

INDEVUS PHARMACEUTICALS INC  
Form SC 13G  
March 02, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No. )\*

Indevus Pharmaceuticals, Inc.

(Name of Issuer)

Common Stock, \$.01 par value

(Title of Class of Securities)

454072109

(CUSIP Number)

February 17, 2009

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the

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CUSIP No. 454072109

1 NAME OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities only)

Black Horse Capital LP

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)  X

(b)  O

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

5. SOLE VOTING POWER

NUMBER OF  
SHARES

0  
6. SHARED VOTING POWER

BENEFICIALLY

1,264,588

OWNED BY

7. SOLE DISPOSITIVE POWER

EACH

REPORTING

0

PERSON

8. SHARED DISPOSITIVE POWER

WITH

1,264,588

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON

1,264,588

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES  []

CERTAIN SHARES

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

1.6%

12. TYPE OF REPORTING PERSON

PN

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CUSIP No. 454072109

1 NAME OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities only)

Black Horse Capital (QP) LP

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)  X

(b)  O

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

5. SOLE VOTING POWER

NUMBER OF  
SHARES

0  
6. SHARED VOTING POWER

BENEFICIALLY

604,756

OWNED BY

7. SOLE DISPOSITIVE POWER

EACH

REPORTING

0

PERSON

8. SHARED DISPOSITIVE POWER

WITH

604,756

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON

604,756

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES  []

CERTAIN SHARES

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

0.7%

12. TYPE OF REPORTING PERSON

PN

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CUSIP No. 454072109

1 NAME OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities only)

Black Horse Capital Master Fund Ltd.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)  X

(b)  O

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Cayman Islands

5. SOLE VOTING POWER

NUMBER OF  
SHARES

0  
6. SHARED VOTING POWER

BENEFICIALLY

360,579

OWNED BY

7. SOLE DISPOSITIVE POWER

EACH

REPORTING

0

PERSON

8. SHARED DISPOSITIVE POWER

WITH

360,579

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON

360,579

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES  []

CERTAIN SHARES

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

0.5%

12. TYPE OF REPORTING PERSON

CO

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CUSIP No. 454072109

1 NAME OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities only)

Black Horse Capital Management LLC  
2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)  X  
(b)  O

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

5. SOLE VOTING POWER

NUMBER OF SHARES  
6. 0 SHARED VOTING POWER

BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH  
7. 1,869,344 SOLE DISPOSITIVE POWER

8. 0 SHARED DISPOSITIVE POWER

1,869,344

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,869,344

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES  [ ]

11. CERTAIN SHARES  
PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

2.4%

12. TYPE OF REPORTING PERSON

OO

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CUSIP No. 454072109

1 NAME OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities only)

Black Horse Capital Advisors LLC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)  X

(b)  O

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

5. SOLE VOTING POWER

NUMBER OF  
SHARES

0  
6. SHARED VOTING POWER

BENEFICIALLY

360,579

OWNED BY

7. SOLE DISPOSITIVE POWER

EACH

REPORTING

0

PERSON

8. SHARED DISPOSITIVE POWER

WITH

360,579

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON

360,579

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES  []

CERTAIN SHARES

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

0.5%

12. TYPE OF REPORTING PERSON

OO

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CUSIP No. 454072109

1 NAME OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities only)

Dale Chappell

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)  X

(b)  O

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

United States

5. SOLE VOTING POWER

NUMBER OF  
SHARES

0  
6. SHARED VOTING POWER

BENEFICIALLY

2,229,923

OWNED BY

7. SOLE DISPOSITIVE POWER

EACH

REPORTING

0

PERSON

8. SHARED DISPOSITIVE POWER

WITH

2,229,923

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON

2,229,923

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES  [ ]

CERTAIN SHARES

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

2.8%

12. TYPE OF REPORTING PERSON

IN, HC

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On February 17, 2009, the Reporting Persons (as defined below) acquired more than 5% beneficial ownership of the shares of Common Stock (as defined below) of Indevus Pharmaceuticals, Inc. On February 23, 2009, the Reporting Persons no longer beneficially owned 5% of the outstanding shares of Common Stock. This Schedule 13G reflects the holdings of Common Stock of the Reporting Persons as of February 27, 2009.

**Item 1(a) Name of Issuer:**  
Indevus Pharmaceuticals, Inc. ("Issuer")

**1(b) Address of Issuer's Principal Executive Offices:**  
33 Hayden Avenue  
  
Lexington, MA 02421-7966

**Item 2(a) Name of Person Filing:**  
The names of the persons filing this statement on Schedule 13G are (the "Reporting Persons"):

- Black Horse Capital LP, a Delaware limited partnership ("Domestic Fund"),
- Black Horse Capital (QP) LP, a Delaware limited partnership ("QP Fund"),
- Black Horse Capital Master Fund Ltd., a Cayman Islands exempt company ("Offshore Fund"),
- Black Horse Capital Management LLC, a Delaware limited liability company ("BH Management"),
- Black Horse Capital Advisors LLC, a Delaware limited liability company ("BH Advisors"), and
- Dale Chappell, a United States citizen ("Mr. Chappell") and

BH Management is the managing general partner of each of Domestic Fund and QP Fund. BH Advisors is the investment manager of the Offshore Fund. Mr. Chappell is the controlling person of each of BH Management and BH Advisors.

**2(b) Address of Principal Business Office or, if None, Residence:**  
The principal business address for each of the Domestic Fund, QP Fund, BH Management, BH Advisors and Mr. Chappell is 338 S. Sharon Amity Road, #202, Charlotte, North Carolina 28211.

The principal business address of the Offshore Fund is c/o M&C Corporate Services Limited, P.O. Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands.

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**2(c) Citizenship:**

Each of the Domestic Fund and QP Fund is a Delaware limited partnership.

The Offshore Fund is a Cayman Islands exempt company.

Each of BH Management and BH Advisors is a Delaware limited liability company.

Mr. Chappell is a citizen of the United States.

**2(d) Title of Class of Securities:**

Common Stock, \$0.001 par value (the "Common Stock")

**2(e) CUSIP Number:**

454072109

**ITEM 3. IF THIS STATEMENT IS FILED PURSUANT TO RULE 13d-1(b), OR 13d-2(b) OR (c), CHECK WHETHER THE PERSON FILING IS A:**

- (a)  Broker or dealer registered under Section 15 of the Exchange Act.
- (b)  Bank as defined in Section 3(a)(6) of the Exchange Act.

|                                                            |         |          |        |        |
|------------------------------------------------------------|---------|----------|--------|--------|
| Other income<br>(expense)                                  |         |          |        |        |
| Debt<br>refinancing<br>and<br>redemption<br>costs          | 0.1     | —        | (11.2) | —      |
| Other, net                                                 | (2.0)   | ) (0.6 ) | (1.5 ) | (1.8 ) |
| Income before<br>income taxes                              | 31.2    | 6.4      | 36.1   | 58.9   |
| Income tax<br>expense                                      | 5.4     | 1.7      | 3.0    | 3.9    |
| Net income                                                 | 25.8    | 4.7      | 33.1   | 55.0   |
| Net loss<br>attributable to<br>noncontrolling<br>interests | —       | —        | —      | 0.9    |
| Net income<br>attributable to<br>AAM                       | \$ 25.8 | \$4.7    | \$33.1 | \$55.9 |
| Basic earnings<br>per share                                | \$ 0.34 | \$0.06   | \$0.43 | \$0.74 |
| Diluted<br>earnings per                                    | \$ 0.34 | \$0.06   | \$0.43 | \$0.74 |

share

See accompanying notes to condensed consolidated financial statements.

