximately \$7.1 million was presented as an operating cash flow and \$4.6 million was presented as an investing cash flow in our Condensed Consolidated Statement of Cash Flows. This resulted in net pre-tax income in our Condensed Consolidated Statement of Operations Income of approximately \$5.5 \$5.4 million in Cost of goods sold for the three six months ended March 31, 2022 June 30, 2022.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. SEGMENT REPORTING

Our business is organized into Driveline and Metal Forming segments, with each representing a reportable segment under ASC 280 - *Segment Reporting*. The results of each segment are regularly reviewed by the chief operating decision maker to assess the performance of the segment and make decisions regarding the allocation of resources to the segments.

Our product offerings by segment are as follows:

- Driveline products consist primarily of front and rear axles, driveshafts, differential assemblies, clutch modules, balance shaft systems, disconnecting driveline technology, and electric and hybrid driveline products and systems for light trucks, sport utility vehicles (SUVs), crossover vehicles, passenger cars and commercial vehicles; and
- Metal Forming products consist primarily of engine, transmission, driveline and safety-critical components for traditional internal combustion engine and electric vehicle architectures including light vehicles, commercial vehicles and off-highway vehicles, as well as products for industrial markets.

We use Segment Adjusted EBITDA as the measure of earnings to assess the performance of each segment and determine the resources to be allocated to the segments. We define EBITDA to be earnings before interest expense, income taxes, depreciation and amortization. Segment Adjusted EBITDA is defined as EBITDA for our reportable segments excluding the impact of restructuring and acquisition-related costs, debt refinancing and redemption costs, loss on the sale of a business, pension settlements, unrealized gains or losses on equity securities, and non-recurring items.

On June 1, 2022, our acquisition of Tekfor became effective and we began consolidating the results of Tekfor on that date, which are reported in our Metal Forming segment for the three months ended March 31, 2023 segment. In the first quarter of 2023, we moved a plant location that was previously reported under our Driveline segment to our Metal Forming segment in order to better align our product and process technologies. The amounts in the tables below for the three and six months ended March 31, 2022 June 30, 2022 have been recast to reflect this reorganization.

The following tables represent information by reportable segment for the three and six months ended March 31, 2023 June 30, 2023 and 2022 (in millions):

		Three Months Ended March 31, 2023			Three Months Ended June 30, 2023		
		Driveline	Metal Forming	Total	Driveline	Metal Forming	Total
Sales	Sales	\$ 1,013.8	\$ 619.1	\$ 1,632.9	\$ 1,086.5	\$ 634.2	\$ 1,720.7
Less: Intersegment sales	Less: Intersegment sales	—	139.0	139.0	0.1	149.9	150.0
Net external sales	Net external sales	\$ 1,013.8	\$ 480.1	\$ 1,493.9	\$ 1,086.4	\$ 484.3	\$ 1,570.7
Segment Adjusted EBITDA	Segment Adjusted EBITDA	\$ 114.1	\$ 61.3	\$ 175.4	\$ 152.1	\$ 39.5	\$ 191.6
		Three Months Ended March 31, 2022			Three Months Ended June 30, 2022		
		Driveline	Metal Forming	Total	Driveline	Metal Forming	Total
Sales	Sales	\$ 1,045.4	\$ 525.1	\$ 1,570.5	\$ 1,024.7	\$ 557.7	\$ 1,582.4
Less: Intersegment sales	Less: Intersegment sales	—	134.3	134.3	—	144.1	144.1
Net external sales	Net external sales	\$ 1,045.4	\$ 390.8	\$ 1,436.2	\$ 1,024.7	\$ 413.6	\$ 1,438.3
Segment Adjusted EBITDA	Segment Adjusted EBITDA	\$ 122.8	\$ 73.3	\$ 196.1	\$ 132.4	\$ 62.7	\$ 195.1

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six Months Ended June 30, 2023			
	Driveline	Metal Forming	Total
Sales	\$ 2,100.3	\$ 1,253.3	\$ 3,353.6
Less: Intersegment sales	0.1	288.9	289.0
Net external sales	\$ 2,100.2	\$ 964.4	\$ 3,064.6
Segment Adjusted EBITDA	\$ 266.2	\$ 100.8	\$ 367.0
Six Months Ended June 30, 2022			
	Driveline	Metal Forming	Total
Sales	\$ 2,070.1	\$ 1,082.8	\$ 3,152.9
Less: Intersegment sales	—	278.4	278.4
Net external sales	\$ 2,070.1	\$ 804.4	\$ 2,874.5
Segment Adjusted EBITDA	\$ 255.2	\$ 136.0	\$ 391.2

The following table represents a reconciliation of Total Segment Adjusted EBITDA to consolidated income (loss) before income taxes for the three and six months ended March 31, 2023, June 30, 2023 and 2022:

7, 2022, June 30, 2022 and 2021.											
		Three Months Ended March 31,				Three Months Ended June 30,				Six Months Ended June 30,	
		2023	2022			2023	2022			2023	2022
		(in millions)						(in millions)			
Total segment adjusted EBITDA	Total segment adjusted EBITDA	\$ 175.4	\$ 196.1	Total segment adjusted EBITDA	\$ 191.6	\$ 195.1	\$ 367.0	\$ 391.2			
Interest expense	Interest expense	(50.5)	(44.7)	Interest expense	(50.2)	(42.7)	(100.7)	(87.4)			
Depreciation and amortization	Depreciation and amortization	(124.9)	(120.4)	Depreciation and amortization	(120.5)	(121.9)	(245.4)	(242.3)			
Restructuring and acquisition- related costs	Restructuring and acquisition- related costs	(4.8)	(8.9)	Restructuring and acquisition- related costs	(7.9)	(9.6)	(12.7)	(18.5)			
Unrealized loss on equity securities		(0.3)	(18.0)								
Unrealized gain (loss) on equity securities						Unrealized gain (loss) on equity securities	0.3	(3.7)	—	(21.7)	
Debt refinancing and redemption costs	Debt refinancing and redemption costs	—	(5.6)	Debt refinancing and redemption costs	—	(0.2)	—	(5.8)			
Non-recurring items:	Non- recurring items:			Non- recurring items:							
Malvern Fire insurance recoveries, net		—	5.5								
Malvern Fire insurance recoveries (charges), net						Malvern Fire insurance recoveries (charges), net	—	(0.1)	—	5.4	
Acquisition- related fair value inventory adjustment						Acquisition- related fair value inventory adjustment	—	(5.0)	—	(5.0)	

Gain on bargain purchase of business			Gain on bargain purchase of business	—	11.6	—	11.6
Income (loss) before income taxes	\$ (5.1)	\$ 4.0					
Income before income taxes			Income before income taxes	\$ 13.3	\$ 23.5	\$ 8.2	\$ 27.5

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, 2022.

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, (ii) American Axle & Manufacturing, Inc. (AAM, Inc.), a Delaware corporation, and its direct and indirect subsidiaries, and, (iii) Metaldyne Performance Group, Inc. (MPG) and its direct and indirect subsidiaries. AAM Inc. and MPG are wholly owned subsidiaries of Holdings.

COMPANY OVERVIEW

As a leading global tier 1 automotive and mobility supplier, AAM designs, engineers and manufactures Driveline and Metal Forming technologies to support electric, hybrid, and internal combustion vehicles. Headquartered in Detroit with over 80 facilities in 18 countries, AAM is bringing the future faster for a safer and more sustainable tomorrow.

Major Customers

We are a primary supplier of driveline components to General Motors Company (GM) for its full-size rear-wheel drive (RWD) light trucks, sport utility vehicles (SUVs), and crossover vehicles manufactured in North America, supplying a significant portion of GM's rear axle and four-wheel drive and all-wheel drive (4WD/AWD) axle requirements for these vehicle platforms. We also supply GM with various products from our Metal Forming segment. Sales to GM were approximately 39% of our consolidated net sales in for the first three six months of 2023, and 40% 41% for both the first three six months of 2022 and 40% for the full year 2022.

We also supply driveline system products to Stellantis N.V. (Stellantis) for programs including the heavy-duty Ram full-size pickup trucks and its derivatives and the AWD Chrysler Pacifica. In addition, we sell various products to Stellantis from our Metal Forming segment. Sales to Stellantis were approximately 17% of our consolidated net sales in for the first three six months of 2023, and 18% for both the first three six months of 2022 and the full year 2022.

We are also a supplier to Ford Motor Company (Ford) for driveline system products on certain vehicle programs including the Bronco Sport, Maverick, Edge, Escape and Lincoln Nautilus, and we also sell various products to Ford from our Metal Forming segment. Sales to Ford were approximately 11% of our consolidated net sales for both the first three six months of 2023 and 12% for both the first three six months of 2022 and 12% for the full year 2022.

No other customer represented 10% or more of consolidated net sales during these periods.

Supply Chain Constraints Impacting the Automotive Industry

During the first three six months of 2023 and 2022, the automotive industry experienced continued to experience significant disruptions in the supply chain, including volatility in metal, commodity and utility costs, shortages of certain raw materials and components, including semiconductor chips, increased transportation costs, higher labor costs and labor shortages. As a result, we have continued to experience volatility in our production schedules, including manufacturing downtime, often with limited notice from customers, higher inventory levels and increased labor costs, which have negatively impacted our results of operations and cash flows during these periods. In addition, during the six months ended June 30, 2023, we experienced lower margins at certain of our locations as a result of production inefficiencies and capacity constraints due, in part, to labor shortages impacting our operations. We continue to work with customers and suppliers in our effort to protect continuity of supply as we expect these challenges to continue throughout 2023. Due to the ongoing uncertainty associated with the these supply chain constraints, the ultimate impact on our net sales, results of operations and cash flows is unknown.

Effect of New Regulatory Pronouncements

Securities and Exchange Commission (SEC) Rule - Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure

On July 26, 2023, the SEC adopted "Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure," a rule that enhances and standardizes disclosures regarding cybersecurity risk management and governance, as well as material cybersecurity incidents. Under this rule, companies will now be required to make annual disclosures describing their processes for identifying and managing material cybersecurity risks, how management assesses and manages such risks, and the Board of Directors' oversight of cybersecurity risks. Companies must also disclose in a Form 8-K the nature, scope and timing of any material cybersecurity incidents identified and the material impact or reasonably likely material impact on the company.

This rule becomes effective 30 days after publication in the Federal Register, and requires public companies to comply with the annual cybersecurity risk disclosure requirements beginning with fiscal years ending on or after December 15, 2023, and to comply with the Form 8-K disclosure of material cybersecurity incidents on the later of 90 days after the rule was published in the Federal Register or December 18, 2023.

RESULTS OF OPERATIONS -- THREE MONTHS ENDED MARCH 31, JUNE 30, 2023 AS COMPARED TO THREE MONTHS ENDED MARCH 31, JUNE 30, 2022

Net Sales

Three Months Ended March 31,						Three Months Ended June 30,				
(in millions)	(in millions)	2023	2022	Change	Percent Change	(in millions)	2023	2022	Change	Percent Change
Net sales	Net sales	\$ 1,493.9	\$ 1,436.2	\$ 57.7	4.0 %	Net sales	\$ 1,570.7	\$ 1,438.3	\$ 132.4	9.2 %

The increase in the first three months second quarter of 2023, as compared to the first three months second quarter of 2022, primarily reflects approximately \$101 million \$69 million as a result of our acquisition of Tekfor that was completed in the second quarter of 2022 and increased production volumes on certain vehicle programs that we support, including those associated with program launches in 2023 from our new and incremental business backlog. These increases were partially offset by a reduction in sales of approximately \$48 million \$38 million associated with the effect of metal market pass-throughs to our customers and the impact of foreign exchange translation, related to translation adjustments.

Cost of Goods Sold

Three Months Ended March 31,						Three Months Ended June 30,				
(in millions)	(in millions)	2023	2022	Change	Percent Change	(in millions)	2023	2022	Change	Percent Change
Cost of goods sold	Cost of goods sold	\$ 1,333.3	\$ 1,249.4	\$ 83.9	6.7 %	Cost of goods sold	\$ 1,392.5	\$ 1,264.8	\$ 127.7	10.1 %

The change in cost of goods sold in the first three months of 2023, as compared to the first three months of 2022, primarily reflects an increase of approximately \$101 million \$68 million as a result of our acquisition of Tekfor. Tekfor in 2022, as well as the impact of increased production volumes on certain vehicle programs that we support. For the three months ended March 31, 2023 June 30, 2023, material costs were approximately 56% 58% of total costs cost of goods sold, as compared to approximately 61% 62% for the three months ended March 31, 2022 June 30, 2022. The decrease in material costs as a percentage of cost of goods sold was primarily the result of lower metal costs and increased labor costs in the first second quarter of 2023, as compared to the first second quarter of 2022.

Gross Profit

Three Months Ended March 31,						Three Months Ended June 30,				
(in millions)	(in millions)	2023	2022	Change	Percent Change	(in millions)	2023	2022	Change	Percent Change
Gross profit	Gross profit	\$ 160.6	\$ 186.8	\$ (26.2)	(14.0) %	Gross profit	\$ 178.2	\$ 173.5	\$ 4.7	2.7 %

Gross margin was 10.8% 11.3% in the first three months second quarter of 2023, as compared to 13.0% 12.1% in the first three months second quarter of 2022. Gross profit and gross margin were impacted by the factors discussed in Net Sales and Cost of Goods Sold above.

Selling, General and Administrative Expenses (SG&A)

Three Months Ended March 31,						Three Months Ended June 30,				
(in millions)	(in millions)	2023	2022	Change	Percent Change	(in millions)	2023	2022	Change	Percent Change
Selling, general & administrative expenses	Selling, general & administrative expenses	\$ 98.3	\$ 86.1	\$ 12.2	14.2 %	Selling, general & administrative expenses	\$ 91.1	\$ 84.8	\$ 6.3	7.4 %

SG&A as a percentage of net sales was 6.6% 5.8% in the first three months second quarter of 2023, as compared to 6.0% 5.9% of net sales in the first three months second quarter of 2022. Research and development (R&D) expense, net of customer engineering, design and development (ED&D) recoveries, was approximately \$42.8 million \$37.1 million in the first three months second quarter of 2023, as compared to \$34.7 million \$35.2 million in the first three months second quarter of 2022. The In addition to the increase in R&D expense, the change in SG&A expense is primarily related to the increase in R&D higher compensation-related expense, as we continue to develop technologies to support electric and hybrid vehicles, as well as higher compensation-related expense.

the impact of three months of Tekfor results for the quarter ended June 30, 2023, as compared to one month of Tekfor results from the acquisition effective date on June 1, 2022 through June 30, 2022.

Amortization of Intangible Assets Amortization expense related to intangible assets was \$21.4 million for both the three months ended March 31, 2023 June 30, 2023 and \$21.5 million for the three months ended March 31, 2022 June 30, 2022.

Restructuring and Acquisition-Related Costs Restructuring and acquisition-related costs were \$4.8 million for \$7.9 million in the three months ended March 31, 2023, as compared to \$8.9 million for second quarter of 2023 and \$9.6 million in the three months ended March 31, 2022. In 2023, we expect to incur approximately \$10 million to \$20

million second quarter of total restructuring charges. In addition, we expect to incur up to \$10 million of integration costs in 2023 associated with our acquisition of Tekfor that was completed in 2022. See Note 2 - Restructuring and Acquisition-Related Costs for additional detail regarding our restructuring, acquisition and integration activity.