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

|                                                                                                                                         | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------|------------------------------|----------|
|                                                                                                                                         | 2013                           | 2012     | 2013                         | 2012     |
|                                                                                                                                         | (in millions)                  |          |                              |          |
| Net income                                                                                                                              | \$25.8                         | \$4.7    | \$33.1                       | \$55.0   |
| Other comprehensive income (loss), net of tax                                                                                           |                                |          |                              |          |
| Defined benefit plans, net of tax of \$(0.8) million and \$(0.1) million for the three and six months ended June 30, 2013, respectively | 1.7                            | (0.5)    | ) 0.6                        | (14.5)   |
| Foreign currency translation adjustments                                                                                                | (21.7)                         | ) (22.5) | ) (16.8)                     | ) (11.8) |
| Change in derivatives                                                                                                                   | (2.1)                          | ) (0.2)  | ) (1.6)                      | ) 5.4    |
| Other comprehensive loss                                                                                                                | (22.1)                         | ) (23.2) | ) (17.8)                     | ) (20.9) |
| Comprehensive income (loss)                                                                                                             | 3.7                            | (18.5)   | ) 15.3                       | 34.1     |
| Net loss attributable to noncontrolling interests                                                                                       | —                              | —        | —                            | 0.9      |
| Foreign currency translation adjustments attributable to noncontrolling interests                                                       | —                              | —        | —                            | 0.2      |
| Comprehensive income (loss) attributable to AAM                                                                                         | \$3.7                          | \$(18.5) | ) \$15.3                     | \$34.8   |

See accompanying notes to condensed consolidated financial statements.

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

|                                                                                      | June 30, 2013<br>(Unaudited)<br>(in millions) | December 31,<br>2012 |
|--------------------------------------------------------------------------------------|-----------------------------------------------|----------------------|
| Assets                                                                               |                                               |                      |
| Current assets                                                                       |                                               |                      |
| Cash and cash equivalents                                                            | \$78.9                                        | \$62.4               |
| Accounts receivable, net                                                             | 559.5                                         | 463.4                |
| Inventories, net                                                                     | 233.2                                         | 224.3                |
| Prepaid expenses and other current assets                                            | 120.6                                         | 122.0                |
| Total current assets                                                                 | 992.2                                         | 872.1                |
| Property, plant and equipment, net                                                   | 1,036.8                                       | 1,009.7              |
| Deferred income taxes                                                                | 366.2                                         | 366.1                |
| Goodwill                                                                             | 156.2                                         | 156.4                |
| GM postretirement cost sharing asset                                                 | 252.5                                         | 259.7                |
| Other assets and deferred charges                                                    | 204.8                                         | 202.0                |
| Total assets                                                                         | \$3,008.7                                     | \$2,866.0            |
| Liabilities and Stockholders' Deficit                                                |                                               |                      |
| Current liabilities                                                                  |                                               |                      |
| Accounts payable                                                                     | \$450.7                                       | \$396.1              |
| Accrued compensation and benefits                                                    | 90.1                                          | 84.9                 |
| Deferred revenue                                                                     | 15.8                                          | 17.2                 |
| Accrued expenses and other current liabilities                                       | 90.4                                          | 102.6                |
| Total current liabilities                                                            | 647.0                                         | 600.8                |
| Long-term debt                                                                       | 1,546.5                                       | 1,454.1              |
| Deferred revenue                                                                     | 79.5                                          | 82.2                 |
| Postretirement benefits and other long-term liabilities                              | 837.3                                         | 849.7                |
| Total liabilities                                                                    | 3,110.3                                       | 2,986.8              |
| Stockholders' deficit                                                                |                                               |                      |
| Common stock, par value \$0.01 per share                                             | 0.8                                           | 0.8                  |
| Paid-in capital                                                                      | 604.9                                         | 600.9                |
| Accumulated deficit                                                                  | (242.7)                                       | (275.8)              |
| Treasury stock at cost, 6.0 million shares as of June 30, 2013 and December 31, 2012 | (182.2)                                       | (182.1)              |
| Accumulated other comprehensive income (loss), net of tax                            |                                               |                      |
| Defined benefit plans                                                                | (273.9)                                       | (274.5)              |
| Foreign currency translation adjustments                                             | (9.2)                                         | 7.6                  |
| Unrecognized gain on derivatives                                                     | 0.7                                           | 2.3                  |
| Total AAM stockholders' deficit                                                      | (101.6)                                       | (120.8)              |
| Noncontrolling interest in subsidiaries                                              | —                                             | —                    |
| Total stockholders' deficit                                                          | (101.6)                                       | (120.8)              |
| Total liabilities and stockholders' deficit                                          | \$3,008.7                                     | \$2,866.0            |

See accompanying notes to condensed consolidated financial statements.

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

|                                                                                  | Six Months Ended<br>June 30, |          |
|----------------------------------------------------------------------------------|------------------------------|----------|
|                                                                                  | 2013                         | 2012     |
|                                                                                  | (in millions)                |          |
| Operating activities                                                             |                              |          |
| Net income                                                                       | \$33.1                       | \$55.0   |
| Adjustments to reconcile net income to net cash provided by operating activities |                              |          |
| Depreciation and amortization                                                    | 83.7                         | 73.7     |
| Deferred income taxes                                                            | (1.5                         | ) (1.1   |
| Stock-based compensation                                                         | 3.2                          | 0.6      |
| Pensions and other postretirement benefits, net of contributions                 | 5.9                          | (29.5    |
| Loss (gain) on disposal of property, plant and equipment, net                    | (3.5                         | ) 0.8    |
| Debt refinancing and redemption costs                                            | 2.5                          | —        |
| Changes in operating assets and liabilities                                      |                              |          |
| Accounts receivable                                                              | (99.1                        | ) (142.6 |
| Inventories                                                                      | (12.3                        | ) (34.2  |
| Accounts payable and accrued expenses                                            | 51.1                         | 135.3    |
| Deferred revenue                                                                 | (3.8                         | ) (16.7  |
| Other assets and liabilities                                                     | (26.1                        | ) (16.7  |
| Net cash provided by operating activities                                        | 33.2                         | 24.6     |
| Investing activities                                                             |                              |          |
| Purchases of property, plant and equipment                                       | (121.5                       | ) (92.9  |
| Proceeds from sale of property, plant and equipment                              | 4.9                          | 1.2      |
| Proceeds from sale-leaseback of equipment                                        | 16.0                         | —        |
| Net cash used in investing activities                                            | (100.6                       | ) (91.7  |
| Financing activities                                                             |                              |          |
| Net short-term repayments under credit facilities                                | (12.0                        | ) (1.7   |
| Payments of long-term debt and capital lease obligations                         | (307.3                       | ) (18.0  |
| Proceeds from issuance of long-term debt                                         | 410.0                        | 12.4     |
| Debt issuance costs                                                              | (6.6                         | ) —      |
| Purchase of noncontrolling interest                                              | —                            | (4.0     |
| Purchase of treasury stock                                                       | (0.1                         | ) (5.9   |
| Employee stock option exercises                                                  | 0.8                          | 0.1      |
| Net cash provided by (used in) financing activities                              | 84.8                         | (17.1    |
| Effect of exchange rate changes on cash                                          | (0.9                         | ) 0.2    |
| Net increase (decrease) in cash and cash equivalents                             | 16.5                         | (84.0    |
| Cash and cash equivalents at beginning of period                                 | 62.4                         | 169.2    |
| Cash and cash equivalents at end of period                                       | \$78.9                       | \$85.2   |
| Supplemental cash flow information                                               |                              |          |

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|                                   |        |        |
|-----------------------------------|--------|--------|
| Interest paid                     | \$55.9 | \$43.1 |
| Income taxes paid, net of refunds | \$8.2  | \$10.0 |

See accompanying notes to condensed consolidated financial statements.

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AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2013  
(Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

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

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

The balance sheet at December 31, 2012 presented herein has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (GAAP) for complete consolidated financial statements.

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

For further information, refer to the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2012.

**Effect of New Accounting Standards** On January 1, 2013, new accounting guidance regarding impairment testing of indefinite-lived intangible assets became effective. Under the new guidance, an entity testing an indefinite-lived intangible asset for impairment has the option of performing a qualitative impairment assessment before calculating the fair value of the asset. We do not believe that the adoption of this new accounting guidance will have a significant effect on our impairment assessments of indefinite-lived intangible assets in the future.