Operating Income Operating income was \$36.1 million \$57.8 million in the first three months second quarter of 2023, as compared to \$70.3 million \$57.7 million in the first three months second quarter of 2022. Operating margin was 2.4% 3.7% in the first three months second quarter of 2023, as compared to 4.9% 4.0% in the first three months second quarter of 2022. The changes in operating income and operating margin were primarily due primarily to the factors discussed in Net Sales, Cost of Goods Sold and SG&A above.

Interest Expense and Interest Income Interest expense was \$50.5 million \$50.2 million in the first three months second quarter of 2023, as compared to \$44.7 million \$42.7 million in the first three months second quarter of 2022. The weighted-average interest rate of our long-term debt outstanding was 6.6% for 6.7% in the three months ended March 31, 2023 second quarter of 2023 and 5.6% for 5.4% in the three months ended March 31, 2022. We expect our interest expense for the full year 2023 to be approximately \$195 million to \$205 million. second quarter of 2022.

Interest income was \$5.9 million in the first three months second quarter of 2023, as compared to \$3.0 million \$3.2 million in the first three months second quarter of 2022.

Debt Refinancing and Redemption Costs In the first three months of 2022, we amended and restated our existing Credit Agreement. See Note 5 - Long-Term Debt for further detail on the Amended & Restated Credit Agreement. As a result, we incurred \$0.2 million of third-party debt refinancing costs during the three months ended March 31, 2022.

Also in the first second quarter of 2022, we made a voluntary prepayment of \$25.0 million on our Term Loan B Facility. As a result, we expensed approximately \$0.2 million for the write-off of a portion of the unamortized debt issuance costs that we had been amortizing over the expected life of this borrowing.

Gain on Bargain Purchase of Business On June 1, 2022, our acquisition of Tekfor became effective, which resulted in a gain on bargain purchase of \$11.6 million in the second quarter of 2022. This amount was prior to subsequent measurement period adjustments resulting in the final gain on bargain purchase of business of \$13.6 million. See Note 14 - Acquisitions and Dispositions for additional detail on this acquisition.

Unrealized Gain (Loss) on Equity Securities We have an investment in the equity securities of REE Automotive, an e-mobility company. These equity securities are measured at fair value each reporting period with changes in fair value reported through an unrealized gain or loss within Other income (expense), net in our Condensed Consolidated Statement of Income. As of June 30, 2023, our investment in REE shares was valued at \$1.9 million resulting in an unrealized gain of \$0.3 million for the three months ended June 30, 2023. During the three months ended June 30, 2022, we recognized an unrealized loss of \$3.7 million on this investment.

Other Income (Expense), Net Other income (expense), net includes the net effect of foreign exchange gains and losses, our proportionate share of earnings from equity in unconsolidated subsidiaries, and all components of net periodic pension and postretirement benefit costs other than service cost. Other income (expense), net was expense of \$0.5 million in the second quarter of 2023, as compared to expense of \$2.4 million in the second quarter of 2022.

Income Tax Expense Income tax expense was \$5.3 million for the three months ended June 30, 2023, as compared to \$0.6 million for the three months ended June 30, 2022. Our effective income tax rate was 39.8% in the second quarter of 2023, as compared to 2.6% in the second quarter of 2022. For the three months ended June 30, 2023, we recognized an income tax benefit of approximately \$3.2 million related to the release of a valuation allowance in a foreign jurisdiction and recorded a full valuation allowance against the deferred tax asset on the current year estimated disallowed interest expense in the U.S.

Our effective income tax rate for the three months ended June 30, 2023 varies from our effective income tax rate for the three months ended June 30, 2022 primarily as a result of the impact of the items noted above, as well as the \$11.6 million gain on bargain purchase of business that was recognized in the three months ended June 30, 2022, which was not subject to income tax, and the mix of earnings on a jurisdictional basis.

Net Income and Earnings Per Share (EPS) Net income was \$8.0 million in the second quarter of 2023, as compared to \$22.9 million in the second quarter of 2022. Diluted earnings per share was \$0.07 per share in the second quarter of 2023, as compared to \$0.19 in the second quarter of 2022. Net income and EPS for the second quarters of 2023 and 2022 were primarily impacted by the factors discussed above.

RESULTS OF OPERATIONS -- SIX MONTHS ENDED JUNE 30, 2023 AS COMPARED TO SIX MONTHS ENDED JUNE 30, 2022

Net Sales

(in millions)	Six Months Ended June 30,				
	2023	2022	Change	Percent Change	
Net sales	\$ 3,064.6	\$ 2,874.5	\$ 190.1	6.6 %	

The increase in the first six months of 2023, as compared to the first six months of 2022, primarily reflects approximately \$170 million as a result of our acquisition of Tekfor that was completed in the second quarter of 2022 and increased production volumes on certain vehicle programs that we support, including those associated with program launches in 2023 from our new and incremental business backlog. These increases were partially offset by a reduction in sales of approximately \$86 million associated with the effect of metal market pass-throughs to our customers and the impact of foreign exchange related to translation adjustments.

Cost of Goods Sold

(in millions)	Six Months Ended June 30,				Percent Change
	2023	2022	Change		
Cost of goods sold	\$ 2,725.8	\$ 2,514.2	\$ 211.6		8.4 %

The change in cost of goods sold in the first six months of 2023, as compared to the first six months of 2022, primarily reflects approximately \$169 million as a result of our acquisition of Tekfor, as well as the impact of increased production volumes on certain vehicle programs that we support. For the six months ended June 30, 2023, material costs were approximately 57% of total costs of goods sold as compared to approximately 61% for the six months ended June 30, 2022. The decrease in material costs as a percentage of cost of goods sold was primarily the result of lower metal costs and increased labor costs in the first six months of 2023, as compared to the first six months of 2022.

Gross Profit

(in millions)	Six Months Ended June 30,				Percent Change
	2023	2022	Change		
Gross profit	\$ 338.8	\$ 360.3	\$ (21.5)		(6.0)%

Gross margin was 11.1% in the first six months of 2023 as compared to 12.5% in the first six months of 2022. Gross profit and gross margin were impacted by the factors discussed in Net Sales and Cost of Goods Sold above.

Selling, General and Administrative Expenses (SG&A)

(in millions)	Six Months Ended June 30,				Percent Change
	2023	2022	Change		
Selling, general & administrative expenses	\$ 189.4	\$ 170.9	\$ 18.5		10.8 %

SG&A as a percentage of net sales was 6.2% in the first six months of 2023 as compared to 5.9% of net sales in the first six months of 2022. R&D expense, net of ED&D recoveries, was approximately \$79.9 million in the first six months of 2023, as compared to \$69.9 million in the first six months of 2022. In addition to the increase in R&D expense, the change in SG&A expense is primarily related to higher compensation-related expense, as well as the impact of six months of Tekfor results for the six months ended June 30, 2023, as compared to one month of Tekfor results from the acquisition effective date on June 1, 2022 through June 30, 2022.

Amortization of Intangible Assets Amortization expense related to intangible assets was \$42.8 million for the six months ended June 30, 2023 as compared to \$42.9 million for the six months ended June 30, 2022.

Restructuring and Acquisition-Related Costs Restructuring and acquisition-related costs were \$12.7 million for the six months ended June 30, 2023, as compared to \$18.5 million for the six months ended June 30, 2022.

On June 1, 2022, our acquisition of Tekfor became effective. During the six months ended June 30, 2022, we incurred \$5.7 million of acquisition-related costs associated with this acquisition. Acquisition-related costs primarily consist of advisory, legal, accounting, valuation and certain other professional or consulting fees incurred.

In 2023, we expect to incur approximately \$10 million to \$20 million of total restructuring charges. In addition, we expect to incur up to \$10 million of integration costs in 2023 associated with our acquisition of Tekfor. See Note 2 - Restructuring and Acquisition-Related Costs for additional detail regarding our restructuring, acquisition and integration activity.