On February 5, 2013, new accounting guidance was issued which requires entities to disclose additional information about items reclassified out of accumulated other comprehensive income (AOCI). The new guidance requires entities to disclose, either on the face of the financial statements or as a separate footnote to the financial statements, additional information regarding changes in AOCI balances by component, either before tax or net-of-tax, and requires entities to disclose significant items reclassified out of AOCI by component. The new guidance does not change the current accounting guidance which states that a total for comprehensive income must be reported in condensed interim financial statements in either a single continuous statement or two separate but consecutive statements. Other than additional disclosure requirements, the adoption of this new guidance has had no impact on our condensed consolidated financial statements.





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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2. RESTRUCTURING ACTIONS

There were no payments made in the first six months of 2013 related to our remaining asset retirement obligation of \$0.5 million, as of June 30, 2013.

In the six months ended June 30, 2012, we incurred charges for the redeployment of assets and other related costs associated with the closure of our Detroit Manufacturing Complex (DMC) and Cheektowaga Manufacturing Facility (CKMF). We expensed and paid \$20.7 million in the first six months of 2012, related to these actions.

## 3. INVENTORIES

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

Inventories consist of the following:

|                                    | June 30, 2013 | December 31,<br>2012 |
|------------------------------------|---------------|----------------------|
|                                    | (in millions) |                      |
| Raw materials and work-in-progress | \$238.5       | \$220.3              |
| Finished goods                     | 26.2          | 25.0                 |
| Gross inventories                  | 264.7         | 245.3                |
| Inventory valuation reserves       | (31.5         | ) (21.0              |
| Inventories, net                   | \$233.2       | \$224.3              |

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4. LONG-TERM DEBT

Long-term debt consists of the following:

|                              | June 30, 2013<br>(in millions) | December 31, 2012 |
|------------------------------|--------------------------------|-------------------|
| Revolving credit facility    | \$—                            | \$—               |
| 9.25% Notes, net of discount | 337.8                          | 337.5             |
| 7.875% Notes                 | —                              | 300.0             |
| 7.75% Notes                  | 200.0                          | 200.0             |
| 6.625% Notes                 | 550.0                          | 550.0             |
| 6.25% Notes                  | 400.0                          | —                 |
| Foreign credit facilities    | 53.2                           | 61.0              |
| Capital lease obligations    | 5.5                            | 5.6               |
| Long-term debt               | \$1,546.5                      | \$1,454.1         |

**6.25% Notes** In the first quarter of 2013, we issued \$400.0 million of 6.25% senior unsecured notes due 2021 (6.25% Notes). Concurrent with the offering of the 6.25% Notes, we made a tender offer to purchase our 7.875% Notes, of which the aggregate principal amount outstanding at the time of the tender offer was \$300.0 million. Net proceeds from the 6.25% Notes were used to fund the purchase pursuant to the tender offer and the subsequent redemption of the entire \$300.0 million of the 7.875% Notes and for other general corporate purposes. We paid debt issuance costs of \$6.6 million in the first six months of 2013 related to the 6.25% Notes.

**7.875% Notes** On March 1, 2013, in connection with the cash tender offer, we purchased \$172.6 million aggregate principal amount of the 7.875% Notes, and paid accrued interest. Upon purchase, we expensed \$5.2 million related to a tender premium, \$0.1 million of professional fees and unamortized debt issuance costs of \$1.2 million related to this debt. We had been amortizing the debt issuance costs over the expected life of the borrowing.

On March 15, 2013, we voluntarily redeemed the remaining 7.875% Notes outstanding. This resulted in a principal payment of \$127.4 million, a payment of \$3.3 million related to a redemption premium, as well as payment of accrued interest. Upon redemption, we expensed \$0.9 million of unamortized debt issuance costs related to this debt. We had been amortizing the debt issuance costs over the expected life of the borrowing.

**Revolving Credit Facility** On March 20, 2013, we terminated our class C loan facility of \$72.8 million, which would have matured on June 30, 2013. Upon termination, we expensed \$0.5 million of unamortized debt issuance costs related to the class C facility. We had been amortizing the debt issuance costs over the expected life of the borrowing. As of June 30, 2013, the Revolving Credit Facility provided up to \$365.0 million of revolving bank financing commitments through June 30, 2016. At June 30, 2013, we had \$341.7 million available under the Revolving Credit Facility. This availability reflects a reduction of \$23.3 million for standby letters of credit issued against the facility.

The Revolving Credit Facility provides back-up liquidity for our foreign credit facilities. We intend to use the availability of long-term financing under the Revolving Credit Facility to refinance any current maturities related to such debt agreements that are not otherwise refinanced on a long-term basis in their local markets.

We utilize local currency credit facilities to finance the operations of certain foreign subsidiaries. At June 30, 2013, \$53.2 million was outstanding under these facilities and an additional \$59.2 million was available.

The weighted-average interest rate of our long-term debt outstanding was 7.5% at June 30, 2013 and 7.9% as of December 31, 2012.

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5. FAIR VALUE

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

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

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

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

**Financial instruments** The estimated fair value of our financial assets and liabilities that are recognized at fair value on a recurring basis, using available market information and other observable data, as of June 30, 2013, are as follows:

| Balance Sheet Classification              | June 30, 2013                    |            | December 31, 2012                |            | Input   |
|-------------------------------------------|----------------------------------|------------|----------------------------------|------------|---------|
|                                           | Carrying Amount<br>(in millions) | Fair Value | Carrying Amount<br>(in millions) | Fair Value |         |
| Cash equivalents                          | \$10.8                           | \$10.8     | \$6.5                            | \$6.5      | Level 1 |
| Prepaid expenses and other current assets |                                  |            |                                  |            |         |
| Currency forward contracts                | 1.1                              | 1.1        | 2.3                              | 2.3        | Level 2 |
| Other assets and deferred charges         |                                  |            |                                  |            |         |
| Currency forward contracts                | 0.1                              | 0.1        | —                                | —          | Level 2 |
| Other accrued expenses                    |                                  |            |                                  |            |         |
| Currency forward contracts                | 0.5                              | 0.5        | —                                | —          | Level 2 |

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

|              | June 30, 2013                    |            | December 31, 2012                |            | Input   |
|--------------|----------------------------------|------------|----------------------------------|------------|---------|
|              | Carrying Amount<br>(in millions) | Fair Value | Carrying Amount<br>(in millions) | Fair Value |         |
| 9.25% Notes  | \$337.8                          | \$363.8    | \$337.5                          | \$377.4    | Level 2 |
| 7.875% Notes | —                                | —          | 300.0                            | 310.1      | Level 2 |
| 7.75% Notes  | 200.0                            | 218.5      | 200.0                            | 216.5      | Level 2 |
| 6.625% Notes | 550.0                            | 558.3      | 550.0                            | 555.5      | Level 2 |
| 6.25% Notes  | 400.0                            | 405.0      | —                                | —          | Level 2 |



AMERICAN AXLE &amp; MANUFACTURING HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. DERIVATIVES

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

Currency forward contracts From time to time, we use foreign currency forward contracts to reduce the effects of fluctuations in exchange rates, primarily relating to the Mexican Peso, Euro and Pound Sterling. As of June 30, 2013, we have currency forward contracts outstanding with a notional amount of \$47.5 million that hedge our exposure to changes in foreign currency exchange rates for our payroll expenses.