Operating Income Operating income was \$93.9 million in the first six months of 2023 as compared to \$128.0 million in the first six months of 2022. Operating margin was 3.1% in the first six months of 2023, as compared to 4.5% in the first six months of 2022. The changes in operating income and operating margin were due primarily to the factors discussed in Net Sales, Cost of Goods Sold and SG&A above.

Interest Expense and Interest Income Interest expense was \$100.7 million in the first six months of 2023 as compared to \$87.4 million in the first six months of 2022. The weighted-average interest rate of our long-term debt outstanding was 6.7% for the six months ended June 30, 2023 and 5.5% for the six months ended June 30, 2022. We expect our interest expense for the full year 2023 to be approximately \$195 million to \$205 million.

Interest income was \$11.8 million in the first six months of 2023 as compared to \$6.2 million in the first six months of 2022.

Debt Refinancing and Redemption Costs In the first six months of 2022, we amended and restated our existing Credit Agreement. See Note 5 - Long-Term Debt for further detail on the Amended and Restated Credit Agreement. As a result, we incurred \$0.2 million of third-party debt refinancing costs during the six months ended June 30, 2022.

Also in the first six months of 2022, we made voluntary prepayments of \$50.0 million on our Term Loan B Facility. As a result, we expensed approximately \$0.4 million for the write-off of a portion of the unamortized debt issuance costs that we had been amortizing over the expected life of this borrowing.

In addition, in the first **quarter six months** of 2022, we used the proceeds from the upsized Term Loan A Facility to voluntarily redeem a portion of our 6.25% Notes due 2026. This resulted in a principal payment of \$220 million and \$0.2 million in accrued interest. We also expensed approximately \$1.8 million for the write-off of a portion of the unamortized debt issuance costs that we had been amortizing over the expected life of the borrowing, and approximately \$3.4 million for the payment of an early redemption premium.

Gain on Bargain Purchase of Business On June 1, 2022, our acquisition of Tekfor became effective, which resulted in a gain on bargain purchase of \$11.6 million in the second quarter of 2022. This amount was prior to subsequent measurement period adjustments resulting in the final gain on bargain purchase of business of \$13.6 million. See Note 14 - Acquisitions and Dispositions for additional detail on this acquisition.

Unrealized Loss Gain (Loss) on Equity Securities We have an investment in the equity securities of REE Automotive, an e-mobility company. These equity securities are measured at fair value each reporting period with changes in fair value reported through an unrealized holding gain or loss within Other income (expense), net in our Condensed Consolidated Statement of Operations, Income. The fair value of REE shares was principally unchanged during the six months ended June 30, 2023. We recognized an unrealized loss on our investment in REE shares was \$0.3 million of \$21.7 million for the **three six** months ended **March 31, 2023**, as compared to \$18.0 million for the three months ended **March 31, 2022** June 30, 2022.

Other Income (Expense), Net Other income (expense), net includes the net effect of foreign exchange gains and losses, our proportionate share of earnings from equity in unconsolidated subsidiaries, and all components of net periodic pension and postretirement benefit costs other than service cost. Other income (expense), net was income of **\$3.7 million** \$3.2 million in the first **three six** months of 2023 as compared to expense of **\$1.0 million** \$3.4 million in the first **three six** months of 2022.

Income Tax Expense We had no income tax expense was \$5.3 million for the **three six** months ended **March 31, 2023** June 30, 2023, as compared to income tax expense of \$3.0 million \$3.6 million for the **three six** months ended **March 31, 2022** June 30, 2022. Our effective income tax rate was **0.0%** 64.6% in the first **three six** months of 2023 as compared to **75.0%** 13.1% in the first **three six** months of 2022.

During the **three six** months ended **March 31, 2023** June 30, 2023, we recognized an income tax benefit of approximately \$3.2 million related to the release of a valuation allowance in a foreign jurisdiction. For the six months ended June 30, 2023, in computing our estimated annual effective tax rate, we recorded a full valuation allowance against the deferred tax asset on the current year estimated disallowed interest expense in the U.S. In addition, we recorded a valuation allowance against a portion of the deferred tax asset on prior year disallowed interest expense in the U.S. and reduced our liability for unrecognized income tax benefits and related interest and penalties as a result of a change in estimate on previously recorded unrecognized tax benefits in certain jurisdictions, resulting in net tax expense of **\$3.4 million** \$3.4 million during the **three six** months ended **March 31, 2023** June 30, 2023.

Our effective income tax rate for the **three six** months ended **March 31, 2023** June 30, 2023 varies from our effective income tax rate for the **three six** months ended **March 31, 2022** June 30, 2022 primarily as a result of the impact of the discrete items noted above, the \$11.6 million gain on bargain purchase of business that was recognized in the six months ended June 30, 2022, which was not subject to income tax, and the mix of earnings on a jurisdictional basis and the impact of the discrete items noted above. For the three months ended March 31, 2023, our effective income tax rate varies from the U.S. federal statutory rate primarily due to the unfavorable impact related to the disallowed interest expense deductions in the U.S., net of the impact of the reduction in unrecognized tax benefits, favorable foreign tax rates and the impact of tax credits. For the three months ended March 31, 2022, our effective income tax rate varies from the U.S. federal statutory rate primarily due to the change in jurisdictional mix of earnings, as well as favorable foreign tax rates and the impact of tax credits, basis.

Due to the uncertainty associated with the extent and ultimate impact of the significant supply chain constraints affecting the automotive industry, including volatility in metal and commodity costs, higher and utility costs, increased transportation costs, higher labor costs and labor shortages, we may experience lower than projected earnings in certain jurisdictions in future periods, and as a result, it is reasonably possible that changes in valuation allowances could be recognized in future periods and such changes could be material to our financial statements.

Net Income (Loss) and Earnings (Loss) Per Share (EPS) Net loss income was **\$5.1 million** \$2.9 million in the first **three six** months of 2023 as compared to net income of **\$1.0 million** \$23.9 million in the first **three six** months of 2022. Diluted EPS was **\$(0.04)** \$0.02 per share in the first **three six** months of 2023 as compared to **\$0.01** \$0.20 per share in the first **three six** months of 2022. Net income (loss) and EPS for the first **three six** months of 2023 and 2022 were primarily impacted by the factors discussed above.

SEGMENT REPORTING

Our business is organized into Driveline and Metal Forming segments, with each representing a reportable segment under ASC 280 - *Segment Reporting*. The results of each segment are regularly reviewed by the chief operating decision maker to assess the performance of the segment and make decisions regarding the allocation of resources to the segments.

Our product offerings by segment are as follows:

- Driveline products consist primarily of front and rear axles, drivshafts, differential assemblies, clutch modules, balance shaft systems, disconnecting driveline technology, and electric and hybrid driveline products and systems for light trucks, SUVs, crossover vehicles, passenger cars and commercial vehicles; and
- Metal Forming products consist primarily of engine, transmission, driveline and safety-critical components for traditional internal combustion engine and electric vehicle architectures including light vehicles, commercial vehicles and off-highway vehicles, as well as products for industrial markets.

On June 1, 2022, our acquisition of Tekfor became effective and we began consolidating the results of Tekfor on that date, which are reported in our Metal Forming segment for the three months ended **March 31, 2023** segment. In the first quarter of 2023, we moved a plant location that was previously reported under our Driveline segment to our Metal Forming segment in order to better align our product and process technologies. The amounts in the tables below for the three and six months ended **March 31, 2022** June 30, 2022 have been recast to reflect this reorganization.