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

|                            | Location of<br>Gain (Loss)<br>Reclassified into<br>Net Income | Gain (Loss) Reclassified               |         |                                      |         | Gain Expected to<br>be<br>Reclassified<br>During the<br>Next 12 Months |
|----------------------------|---------------------------------------------------------------|----------------------------------------|---------|--------------------------------------|---------|------------------------------------------------------------------------|
|                            |                                                               | Three Months Ended<br>June 30,<br>2013 |         | Six Months Ended<br>June 30,<br>2012 |         |                                                                        |
| Currency forward contracts | Cost of Goods Sold                                            | \$0.9                                  | \$(1.3) | \$2.1                                | \$(1.5) | \$0.6                                                                  |

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 7. EMPLOYEE BENEFIT PLANS

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

|                                    | Pension Benefits               |        |                              |         |
|------------------------------------|--------------------------------|--------|------------------------------|---------|
|                                    | Three Months Ended<br>June 30, |        | Six Months Ended<br>June 30, |         |
|                                    | 2013                           | 2012   | 2013                         | 2012    |
|                                    | (in millions)                  |        |                              |         |
| Service cost                       | \$0.9                          | \$0.8  | \$1.8                        | \$1.6   |
| Interest cost                      | 8.5                            | 8.8    | 17.0                         | 17.6    |
| Expected asset return              | (11.5                          | ) (8.0 | ) (23.0                      | ) (16.0 |
| Amortized loss                     | 2.4                            | 1.8    | 4.8                          | 3.6     |
| Amortized prior service cost       | 0.3                            | —      | 0.6                          | —       |
| Net periodic benefit cost          | \$0.6                          | \$3.4  | \$1.2                        | \$6.8   |
|                                    |                                |        |                              |         |
|                                    | Other Postretirement Benefits  |        |                              |         |
|                                    | Three Months Ended<br>June 30, |        | Six Months Ended<br>June 30, |         |
|                                    | 2013                           | 2012   | 2013                         | 2012    |
|                                    | (in millions)                  |        |                              |         |
| Service cost                       | \$0.1                          | \$0.1  | \$0.2                        | \$0.2   |
| Interest cost                      | 3.3                            | 3.9    | 6.6                          | 7.8     |
| Amortized loss                     | 0.2                            | 0.2    | 0.4                          | 0.4     |
| Amortized prior service credit     | (0.5                           | ) (0.5 | ) (0.9                       | ) (1.0  |
| Curtailment gain                   | —                              | —      | —                            | (21.8   |
| Settlement                         | —                              | (5.2   | ) —                          | (5.2    |
| Net periodic benefit cost (credit) | \$3.1                          | \$(1.5 | ) \$6.3                      | \$(19.6 |

In the first quarter of 2012, we recorded a gain of \$21.8 million to cost of goods sold for the curtailment of certain other postretirement benefits (OPEB). This resulted primarily from the reduction in the expected future OPEB related to the DMC and CKMF hourly associates who terminated employment from AAM as a result of our plant closures. These curtailment gains resulted in an increase in our accumulated other comprehensive loss of \$21.8 million.

In the second quarter of 2012, we notified hourly associates of the termination of a benefit plan, which provided legal services to certain eligible hourly associates represented by the International UAW. As a result of terminating this plan, we recorded a settlement gain of \$5.2 million in cost of goods sold in the second quarter of 2012. Recognition of this settlement gain reduced our postretirement benefits and other long-term liabilities by \$4.7 million and also reduced our accumulated other comprehensive loss by \$0.5 million.

Due to our significant pension contributions made in 2012, we will not make any cash payments in 2013 to satisfy our regulatory funding requirements. We expect our cash outlay for other postretirement benefit obligations in 2013, net of GM cost sharing, to be approximately \$15 million.



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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 8. 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 adjust the liability as necessary.

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

|                                          | Three Months Ended |        | Six Months Ended |        |
|------------------------------------------|--------------------|--------|------------------|--------|
|                                          | June 30,<br>2013   | 2012   | June 30,<br>2013 | 2012   |
|                                          | (in millions)      |        |                  |        |
| Beginning balance                        | \$22.9             | \$16.8 | \$29.1           | \$13.4 |
| Accruals                                 | 2.5                | 10.7   | 5.7              | 14.4   |
| Settlements                              | (1.3               | ) (0.1 | ) (10.5          | ) (0.4 |
| Adjustment to prior period accruals, net | (0.7               | ) (2.8 | ) (0.9           | ) (2.8 |
| Foreign currency translation and other   | (0.2               | ) (0.1 | ) (0.2           | ) (0.1 |
| Ending balance                           | \$23.2             | \$24.5 | \$23.2           | \$24.5 |

## 9. INCOME TAXES

We are required to adjust our effective tax rate each quarter to estimate our annual effective tax rate. We must also record the tax impact of certain discrete, unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur. In addition, jurisdictions with a projected loss for the year or a year-to-date loss where no tax benefit can be recognized are excluded from the estimated annual effective tax rate. The impact of such an exclusion could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings versus annual projections.

Income tax expense was \$5.4 million in the three months ended June 30, 2013 as compared to \$1.7 million in the three months ended June 30, 2012. Our effective income tax rate was 17.2% in the second quarter of 2013 as compared to 25.9% in the second quarter of 2012.

Income tax expense was \$3.0 million in the first six months of 2013 as compared to \$3.9 million in the first six months of 2012. Our effective income tax rate was 8.3% in the first six months of 2013 as compared to 6.6% in the first six months of 2012.

Our income tax expense and effective tax rate for the three and six months ended June 30, 2013 primarily reflect favorable foreign tax rates, along with our inability to realize a tax benefit for current foreign losses. Additionally, in the first quarter of 2013, we recorded a tax benefit of \$1.5 million relating to the release of a prior year unrecognized tax benefit due to the expiration of the applicable statute of limitations and a tax benefit of \$3.3 million relating to an election we made in the first six months of 2013 regarding the treatment of foreign exchange gains and losses in a foreign jurisdiction.

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

Our income tax expense and effective tax rate for the three and six months ended June 30, 2012 reflect the effect of recognizing a net operating loss benefit against our taxable income in the U.S. and recognizing net tax expense of \$1.3 million related to the amendment of state income tax returns as a result of the settlement of federal income tax audits for the years 2004 through 2007.

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 10. EARNINGS PER SHARE (EPS)

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

|                                                            | Three Months Ended                   |        | Six Months Ended |        |
|------------------------------------------------------------|--------------------------------------|--------|------------------|--------|
|                                                            | June 30,<br>2013                     | 2012   | June 30,<br>2013 | 2012   |
|                                                            | (in millions, except per share data) |        |                  |        |
| Numerator                                                  |                                      |        |                  |        |
| Net income attributable to AAM                             | \$25.8                               | \$4.7  | \$33.1           | \$55.9 |
| Denominator                                                |                                      |        |                  |        |
| Basic shares outstanding -                                 |                                      |        |                  |        |
| Weighted-average shares outstanding                        | 76.8                                 | 75.1   | 76.5             | 75.1   |
| Effect of dilutive securities                              |                                      |        |                  |        |
| Dilutive stock-based compensation                          | 0.1                                  | —      | —                | —      |
| Diluted shares outstanding -                               |                                      |        |                  |        |
| Adjusted weighted-average shares after assumed conversions | 76.9                                 | 75.1   | 76.5             | 75.1   |
| Basic EPS                                                  | \$0.34                               | \$0.06 | \$0.43           | \$0.74 |
| Diluted EPS                                                | \$0.34                               | \$0.06 | \$0.43           | \$0.74 |

Certain exercisable stock options were excluded from the computations of diluted EPS because the exercise price of these options was greater than the average period market prices. The number of stock options outstanding, which were not included in the calculation of diluted EPS, was 2.3 million at June 30, 2013 and 3.3 million at June 30, 2012. The range of exercise prices related to the excluded exercisable stock options was \$15.58 - \$40.83 at June 30, 2013 and June 30, 2012.