The following table represents sales by reportable segment for the three and six months ended March 31, 2023, June 30, 2023 and 2022 (in millions):

The following table represents sales by reportable segment for the three and six months ended March 31, 2023 , June 30, 2022 and 2021 (in millions):									
		Three Months Ended March 31,				Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022			2023	2022	2023	2022
Driveline	Driveline	\$ 1,013.8	\$ 1,045.4	Driveline	\$ 1,086.5	\$ 1,024.7	\$ 2,100.3	\$ 2,070.1	
Metal	Metal			Metal					
Forming	Forming	619.1	525.1	Forming	634.2	557.7	1,253.3	1,082.8	
Eliminations	Eliminations	(139.0)	(134.3)	Eliminations	(150.0)	(144.1)	(289.0)	(278.4)	
Net sales	Net sales	\$ 1,493.9	\$ 1,436.2	Net sales	\$ 1,570.7	\$ 1,438.3	\$ 3,064.6	\$ 2,874.5	

The change increase in Driveline sales for the three and six months ended March 31, 2023, June 30, 2023, as compared to the three and six months ended March 31, 2022, June 30, 2022, is primarily the result of increased production volumes on certain vehicle programs that we support, including those associated with program launches in 2023 from our new and incremental business backlog. For the three and six months ended June 30, 2023, as compared to the three and six months ended June 30, 2022, there was a reduction in Driveline sales of approximately \$37 million, \$25 million and \$62 million, respectively, associated with the effect of metal market pass-throughs to our customers and the impact of foreign exchange translation.

The increase in Metal Forming sales for the three months ended March 31, 2023, June 30, 2023, as compared to the three months ended March 31, 2022, June 30, 2022, primarily reflects approximately \$101 million, \$69 million associated with the acquisition of Tekfor and the impact of increased production volumes on certain vehicle programs that we support, partially offset by a reduction in sales of approximately \$11 million, \$13 million associated with the effect of metal market pass-throughs to our customers and the impact of foreign exchange translation.

The increase in Metal Forming sales for the six months ended June 30, 2023, as compared to the six months ended June 30, 2022, primarily reflects approximately \$170 million associated with the acquisition of Tekfor and the impact of increased production volumes on certain vehicle programs that we support, partially offset by a reduction of approximately \$24 million associated with the effect of metal market pass-throughs to our customers and the impact of foreign exchange translation.

We use Segment Adjusted EBITDA as the measure of earnings to assess the performance of each segment and determine the resources to be allocated to the segments. The amounts for Segment Adjusted EBITDA for the three and six months ended March 31, 2023, June 30, 2023 and 2022 are as follows (in millions):

		Three Months Ended March 31,				Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022			2023	2022	2023	2022
Driveline	Driveline	\$ 114.1	\$ 122.8	Driveline	\$ 152.1	\$ 132.4	266.2	\$ 255.2	
Metal	Metal			Metal					
Forming	Forming	61.3	73.3	Forming	39.5	62.7	100.8	136.0	
Total segment adjusted EBITDA	Total segment adjusted EBITDA	\$ 175.4	\$ 196.1	Total segment adjusted EBITDA	\$ 191.6	\$ 195.1	\$ 367.0	\$ 391.2	

For the three and six months ended March 31, 2023, June 30, 2023, as compared to the three and six months ended March 31, 2022, June 30, 2022, the change increases in Segment Adjusted EBITDA for the Driveline segment was primarily attributable to a net increase in manufacturing costs, including higher labor, transportation and program launch costs, partially offset by the impact of increased production volumes on certain vehicle programs that we support, as well as lower metal costs and the favorable impact of our metal market pass-throughs.

These favorable impacts were partially offset by increased labor costs and program launch costs.

For the three and six months ended March 31, 2023, June 30, 2023, as compared to the three and six months ended March 31, 2022, June 30, 2022, the change in Segment Adjusted EBITDA for the Metal Forming segment was primarily attributable to a net increase in increased manufacturing costs, including higher primarily labor and transportation costs, as well as the impact of production inefficiencies at certain of our locations due, in part, to labor shortages. These decreases in Segment Adjusted EBITDA were partially offset by lower metal costs, costs and the impact of increased production volumes on certain vehicle programs that we support.

Reconciliation of Non-GAAP and GAAP Information

In addition to results reported in accordance with accounting principles generally accepted in the United States of America (GAAP) in this MD&A, we have provided certain non-GAAP financial measures such as EBITDA and Total Segment Adjusted EBITDA. Such information is reconciled to its closest GAAP measure in accordance with Securities and Exchange Commission rules below.

We define EBITDA to be earnings before interest expense, income taxes, depreciation and amortization. Total Segment Adjusted EBITDA is defined as EBITDA for our reportable segments excluding the impact of restructuring and acquisition-related costs, debt refinancing and redemption costs, loss on the sale of a business, pension settlements, unrealized gains or losses on equity securities, and non-recurring items. We believe that EBITDA and Total Segment Adjusted EBITDA are meaningful measures of performance as they are commonly utilized by management and investors to analyze operating performance and entity valuation. Our management, the investment community and the banking institutions routinely use EBITDA and Total Segment Adjusted EBITDA, together with other measures, to measure our operating performance relative to other Tier 1 automotive suppliers and to assess the relative mix of Adjusted EBITDA by segment. We also believe that Total Segment Adjusted EBITDA is a meaningful measure as it is used for operational

planning and decision-making purposes. EBITDA and Total Segment Adjusted EBITDA are also key metrics used in our calculation of incentive compensation. These non-GAAP financial measures are not and should not be considered a substitute for any GAAP measure. Additionally, non-GAAP financial measures as presented by AAM may not be comparable to similarly titled measures reported by other companies.

	Three Months Ended March 31,			Three Months Ended June 30,					Six Months Ended June 30,							
	2023		2022	2023		2022	2023		2022							
	(in millions)															
Net income (loss)	\$	(5.1)	\$	1.0												
Net income					Net income				\$	8.0	\$	22.9	\$	2.9	\$	23.9
Interest expense	Interest expense	50.5	44.7	Interest expense	50.2	42.7	100.7	87.4								
Income tax expense	Income tax expense	—	3.0	Income tax expense	5.3	0.6	5.3	3.6								
Depreciation and amortization	Depreciation and amortization	124.9	120.4	Depreciation and amortization	120.5	121.9	245.4	242.3								
EBITDA	EBITDA	\$ 170.3	\$ 169.1	EBITDA	\$ 184.0	\$ 188.1	\$ 354.3	\$ 357.2								
Restructuring and acquisition-related costs	Restructuring and acquisition-related costs	4.8	8.9	Restructuring and acquisition-related costs	7.9	9.6	12.7	18.5								
Debt refinancing and redemption costs	Debt refinancing and redemption costs	—	5.6	Debt refinancing and redemption costs	—	0.2	—	5.8								
Unrealized loss on equity securities		0.3	18.0													
Unrealized loss (gain) on equity securities					Unrealized loss (gain) on equity securities				(0.3)	3.7	—	21.7				
Non-recurring items:	Non-recurring items:			Non-recurring items:												
Malvern Fire insurance recoveries, net		—	(5.5)													
Malvern Fire charges (insurance recoveries), net				Malvern Fire charges (insurance recoveries), net				—	0.1	—	(5.4)					
Gain on bargain purchase of business				Gain on bargain purchase of business				—	(11.6)	—	(11.6)					
Acquisition-related fair value inventory adjustment				Acquisition-related fair value inventory adjustment				—	5.0	—	5.0					
Total segment adjusted EBITDA	Total segment adjusted EBITDA	\$ 175.4	\$ 196.1	Total segment adjusted EBITDA	\$ 191.6	\$ 195.1	\$ 367.0	\$ 391.2								

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs are to fund debt service obligations, capital expenditures, R&D spending, including further development of our electrification product portfolio, and working capital requirements, in addition to advancing our strategic initiatives. We believe that operating cash flow, available cash and cash equivalent balances and available

borrowing capacity under our Senior Secured Credit Facilities and foreign credit facilities will be sufficient to meet these needs.