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 11. RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

|                                                                                                                      | Defined Benefit<br>Plans | Foreign Currency<br>Translation<br>Adjustments | Unrecognized<br>Gain on<br>Derivatives | Total      |
|----------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------------------------|----------------------------------------|------------|
| Balance at March 31, 2013                                                                                            | \$(275.6 )               | \$12.5                                         | \$2.8                                  | (260.3 )   |
| Other comprehensive loss before reclassifications                                                                    | (0.8 )                   | (21.7 )                                        | (1.2 )                                 | (23.7 )    |
| Amounts reclassified from accumulated other comprehensive income (loss) (Loss (gain) recorded in cost of goods sold) | 2.5                      | —                                              | (0.9 )                                 | 1.6        |
| Net current period other comprehensive income (loss)                                                                 | 1.7                      | (21.7 )                                        | (2.1 )                                 | (22.1 )    |
| Balance at June 30, 2013                                                                                             | \$(273.9 )               | \$(9.2 )                                       | \$0.7                                  | \$(282.4 ) |
|                                                                                                                      | Defined Benefit<br>Plans | Foreign Currency<br>Translation<br>Adjustments | Unrecognized<br>Gain on<br>Derivatives | Total      |
| Balance at December 31, 2012                                                                                         | \$(274.5 )               | \$7.6                                          | \$2.3                                  | \$(264.6 ) |
| Other comprehensive income (loss) before reclassifications                                                           | (4.4 )                   | (16.8 )                                        | 0.5                                    | (20.7 )    |
| Amounts reclassified from accumulated other comprehensive income (loss) (Loss (gain) recorded in cost of goods sold) | 5.0                      | —                                              | (2.1 )                                 | 2.9        |
| Net current period other comprehensive income (loss)                                                                 | 0.6                      | (16.8 )                                        | (1.6 )                                 | (17.8 )    |
| Balance at June 30, 2013                                                                                             | \$(273.9 )               | \$(9.2 )                                       | \$0.7                                  | \$(282.4 ) |

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 12. SUPPLEMENTAL GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Holdings has no significant assets other than its 100% ownership in AAM, Inc. and no direct subsidiaries other than AAM, Inc. The 9.25% Notes are senior secured obligations of AAM Inc. and the 7.75% Notes, 6.625% Notes and 6.25% Notes are senior unsecured obligations of AAM Inc.; all of which are fully and unconditionally and joint and severally, guaranteed by Holdings and substantially all domestic subsidiaries of AAM, Inc.

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

Condensed Consolidating Statements of Income  
Three Months Ended June 30,  
(in millions)

|                                                      | Holdings | AAM Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elims    | Consolidated |
|------------------------------------------------------|----------|----------|---------------------------|-------------------------------|----------|--------------|
| 2013                                                 |          |          |                           |                               |          |              |
| Net sales                                            |          |          |                           |                               |          |              |
| External                                             | \$—      | \$211.3  | \$58.8                    | \$529.5                       | \$—      | \$799.6      |
| Intercompany                                         | —        | 4.6      | 56.3                      | 2.4                           | (63.3)   | —            |
| Total net sales                                      | —        | 215.9    | 115.1                     | 531.9                         | (63.3)   | 799.6        |
| Cost of goods sold                                   | —        | 197.7    | 98.9                      | 444.1                         | (63.3)   | 677.4        |
| Gross profit                                         | —        | 18.2     | 16.2                      | 87.8                          | —        | 122.2        |
| Selling, general and<br>administrative expenses      | —        | 52.3     | —                         | 8.2                           | —        | 60.5         |
| Operating income (loss)                              | —        | (34.1)   | 16.2                      | 79.6                          | —        | 61.7         |
| Non-operating income (expense),<br>net               | —        | (29.3)   | 2.7                       | (3.9)                         | —        | (30.5)       |
| Income (loss) before income<br>taxes                 | —        | (63.4)   | 18.9                      | 75.7                          | —        | 31.2         |
| Income tax expense (benefit)                         | —        | (12.3)   | —                         | 17.7                          | —        | 5.4          |
| Earnings (loss) from equity in<br>subsidiaries       | 25.8     | 24.5     | (9.7)                     | —                             | (40.6)   | —            |
| Net income (loss) before<br>royalties and dividends  | 25.8     | (26.6)   | 9.2                       | 58.0                          | (40.6)   | 25.8         |
| Royalties and dividends                              | —        | 52.4     | —                         | (52.4)                        | —        | —            |
| Net income after royalties and<br>dividends          | 25.8     | 25.8     | 9.2                       | 5.6                           | (40.6)   | 25.8         |
| Net loss attributable to<br>noncontrolling interests | —        | —        | —                         | —                             | —        | —            |
| Net income attributable to AAM                       | \$25.8   | \$25.8   | \$9.2                     | \$5.6                         | \$(40.6) | \$25.8       |
| Other comprehensive loss                             | (22.1)   | (22.1)   | (21.3)                    | (24.4)                        | 67.8     | (22.1)       |
| Comprehensive income (loss)<br>attributable to AAM   | \$3.7    | \$3.7    | \$(12.1)                  | \$(18.8)                      | \$27.2   | \$3.7        |

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

|                                                      | Holdings | AAM Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elims    | Consolidated |
|------------------------------------------------------|----------|----------|---------------------------|-------------------------------|----------|--------------|
| 2012                                                 |          |          |                           |                               |          |              |
| Net sales                                            |          |          |                           |                               |          |              |
| External                                             | \$—      | \$182.1  | \$54.8                    | \$502.9                       | \$—      | \$739.8      |
| Intercompany                                         | —        | 3.8      | 59.4                      | 6.4                           | (69.6)   | —            |
| Total net sales                                      | —        | 185.9    | 114.2                     | 509.3                         | (69.6)   | 739.8        |
| Cost of goods sold                                   | —        | 206.4    | 100.7                     | 416.5                         | (69.6)   | 654.0        |
| Gross profit (loss)                                  | —        | (20.5)   | 13.5                      | 92.8                          | —        | 85.8         |
| Selling, general and<br>administrative expenses      | —        | 46.5     | —                         | 9.0                           | —        | 55.5         |
| Operating income (loss)                              | —        | (67.0)   | 13.5                      | 83.8                          | —        | 30.3         |
| Non-operating income (expense),<br>net               | —        | (24.5)   | 0.4                       | 0.2                           | —        | (23.9)       |
| Income (loss) before income<br>taxes                 | —        | (91.5)   | 13.9                      | 84.0                          | —        | 6.4          |
| Income tax expense                                   | —        | 1.2      | —                         | 0.5                           | —        | 1.7          |
| Earnings (loss) from equity in<br>subsidiaries       | 4.7      | 52.0     | (12.7)                    | —                             | (44.0)   | —            |
| Net income (loss) before<br>royalties and dividends  | 4.7      | (40.7)   | 1.2                       | 83.5                          | (44.0)   | 4.7          |
| Royalties and dividends                              | —        | 45.4     | —                         | (45.4)                        | —        | —            |
| Net income after royalties and<br>dividends          | 4.7      | 4.7      | 1.2                       | 38.1                          | (44.0)   | 4.7          |
| Net loss attributable to<br>noncontrolling interests | —        | —        | —                         | —                             | —        | —            |
| Net income attributable to AAM                       | \$4.7    | \$4.7    | \$1.2                     | \$38.1                        | \$(44.0) | \$4.7        |
| Other comprehensive loss                             | (23.2)   | (23.2)   | (21.4)                    | (21.8)                        | 66.4     | (23.2)       |
| Comprehensive income (loss)<br>attributable to AAM   | \$(18.5) | \$(18.5) | \$(20.2)                  | \$16.3                        | \$22.4   | \$(18.5)     |

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidating Statements of Income  
Six Months Ended June 30,  
(in millions)

|                                                      | Holdings | AAM Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elims    | Consolidated |
|------------------------------------------------------|----------|----------|---------------------------|-------------------------------|----------|--------------|
| 2013                                                 |          |          |                           |                               |          |              |
| Net sales                                            |          |          |                           |                               |          |              |
| External                                             | \$—      | \$411.6  | \$112.7                   | \$1,030.9                     | \$—      | \$1,555.2    |
| Intercompany                                         | —        | 8.0      | 113.9                     | 7.3                           | (129.2)  | ) —          |
| Total net sales                                      | —        | 419.6    | 226.6                     | 1,038.2                       | (129.2)  | ) 1,555.2    |
| Cost of goods sold                                   | —        | 396.2    | 196.1                     | 865.6                         | (129.2)  | ) 1,328.7    |
| Gross profit                                         | —        | 23.4     | 30.5                      | 172.6                         | —        | 226.5        |
| Selling, general and<br>administrative expenses      | —        | 101.2    | —                         | 18.9                          | —        | 120.1        |
| Operating income (loss)                              | —        | (77.8)   | ) 30.5                    | 153.7                         | —        | 106.4        |
| Non-operating income<br>(expense), net               | —        | (70.8)   | ) 5.4                     | (4.9)                         | ) —      | (70.3)       |
| Income (loss) before income<br>taxes                 | —        | (148.6)  | ) 35.9                    | 148.8                         | —        | 36.1         |
| Income tax expense (benefit)                         | —        | (13.9)   | ) —                       | 16.9                          | —        | 3.0          |
| Earnings (loss) from equity in<br>subsidiaries       | 33.1     | 64.9     | (12.9)                    | ) —                           | (85.1)   | ) —          |
| Net income (loss) before<br>royalties and dividends  | 33.1     | (69.8)   | ) 23.0                    | 131.9                         | (85.1)   | ) 33.1       |
| Royalties and dividends                              | —        | 102.9    | —                         | (102.9)                       | ) —      | —            |
| Net income after royalties and<br>dividends          | 33.1     | 33.1     | 23.0                      | 29.0                          | (85.1)   | ) 33.1       |
| Net loss attributable to<br>noncontrolling interests | —        | —        | —                         | —                             | —        | —            |
| Net income attributable to<br>AAM                    | \$33.1   | \$33.1   | \$23.0                    | \$29.0                        | \$(85.1) | ) \$33.1     |
| Other comprehensive loss                             | (17.8)   | ) (17.8) | ) (13.6)                  | ) (16.1)                      | ) 47.5   | (17.8)       |
| Comprehensive income<br>attributable to AAM          | \$15.3   | \$15.3   | \$9.4                     | \$12.9                        | \$(37.6) | ) \$15.3     |

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

|                                                                                         | Holdings | AAM Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elims     | Consolidated |
|-----------------------------------------------------------------------------------------|----------|----------|---------------------------|-------------------------------|-----------|--------------|
| 2012                                                                                    |          |          |                           |                               |           |              |
| Net sales                                                                               |          |          |                           |                               |           |              |
| External                                                                                | \$—      | \$380.4  | \$109.3                   | \$1,001.6                     | \$—       | \$1,491.3    |
| Intercompany                                                                            | —        | 11.4     | 120.1                     | 12.2                          | (143.7)   | ) —          |
| Total net sales                                                                         | —        | 391.8    | 229.4                     | 1,013.8                       | (143.7)   | ) 1,491.3    |
| Cost of goods sold                                                                      | —        | 380.4    | 200.6                     | 829.0                         | (143.7)   | ) 1,266.3    |
| Gross profit                                                                            | —        | 11.4     | 28.8                      | 184.8                         | —         | 225.0        |
| Selling, general and<br>administrative expenses                                         | —        | 98.2     | —                         | 19.1                          | —         | 117.3        |
| Operating income (loss)                                                                 | —        | (86.8)   | ) 28.8                    | 165.7                         | —         | 107.7        |
| Non-operating income<br>(expense), net                                                  | —        | (48.8)   | ) 1.2                     | (1.2)                         | ) —       | (48.8)       |
| Income (loss) before income<br>taxes                                                    | —        | (135.6)  | ) 30.0                    | 164.5                         | —         | 58.9         |
| Income tax expense                                                                      | —        | 0.3      | —                         | 3.6                           | —         | 3.9          |
| Earnings (loss) from equity in<br>subsidiaries                                          | 55.9     | 99.3     | (26.2)                    | ) —                           | (129.0)   | ) —          |
| Net income (loss) before<br>royalties and dividends                                     | 55.9     | (36.6)   | ) 3.8                     | 160.9                         | (129.0)   | ) 55.0       |
| Royalties and dividends                                                                 | —        | 92.5     | —                         | (92.5)                        | ) —       | —            |
| Net income after royalties and<br>dividends                                             | 55.9     | 55.9     | 3.8                       | 68.4                          | (129.0)   | ) 55.0       |
| Net loss attributable to<br>noncontrolling interests                                    | —        | —        | —                         | 0.9                           | —         | 0.9          |
| Net income attributable to<br>AAM                                                       | \$55.9   | \$55.9   | \$3.8                     | \$69.3                        | \$(129.0) | ) \$55.9     |
| Other comprehensive loss                                                                | (20.9)   | ) (20.9) | ) (11.3)                  | ) (6.8)                       | ) 39.0    | (20.9)       |
| Foreign currency translation<br>adjustments attributable to<br>noncontrolling interests | 0.2      | 0.2      | —                         | 0.2                           | (0.4)     | ) 0.2        |
| Comprehensive income (loss)<br>attributable to AAM                                      | \$34.8   | \$34.8   | \$(7.5)                   | ) \$62.3                      | \$(89.6)  | ) \$34.8     |



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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## Condensed Consolidating Balance Sheets

(in millions)

|                                                         | Holdings | AAM Inc.  | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elims       | Consolidated |
|---------------------------------------------------------|----------|-----------|---------------------------|-------------------------------|-------------|--------------|
| June 30, 2013                                           |          |           |                           |                               |             |              |
| Assets                                                  |          |           |                           |                               |             |              |
| Current assets                                          |          |           |                           |                               |             |              |
| Cash and cash equivalents                               | \$—      | \$2.7     | \$—                       | \$76.2                        | \$—         | \$78.9       |
| Accounts receivable, net                                | —        | 122.9     | 33.5                      | 403.1                         | —           | 559.5        |
| Inventories, net                                        | —        | 46.6      | 31.7                      | 154.9                         | —           | 233.2        |
| Other current assets                                    | —        | 44.2      | 3.5                       | 72.9                          | —           | 120.6        |
| Total current assets                                    | —        | 216.4     | 68.7                      | 707.1                         | —           | 992.2        |
| Property, plant and equipment,<br>net                   | —        | 253.4     | 81.3                      | 702.1                         | —           | 1,036.8      |
| Goodwill                                                | —        | —         | 147.8                     | 8.4                           | —           | 156.2        |
| Other assets and deferred<br>charges                    | —        | 696.6     | 43.9                      | 83.0                          | —           | 823.5        |
| Investment in subsidiaries                              | 222.2    | 1,142.0   | —                         | —                             | (1,364.2 )  | —            |
| Total assets                                            | \$222.2  | \$2,308.4 | \$341.7                   | \$1,500.6                     | \$(1,364.2) | \$3,008.7    |
| Liabilities and stockholders'<br>equity (deficit)       |          |           |                           |                               |             |              |
| Current liabilities                                     |          |           |                           |                               |             |              |
| Accounts payable                                        | \$—      | \$113.4   | \$44.4                    | \$292.9                       | \$—         | \$450.7      |
| Other current liabilities                               | —        | 115.2     | 4.4                       | 76.7                          | —           | 196.3        |
| Total current liabilities                               | —        | 228.6     | 48.8                      | 369.6                         | —           | 647.0        |
| Intercompany payable<br>(receivable)                    | 323.8    | (470.9 )  | (201.9 )                  | 349.0                         | —           | —            |
| Long-term debt                                          | —        | 1,487.8   | 5.5                       | 53.2                          | —           | 1,546.5      |
| Investment in subsidiaries<br>obligation                | —        | —         | 12.8                      | —                             | (12.8 )     | —            |
| Other long-term liabilities                             | —        | 840.7     | 1.3                       | 74.8                          | —           | 916.8        |
| Total liabilities                                       | 323.8    | 2,086.2   | (133.5 )                  | 846.6                         | (12.8 )     | 3,110.3      |
| Total AAM Stockholders'<br>equity (deficit)             | (101.6 ) | 222.2     | 475.2                     | 654.0                         | (1,351.4 )  | (101.6 )     |
| Noncontrolling interests in<br>subsidiaries             | —        | —         | —                         | —                             | —           | —            |
| Total stockholders' equity<br>(deficit)                 | (101.6 ) | 222.2     | 475.2                     | 654.0                         | (1,351.4 )  | (101.6 )     |
| Total liabilities and<br>stockholders' equity (deficit) | \$222.2  | \$2,308.4 | \$341.7                   | \$1,500.6                     | \$(1,364.2) | \$3,008.7    |