At March 31, 2023 June 30, 2023, we had over \$1.4 billion nearly \$1.5 billion of liquidity consisting of approximately \$466 million \$511 million of cash and cash equivalents, approximately \$891 million of available borrowings under our Revolving Credit Facility and approximately \$64 million \$73 million of available borrowings under foreign credit facilities. We have no significant debt maturities before 2026.

Operating Activities In the first three six months of 2023, net cash provided by operating activities was \$32.1 million \$164.9 million as compared to \$68.5 million \$215.2 million in the first three six months of 2022. The following factors impacted cash from operating activities in the first three six months of 2023, as compared to the first three six months of 2022:

Impact of Supply Chain Constraints During the first three six months of 2023 and 2022, the automotive industry experienced significant disruptions in the supply chain, including volatility in metal, commodity and utility costs, shortages of certain raw materials and components, including semiconductor chips, increased transportation costs, higher labor costs and labor shortages. We expect these supply chain constraints and the associated volatility in our operations to continue through 2023.

Accounts receivable For the three six months ended March 31, 2023 June 30, 2023, we experienced an increase in cash flow from operating activities of approximately \$98 million \$50 million related to the change in our accounts receivable balance from December 31, 2022 to March 31, 2023 June 30, 2023, as compared to the change in our accounts receivable balance from December 31, 2021 to March 31, 2022 June 30, 2022. This change was primarily attributable to the timing of sales to customers in the applicable periods. The change was also the result of timing of collections on customer receivables as we participate in an early payment program offered by our largest customer, which allows us to sell certain of our North American receivables from this customer to a third party at our discretion. We utilize this program from time to time.

Accounts payable and accrued expenses For the three six months ended March 31, 2023 June 30, 2023, we experienced a decrease in cash flow from operating activities of approximately \$85 million \$47 million related to the change in our accounts payable and accrued expenses balance from December 31, 2022 to March 31, 2023 June 30, 2023, as compared to the change in our accounts payable and accrued expenses balance from December 31, 2021 to March 31, 2022 June 30, 2022. This change was primarily attributable to the timing of production and the associated purchases from suppliers within the applicable periods.

Income taxes Income taxes paid, net was \$26.0 million \$40.6 million in the first three six months of 2023, as compared to \$4.8 million \$20.5 million in the first three six months of 2022. During the first three six months of 2023, we paid \$10.1 million as a result of the Notice of Tax Due that was received from the Internal Revenue Service in the fourth quarter of 2022. See Note 10 - Income Taxes for additional detail regarding the Notice of Tax Due. In the first three six months of 2022, we received an income tax refund of \$5.4 million related to the utilization of net operating losses under the provisions of the CARES Act.

Interest paid Interest paid was \$41.6 million \$88.8 million for the three six months ended March 31, 2023 June 30, 2023, as compared to \$38.6 million \$86.5 million for the three six months ended March 31, 2022 June 30, 2022. The change in interest paid was primarily the result of increased interest rates on our variable rate debt partially offset by lower interest payments on our 6.25% Notes due 2026 as a result of voluntarily redeeming a portion of the principal amount related to the 6.25% Notes due 2026 these notes in March 2022.

Malvern Fire In the first three six months of 2023 and 2022, we received \$24.0 million and \$3.6 \$11.7 million of cash, respectively, as reimbursements and advances under our insurance policies, of which \$7.0 million and \$3.6 million \$7.1 million, respectively, were associated with operating expenses incurred as a result of the Malvern Fire and have been presented as operating cash inflows in our Condensed Consolidated Statement of Cash Flows for these periods. See Note 15 - Manufacturing Facility Fire and Insurance Recovery for additional detail.

Restructuring and acquisition-related costs For the full year 2023, we expect restructuring and acquisition-related payments in cash flows from operating activities to be between \$20 million and \$30 million, and we expect the timing of cash payments to approximate the timing of charges incurred.

Pension and other postretirement benefits Due to the availability of our pre-funded pension balances (previous contributions in excess of prior required pension contributions), we expect our regulatory pension funding requirements in 2023 to be less than \$1 million. We expect our cash payments for other postretirement benefit obligations in 2023, net of GM cost sharing, to be approximately \$14.6 million.

Investing Activities In the first three six months of 2023, net cash used in investing activities was \$30.5 million \$77.9 million as compared to \$31.3 million \$150.2 million for the three six months ended March 31, 2022 June 30, 2022. Capital expenditures were \$46.6 million \$90.7 million in the first three six months of 2023 as compared to \$28.6 million \$71.2 million in the first three six months of 2022. We expect our capital spending in 2023 to be 3.5% to 4% of sales.

In the first three six months of 2023 and 2022, in addition to the \$7.0 million and \$7.1 million, respectively, of cash reimbursements received under our insurance policies associated with operating expenses incurred as a result of the Malvern Fire, we received \$17.0 million and \$4.6 million, respectively, of cash associated with machinery and equipment that was damaged or destroyed as a result of the Malvern Fire. This cash received has been classified as an investing cash flow based on the nature of the associated loss incurred.

In On June 1, 2022, our acquisition of Tekfor became effective and we paid approximately \$80 million, net of cash acquired, which was funded entirely with cash on hand. Also in the first three six months of 2022, we made payments for the acquisition of a supplier in Mexico and began to pay the deferred consideration associated with our acquisition of Emporium that was completed in 2021. These payments totaled \$6.7 million approximately \$8 million in the three six months ended March 31, 2022 June 30, 2022.

Financing Activities In the first three six months of 2023, net cash used in financing activities was \$49.1 million \$87.4 million, as compared to \$38.7 million \$86.7 million in the first three six months of 2022. The following factors impacted cash from financing activities in the first three six months of 2023, as compared to the first three six months of 2022:

Senior Secured Credit Facilities Our Senior Secured Credit Facilities which are comprised of our the Revolving Credit Facility, our Term Loan A Facility and our Term Loan B Facility. The Revolving Credit Facility and Term Loan A Facility mature in the first quarter of 2027 and the Term Loan B Facility provide back-up liquidity for our foreign credit facilities. We intend to use matures in the availability fourth quarter of long-term financing under the Senior Secured Credit Facilities 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. 2029.

At March 31, 2023 June 30, 2023, we had \$891.2 million available under the Revolving Credit Facility. This availability reflects a reduction of \$33.8 million for standby letters of credit issued against the facility. In the first quarter of 2023, we paid \$25.0 million \$25.0 million on our Revolving Credit Facility that had been drawn in the fourth quarter of 2022.

On June 28, 2023, Holdings and AAM, Inc. entered into the First Amendment to the Amended and Restated Credit Agreement (the First Amendment), which covers the period from June 28, 2023 through the filing of our second quarter 2024 results, or earlier at AAM's option, subject to certain conditions (the Amendment Period). The First Amendment, among other things, increased the maximum levels of the total net leverage ratio covenant and reduced the minimum levels of cash interest expense coverage ratio covenant during the Amendment Period, modified certain categories of the applicable margin (determined based on the total net leverage ratio of Holdings) for the duration of the Amendment Period with respect to interest rates under the Term Loan A Facility and the Revolving Credit Facility, and modified certain covenants restricting the ability of Holdings, AAM, Inc. and certain subsidiaries of Holdings to create, incur, assume, or permit to exist certain additional indebtedness and liens and to make or agree to pay or make certain restricted payments, voluntary payments and distributions. The terms of the Term Loan B Facility under the Amended and Restated Credit Agreement, including maturity dates, interest rates and their applicable margins, remain unchanged. We paid debt issuance costs of \$3.1 million in the three months ended June 30, 2023 related to the First Amendment.

As of June 30, 2023, we have prepaid \$23.0 million of the outstanding principal on our Term Loan A Facility and Term Loan B Facility. These payments satisfy our obligation for principal payments under the Term Loan A Facility and Term Loan B Facility for the next four quarters.

In March 2022, Holdings and AAM, Inc. entered into the Amended and Restated Credit Agreement. The Amended and Restated Credit Agreement, among other things, increased the principal amount of the Term Loan A Facility to \$520 \$520.0 million, extended the maturity date of the Term Loan A Facility and the Revolving Credit Facility each to March 11, 2027, and established the use under the Term Loan A Facility and Revolving Credit Facility of updated reference rates. See Note 5 - Long-Term Debt the Secured Overnight Financing Rate (SOFR) and the minimum Adjusted Term SOFR Rate for further detail on Eurodollar-based loans denominated in U.S. Dollars and the Amended and Restated Credit Agreement. As a result, we Sterling Overnight Index Average (SONIA) and the minimum adjusted daily simple SONIA for loans denominated in Sterling. We expensed \$0.2 million of debt refinancing costs, paid accrued interest of \$1.0 million, \$1.0 million, and paid debt issuance costs of \$3.5 \$4.4 million in the three six months ended March 31, 2022 June 30, 2022 related to the Amended and Restated Credit Agreement.

In the first quarter six months of 2022, we made a voluntary prepayment of \$25.0 million prepayments totaling \$50.0 million on our Term Loan B Facility. As a result, we expensed approximately \$0.2 million \$0.4 million for the write-off of a portion of the unamortized debt issuance costs that we had been amortizing over the expected life of this borrowing.

Redemption of 6.25% Notes due 2026 In the first quarter six months of 2022, we used the proceeds from the upsized Term Loan A Facility to voluntarily redeem a portion of our 6.25% Notes due 2026. This resulted in a principal payment of \$220.0 million and \$0.2 million in accrued interest. We also expensed approximately \$1.8 million for the write-off of a portion of the unamortized debt issuance costs that we had been amortizing over the expected life of the borrowing, and approximately \$3.4 million for the payment of an early redemption premium.

Repayment of Tekfor Group Indebtedness Upon the acquisition of Tekfor in June 2022, we assumed \$23.4 million of existing Tekfor indebtedness, of which we repaid \$10.7 million in the second quarter of 2022.

Foreign credit facilities We utilize local currency credit facilities to finance the operations of certain foreign subsidiaries. At March 31, 2023 June 30, 2023, \$73.6 million \$73.3 million was outstanding under our foreign credit facilities, as compared to \$72.7 million at December 31, 2022. At March 31, 2023 June 30, 2023, an additional \$63.7 million \$72.8 million was available under our foreign credit facilities.

Treasury stock Treasury stock increased by \$14.5 million \$14.7 million in the first three six months of 2023 to \$232.7 million \$232.9 million as compared to \$218.2 million at year-end 2022, due to the withholding and repurchase of shares of AAM stock to satisfy employee tax withholding obligations due upon the vesting of stock-based compensation.

Subsidiary Guarantees of Registered Debt Securities Our 6.875% Notes, 6.50% Notes, 6.25% Notes, and 5.00% Notes (collectively, the Notes) are senior unsecured obligations of AAM, Inc. (Issuer); all of which are fully and unconditionally guaranteed, on a joint and several basis, by Holdings and substantially all domestic subsidiaries of AAM, Inc. and MPG Inc (Subsidiary Guarantors). Holdings has no significant assets other than its 100% ownership in AAM, Inc. and MPG Inc., and no direct subsidiaries other than AAM, Inc. and MPG Inc.

Each guarantee by Holdings and/or any of the Subsidiary Guarantors is:

- a senior obligation of the relevant Subsidiary Guarantors;
- the unsecured and unsubordinated obligation of the relevant Subsidiary Guarantors; and
- of equal rank with all other existing and future unsubordinated and unsecured indebtedness of the relevant Subsidiary Guarantors.

Each guarantee by a Subsidiary Guarantor provides by its terms that it will be automatically, fully and unconditionally released and discharged upon:

- any sale, exchange or transfer (by merger or otherwise) of the capital stock of such Subsidiary Guarantor, or the sale or disposition of all the assets of such Subsidiary Guarantor, which sale, exchange, transfer or disposition is made in compliance with the applicable provisions of the indentures;

- the exercise by the issuer of its legal defeasance option or covenant defeasance option or the discharge of the issuer's obligations under the indentures in accordance with the terms of the indentures; or
- the election of the issuer to affect such a release following the date that such guaranteed Notes have an investment grade rating from both Standard & Poor's Ratings Group, Inc. and Moody's Investors Service, Inc.

The following represents summarized financial information of AAM Holdings, AAM Inc. and the Subsidiary Guarantors (collectively, the Combined Entities). The information has been prepared on a combined basis and excludes any investments of AAM Holdings, AAM Inc., or the Subsidiary Guarantors in non-guarantor subsidiaries. Intercompany transactions and amounts between Combined Entities have been eliminated.

Statement of Operations Information							
(in millions)							
Statement of Income Information				Statement of Income Information			
				(in millions)			
		Three Months Ended March 31, 2023	Year Ended December 31, 2022		Six Months Ended June 30, 2023	Year Ended December 31, 2022	
Net sales	Net sales	\$ 1,101.6	\$ 4,429.5	Net sales	\$ 2,233.8	\$ 4,429.5	
Gross profit	Gross profit	95.5	445.2	Gross profit	182.4	445.2	
Income (loss) from operations	Income (loss) from operations	(19.9)	25.1	Income (loss) from operations	(40.8)	25.1	
Net loss	Net loss	(38.9)	(59.7)	Net loss	(92.1)	(59.7)	
Balance Sheet Information		Balance Sheet Information		Balance Sheet Information		Balance Sheet Information	
		(in millions)				(in millions)	
		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022	
Current assets	Current assets	\$ 1,029.6	\$ 1,061.9	Current assets	\$ 1,092.8	\$ 1,061.9	
Noncurrent assets	Noncurrent assets	2,317.8	2,317.9	Noncurrent assets	2,294.1	2,317.9	
Current liabilities	Current liabilities	1,401.6	1,360.4	Current liabilities	1,478.6	1,360.4	
Noncurrent liabilities	Noncurrent liabilities	3,328.1	3,345.3	Noncurrent liabilities	3,325.6	3,345.3	
Redeemable preferred stock	Redeemable preferred stock	—	—	Redeemable preferred stock	—	—	
Noncontrolling interest	Noncontrolling interest	—	—	Noncontrolling interest	—	—	

At March 31, 2023, June 30, 2023 and December 31, 2022, amounts owed by the Combined Entities to non-guarantor entities totaled approximately \$1,010 million, \$1,045 million and \$945 million, respectively, and amounts owed to the Combined Entities from non-guarantor entities totaled approximately \$625 million, \$630 million and \$620 million, respectively.

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. Typically, our business is also moderately seasonal as our major OEM customers historically have an extended shutdown of operations (normally 1-2 weeks) in conjunction with their model year changeover and an approximate one-week shutdown in the month of December. Our major OEM customers also occasionally have longer shutdowns of operations (up to six weeks) for program changeovers. Accordingly, our quarterly results may reflect these trends.

LITIGATION AND ENVIRONMENTAL MATTERS

We are involved in, or potentially subject to, various legal proceedings or claims incidental to our business. These include, but are not limited to, matters arising out of product warranties, contractual matters, and environmental obligations. Although the outcome of these matters cannot be predicted with certainty, at this time 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 file U.S. federal, state and local income tax returns, as well as foreign income tax returns in jurisdictions throughout the world. We are also subject to examinations of these tax returns by the relevant tax authorities. Negative or unexpected outcomes of these examinations and audits, and any related litigation, could have a material adverse impact on our results of operations, financial condition and 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 anticipate continuing to make, capital and other expenditures (including recurring administrative costs) to comply with environmental requirements at our current and former facilities. Such expenditures were not significant in the first second quarter of 2023.