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

|                                                         | Holdings | AAM Inc.  | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elims        | Consolidated |
|---------------------------------------------------------|----------|-----------|---------------------------|-------------------------------|--------------|--------------|
| December 31, 2012                                       |          |           |                           |                               |              |              |
| Assets                                                  |          |           |                           |                               |              |              |
| Current assets                                          |          |           |                           |                               |              |              |
| Cash and cash equivalents                               | \$—      | \$10.6    | \$—                       | \$ 51.8                       | \$—          | \$62.4       |
| Accounts receivable, net                                | —        | 94.4      | 25.3                      | 343.7                         | —            | 463.4        |
| Inventories, net                                        | —        | 48.7      | 31.6                      | 144.0                         | —            | 224.3        |
| Other current assets                                    | —        | 48.8      | 3.5                       | 69.7                          | —            | 122.0        |
| Total current assets                                    | —        | 202.5     | 60.4                      | 609.2                         | —            | 872.1        |
| Property, plant and<br>equipment, net                   | —        | 250.4     | 84.2                      | 675.1                         | —            | 1,009.7      |
| Goodwill                                                | —        | —         | 147.8                     | 8.6                           | —            | 156.4        |
| Other assets and deferred<br>charges                    | —        | 706.1     | 40.0                      | 81.7                          | —            | 827.8        |
| Investment in subsidiaries                              | 202.9    | 1,094.6   | —                         | —                             | (1,297.5 )   | —            |
| Total assets                                            | \$202.9  | \$2,253.6 | \$332.4                   | \$ 1,374.6                    | \$(1,297.5 ) | \$2,866.0    |
| Liabilities and stockholders'<br>equity (deficit)       |          |           |                           |                               |              |              |
| Current liabilities                                     |          |           |                           |                               |              |              |
| Accounts payable                                        | \$—      | \$91.4    | \$37.3                    | \$ 267.4                      | \$—          | \$396.1      |
| Other current liabilities                               | —        | 124.5     | 3.8                       | 76.4                          | —            | 204.7        |
| Total current liabilities                               | —        | 215.9     | 41.1                      | 343.8                         | —            | 600.8        |
| Intercompany payable<br>(receivable)                    | 323.7    | (420.6 )  | (188.7 )                  | 285.6                         | —            | —            |
| Long-term debt                                          | —        | 1,387.5   | 5.6                       | 61.0                          | —            | 1,454.1      |
| Investment in subsidiaries<br>obligation                | —        | —         | 7.6                       | —                             | (7.6 )       | —            |
| Other long-term liabilities                             | —        | 867.9     | 1.2                       | 62.8                          | —            | 931.9        |
| Total liabilities                                       | 323.7    | 2,050.7   | (133.2 )                  | 753.2                         | (7.6 )       | 2,986.8      |
| Total AAM Stockholders'<br>equity (deficit)             | (120.8 ) | 202.9     | 465.6                     | 621.4                         | (1,289.9 )   | (120.8 )     |
| Noncontrolling interests in<br>subsidiaries             | —        | —         | —                         | —                             | —            | —            |
| Total stockholders' equity<br>(deficit)                 | (120.8 ) | 202.9     | 465.6                     | 621.4                         | (1,289.9 )   | (120.8 )     |
| Total liabilities and<br>stockholders' equity (deficit) | \$202.9  | \$2,253.6 | \$332.4                   | \$ 1,374.6                    | \$(1,297.5 ) | \$2,866.0    |

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidating Statements of Cash Flows  
Six Months Ended June 30,  
(in millions)

|                                                      | Holdings | AAM Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elims | Consolidated |
|------------------------------------------------------|----------|----------|---------------------------|-------------------------------|-------|--------------|
| 2013                                                 |          |          |                           |                               |       |              |
| Net cash provided by (used in) operating activities  | \$—      | \$(35.0) | ) \$38.3                  | \$ 29.9                       | \$—   | \$33.2       |
| Investing activities                                 |          |          |                           |                               |       |              |
| Purchases of property, plant and equipment           | —        | (35.2)   | ) (4.2)                   | ) (82.1)                      | ) —   | (121.5)      |
| Proceeds from sale of equipment                      | —        | 4.9      | —                         | —                             | —     | 4.9          |
| Proceeds from sale-leaseback of equipment            | —        | 16.0     | —                         | —                             | —     | 16.0         |
| Net cash used in investing activities                | —        | (14.3)   | ) (4.2)                   | ) (82.1)                      | ) —   | (100.6)      |
| Financing activities                                 |          |          |                           |                               |       |              |
| Net debt activity                                    | —        | 98.0     | (0.2)                     | ) (7.1)                       | ) —   | 90.7         |
| Intercompany activity                                | 0.1      | (50.8)   | ) (33.9)                  | ) 84.6                        | —     | —            |
| Debt issuance costs                                  | —        | (6.6)    | ) —                       | —                             | —     | (6.6)        |
| Employee stock option exercises                      | —        | 0.8      | —                         | —                             | —     | 0.8          |
| Purchase of treasury stock                           | (0.1)    | ) —      | —                         | —                             | —     | (0.1)        |
| Net cash provided by (used in) financing activities  | —        | 41.4     | (34.1)                    | ) 77.5                        | —     | 84.8         |
| Effect of exchange rate changes on cash              | —        | —        | —                         | (0.9)                         | ) —   | (0.9)        |
| Net increase (decrease) in cash and cash equivalents | —        | (7.9)    | ) —                       | 24.4                          | —     | 16.5         |
| Cash and cash equivalents at beginning of period     | —        | 10.6     | —                         | 51.8                          | —     | 62.4         |
| Cash and cash equivalents at end of period           | \$—      | \$2.7    | \$—                       | \$ 76.2                       | \$—   | \$78.9       |

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

|                                                     | Holdings | AAM Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elims | Consolidated |
|-----------------------------------------------------|----------|----------|---------------------------|-------------------------------|-------|--------------|
| 2012                                                |          |          |                           |                               |       |              |
| Net cash provided by (used in) operating activities | \$—      | \$(51.9) | ) \$32.4                  | \$ 44.1                       | \$—   | \$24.6       |
| Investing activities                                |          |          |                           |                               |       |              |
| Purchases of property, plant and equipment          | —        | (25.2)   | ) (4.2)                   | ) (63.5)                      | ) —   | (92.9)       |
| Proceeds from sale of equipment                     | —        | 0.4      | —                         | 0.8                           | —     | 1.2          |
| Net cash used in investing activities               | —        | (24.8)   | ) (4.2)                   | ) (62.7)                      | ) —   | (91.7)       |
| Financing activities                                |          |          |                           |                               |       |              |
| Net debt activity                                   | —        | (1.7)    | ) (0.1)                   | ) (5.5)                       | ) —   | (7.3)        |
| Intercompany activity                               | 5.9      | 17.0     | (28.1)                    | ) 5.2                         | —     | —            |
| Purchase of noncontrolling interest                 | —        | —        | —                         | (4.0)                         | ) —   | (4.0)        |
| Employee stock option exercises                     | —        | 0.1      | —                         | —                             | —     | 0.1          |
| Purchase of treasury stock                          | (5.9)    | ) —      | —                         | —                             | —     | (5.9)        |
| Net cash provided by (used in) financing activities | —        | 15.4     | (28.2)                    | ) (4.3)                       | ) —   | (17.1)       |
| Effect of exchange rate changes on cash             | —        | —        | —                         | 0.2                           | —     | 0.2          |
| Net decrease in cash and cash equivalents           | —        | (61.3)   | ) —                       | (22.7)                        | ) —   | (84.0)       |
| Cash and cash equivalents at beginning of period    | —        | 83.7     | —                         | 85.5                          | —     | 169.2        |
| Cash and cash equivalents at end of period          | \$—      | \$22.4   | \$—                       | \$ 62.8                       | \$—   | \$85.2       |

## 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, 2012.

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

### COMPANY OVERVIEW

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

We are the principal supplier of driveline components to General Motors Company (GM) for its rear-wheel drive (RWD) light trucks and SUVs manufactured in North America, supplying substantially all of GM's rear axle and front four-wheel drive and all-wheel drive (4WD/AWD) axle requirements for these vehicle platforms. Sales to GM were approximately 74% of our total net sales in the first six months of 2013 and both the first six months and the full year 2012.