We are subject to risks of environmental issues, including impacts of climate-related events, that could result in unforeseen disruptions or costs to our operations. We did not experience any climate-related events in the first second quarter of 2023 that we believe could have a material adverse impact on our results of operations, financial condition and cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

MARKET RISK

Our business and financial results are affected by fluctuations in global financial markets, including currency exchange rates and interest 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 relating to certain foreign currencies. As of March 31, 2023 June 30, 2023 and December 31, 2022, we had currency forward contracts outstanding with a total notional amount of \$192.3 million \$197.6 million and \$179.9 million, respectively. The potential decrease in fair value of foreign exchange contracts, assuming a 10% adverse change in the foreign currency exchange rates, would be approximately \$17.5 million \$18.0 million at March 31, 2023 June 30, 2023 and was \$16.4 million at December 31, 2022.

In 2022, we entered into a fixed-to-fixed cross-currency swap to reduce the variability of functional currency equivalent cash flows associated with changes in exchange rates on certain Euro-based intercompany loans. We had notional amounts outstanding under fixed-to-fixed cross-currency swaps of €200.0 million at both March 31, 2023 June 30, 2023 and December 31, 2022, which was equivalent to \$216.6 \$218.0 million and \$213.9 million, respectively. The fixed-to-fixed cross-currency swap hedges our exposure to changes in exchange rates on the intercompany loans into the second quarter of 2024. The potential decrease in fair value of the fixed-to-fixed cross-currency swap, assuming a 10% adverse change in the foreign currency exchange rates, would be approximately \$21.7 million \$21.8 million at March 31, 2023 June 30, 2023 and was approximately \$21.4 million at December 31, 2022.

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 global operations may be adversely affected by changes in currency exchange rates. If and when appropriate, we intend to manage these risks by creating natural hedges in the structure of our global operations, 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. In 2022, and in the first quarter of 2023, we entered into variable-to-fixed interest rate swaps to reduce the variability of cash flows associated with interest payments on our variable rate debt. As of March 31, 2023 June 30, 2023, we have \$700.0 million notional amount hedged in relation to our variable-to-fixed interest rate swaps into the third quarter of 2027, \$200.0 million of which continues into the fourth quarter of 2029.

The pre-tax earnings and cash flow impact of a one-percentage-point increase in interest rates (approximately 15% of our weighted-average interest rate at March 31, 2023 June 30, 2023) on our long-term debt outstanding, would be approximately \$5.2 million \$4.9 million at March 31, 2023 June 30, 2023 and was approximately \$7.5 million at December 31, 2022, on an annualized basis.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures and internal control over financial reporting and concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) were effective as of March 31, 2023 June 30, 2023.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting for the quarter ended March 31, 2023 June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our acquisition of Tekfor Group became effective on June 1, 2022. We are currently integrating policies, processes and operations for the combined company and will continue to evaluate our internal control over financial reporting as we develop and execute our integration plans. The acquired entities will be included in our assessment of AAM's internal control over financial reporting for the year ended December 31, 2023.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in our December 31, 2022 Form 10-K.

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

The following table provides information about our equity security purchases during the quarter ended March 31, 2023 June 30, 2023:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (in millions)
January 1 - January 31, 2023	—	\$ —	—	\$ —
February 1 - February 28, 2023	—	—	—	—
March 1 - March 31, 2023	1,619,663	9.02	—	—
Total	1,619,663	\$ 9.02	—	\$ —

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (in millions)
April 1 - April 30, 2023	21,086	\$ 7.81	—	\$ —
May 1 - May 31, 2023	—	—	—	—
June 1 - June 30, 2023	—	—	—	—
Total	21,086	\$ 7.81	—	\$ —

Item 5. Other Information

During the quarterly period ended June 30, 2023, our directors and officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) did not adopt, terminate or modify Rule 10b5-1 or non-Rule 10b5-1 trading arrangements (as defined in Item 408 of Regulation S-K).

Item 6. Exhibits

Number	Description of Exhibit
10.1	First Amendment to the Amended and Restated Credit Agreement, dated as of June 28, 2023, among American Axle & Manufacturing Holdings, Inc., American Axle & Manufacturing, Inc., certain subsidiaries of American Axle & Manufacturing Holdings, Inc. identified therein, each financial institution party thereto as a lender and JPMorgan Chase Bank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.1 of Current Report on Form 8-K dated June 29, 2023)
*22	Subsidiary Guarantors and Issuers of Guaranteed Securities
*31.1	Certification of David C. Dauch, Chairman of the Board & Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act
*31.2	Certification of Christopher J. May, 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 & Chief Executive Officer and Christopher J. May, 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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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
** 104	Cover Page Interactive Data File (formatted in Inline XBRL contained in Exhibit 101)
*	Filed herewith
**	Submitted electronically with this Report.

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/ James G. Zaliwski
James G. Zaliwski
Chief Accounting Officer
May 5, August 4, 2023

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EXHIBIT 22 - SUBSIDIARY GUARANTORS AND ISSUERS OF GUARANTEED SECURITIES

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

Our 6.875% Notes, 6.50% Notes, 6.25% Notes and 5.00% Notes are senior unsecured obligations of American Axle & Manufacturing, Inc., all of which are fully and unconditionally guaranteed, on a joint and several basis, by American Axle & Manufacturing Holdings, Inc. and substantially all domestic subsidiaries of American Axle & Manufacturing, Inc. and Metaldyne Performance Group, Inc. The table below defines these entities.

Entity	Organized Under Laws of
Parent Entity	
American Axle & Manufacturing Holdings, Inc.	Delaware
Issuing Entity	
American Axle & Manufacturing, Inc.	Delaware
Guarantor Entities	
AAM International Holdings, Inc.	Delaware
Auburn Hills Manufacturing, Inc.	Delaware
Oxford Forge, Inc.	Delaware
MSP Industries Corporation	Michigan
Colfor Manufacturing, Inc.	Delaware
AccuGear, Inc.	Delaware
Metaldyne Performance Group, Inc.	Delaware
Metaldyne M&A Bluffton, LLC	Delaware
Metaldyne Powertrain Components, Inc.	Delaware
Metaldyne Sintered Ridgway, LLC	Delaware
Metaldyne SinterForged Products, LLC	Delaware
Punchcraft Machining and Tooling, LLC	Delaware
HHI FormTech, LLC	Delaware
Jernberg Industries, LLC	Delaware
Impact Forge Group, LLC	Delaware
ASP HHI Holdings, Inc.	Delaware
MD Investors Corporation	Delaware
AAM Powder Metal Components, Inc.	Ohio
ASP Grede Intermediate Holdings LLC	Delaware
AAM Casting Corp.	Delaware
Tekfor, Inc.	Delaware

EXHIBIT 31.1 - CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT

I, David C. Dauch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Axle & Manufacturing Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the

period in which this report is being prepared;

- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2023 August 4, 2023

/s/ David C. Dauch

David C. Dauch
Chairman of the Board & Chief Executive Officer
(Principal Executive Officer)

**EXHIBIT 31.2 - CERTIFICATION PURSUANT TO RULE 13a-14(a)
OF THE SECURITIES EXCHANGE ACT**

I, Christopher J. May, certify that:

- 1. I have reviewed this Quarterly Report on Form 10-Q of American Axle & Manufacturing Holdings, Inc.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2023 August 4, 2023

/s/ Christopher J. May

Christopher J. May

Executive Vice President & Chief Financial Officer

(Principal Financial Officer)

**EXHIBIT 32 - CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of American Axle & Manufacturing Holdings, Inc. (Issuer) on Form 10-Q for the period ending March 31, 2023 June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (Report), I, David C. Dauch, Chairman of the Board & Chief Executive Officer of the Issuer, and I, Christopher J. May, Executive Vice President & Chief Financial Officer of the Issuer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

/s/ David C. Dauch

David C. Dauch

Chairman of the Board &

Chief Executive Officer

May 5, August 4, 2023

/s/ Christopher J. May

Christopher J. May

Executive Vice President &

Chief Financial Officer

May 5, August 4, 2023

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