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

We are also the principal supplier of driveline system products for the Chrysler Group LLC's (Chrysler) heavy-duty Ram full-size pickup trucks and its derivatives. Sales to Chrysler were approximately 8% of our total net sales in the first six months of 2013 as compared to 9% for the first six months of 2012 and 10% for the full-year 2012. In addition to GM and Chrysler, we supply driveline systems and other related components to Volkswagen AG, Audi AG, Scania AB, Mack Trucks Inc., PACCAR Inc., Nissan Motor Co. Ltd., Harley-Davidson Inc., Tata Motors, Ford Motor Company, Beijing Benz Automotive Co., Ltd., Deere & Company and other original equipment manufacturers (OEMs) and Tier I supplier companies such as Jatco Ltd. and Hino Motors Ltd. Our net sales to customers other than GM increased to \$411.9 million in the first six months of 2013 as compared to \$391.8 million in the first six months of 2012.



RESULTS OF OPERATIONS — THREE MONTHS ENDED JUNE 30, 2013 AS COMPARED TO THREE MONTHS ENDED JUNE 30, 2012

**Net Sales** Net sales increased to \$799.6 million in the second quarter of 2013 as compared to \$739.8 million in the second quarter of 2012. This 8% increase in sales reflects an increase in global launch activity, additional content on GM and Chrysler's next generation full-size truck programs and a 13% increase in non-GM sales.

Our content-per-vehicle (as measured by the dollar value of our products supporting our customers' North American light truck and SUV programs) increased to \$1,554 in the second quarter of 2013 as compared to \$1,439 in the second quarter of 2012. Our 4WD/AWD penetration rate on these vehicle programs increased to 65.7% in the second quarter of 2013 as compared to 61.1% in the second quarter of 2012.

**Gross Profit** Gross profit increased to \$122.2 million in the second quarter of 2013 as compared to \$85.8 million in the second quarter of 2012. Gross margin increased to 15.3% in the second quarter of 2013 as compared to 11.6% in the second quarter of 2012.

The increase in gross profit in the second quarter of 2013, as compared to the second quarter of 2012 is primarily due to an increase in contribution margin on higher sales, which was partially offset by increased launch preparation costs. Gross profit in the second quarter of 2012 reflected the adverse impact of \$36.3 million of special charges and other restructuring costs related to the closure of our Detroit Manufacturing Complex (DMC) and Cheektowaga Manufacturing Facility (CKMF). These special charges included \$28.1 million of expense related to a claim made by the International UAW for pension and postretirement benefits. Gross profit and gross margin in the second quarter of 2012 also reflected the impact of increased freight and material cost and higher warranty accruals, which was partially offset by a \$5.2 million settlement gain related to the termination of our UAW Legal Services Plan.

**Selling, General and Administrative Expenses (SG&A)** SG&A (including research and development (R&D)) was \$60.5 million or 7.6% of net sales in the second quarter of 2013 as compared to \$55.5 million or 7.5% of net sales in the second quarter of 2012. R&D was \$27.3 million in the second quarter of 2013 as compared to \$28.8 million in the second quarter of 2012. The change in SG&A in the second quarter of 2013 primarily reflects increased incentive compensation accruals and stock-based compensation expense.

**Operating Income** Operating income increased to \$61.7 million in the second quarter of 2013 as compared to \$30.3 million in the second quarter of 2012. Operating margin increased to 7.7% in the second quarter of 2013 as compared to 4.1% in the second quarter of 2012. The changes in operating income and operating margin were due to factors discussed in Gross Profit and SG&A above.

**Interest Expense and Investment Income** Interest expense was \$28.8 million in the second quarter of 2013 as compared to \$23.4 million in the second quarter of 2012. The increase in interest expense reflects higher average outstanding borrowings in the second quarter of 2013 as compared to the second quarter of 2012. Investment income was \$0.2 million in the second quarter of 2013 as compared to \$0.1 million in the second quarter of 2012.

The weighted-average interest rate of our long-term debt outstanding was 7.4% in the second quarter of 2013 and 7.9% in the second quarter of 2012.

**Other Expense** Following are the components of other expense for the second quarter of 2013 and 2012:

**Other expense, net** Other expense, net, which includes foreign exchange gains and losses and the net effect of our proportionate share of earnings from equity in unconsolidated subsidiaries, was \$2.0 million in the second quarter of 2013 and \$0.6 million in the second quarter of 2012.

**Income Tax Expense** Income tax expense was \$5.4 million in the second quarter of 2013 as compared to \$1.7 million in the second quarter of 2012. Our effective income tax rate was 17.2% in the second quarter of 2013 as compared to 25.9% in the second quarter of 2012.

Our income tax expense and effective tax rate for the second quarter of 2013 primarily reflect favorable foreign tax rates, along with our inability to realize a tax benefit for current foreign losses. Our income tax expense and effective tax rate for the second quarter of 2012 reflect the effect of recognizing a net operating loss benefit against our taxable income in the U.S. Our income tax expense for the second quarter of 2012 also reflects a net tax expense of \$1.3 million related to the amendment of state income tax returns as a result of the settlement of federal income tax audits for the tax years 2004 through 2007.



**Net Income Attributable to AAM and Earnings Per Share (EPS)** Net income attributable to AAM increased to \$25.8 million in the second quarter of 2013 as compared to \$4.7 million in the second quarter of 2012. Diluted EPS increased to \$0.34 in the second quarter of 2013 as compared to \$0.06 in the second quarter of 2012. Net income attributable to AAM and EPS for the second quarters of 2013 and 2012 were primarily impacted by the factors discussed in Net Sales, Gross Profit and SG&A above.

**RESULTS OF OPERATIONS — SIX MONTHS ENDED JUNE 30, 2013 AS COMPARED TO SIX MONTHS ENDED JUNE 30, 2012**

**Net Sales** Net sales increased to \$1,555.2 million in the first six months of 2013 as compared to \$1,491.3 million in the first six months of 2012. As compared to the first six months of 2012, our increase in sales in the first six months of 2013 reflect an increase in global launch activity and additional content on GM and Chrysler's next generation full-size truck programs, which was partially offset by a reduction in deferred revenue recognition related to the 2008 AAM - GM Agreement. Sales in the first quarter of 2013 also reflect the adverse impact of the labor strike at General Motors' Rayong factory in Thailand, which we estimate to be approximately \$12.5 million.

Our content-per-vehicle (as measured by the dollar value of our products supporting our customers' North American light truck and SUV programs) increased by 5% to \$1,529 in the first six months of 2013 as compared to \$1,457 in the first six months of 2012. Our 4WD/AWD penetration rate increased to 66.4% in the first six months of 2013 as compared to 62.9% in the first six months of 2012.

**Gross Profit** Gross profit increased to \$226.5 million in the first six months of 2013 as compared to \$225.0 million in the first six months of 2012. Gross margin was 14.6% in the first six months of 2013 as compared to 15.1% in the first six months of 2012.

The increase in gross profit in the first six months of 2013 as compared to the first six months of 2012 primarily reflects an increase in contribution margin on higher sales, which was partially offset by increased launch preparation costs. Gross profit in the first six months of 2012 reflected the adverse impact of special charges of \$28.1 million of expense for a contingency related to a claim made by the International UAW for pension and postretirement benefits, \$24.2 million of expense primarily related to asset redeployment and other restructuring costs associated with the closure of DMC and CKMF and a \$21.8 million OPEB curtailment gain recorded as a result of the DMC and CKMF hourly associates who have terminated employment from AAM as a result of our plant closures. Gross profit and gross margin in the first six months of 2012 also reflected the impact of increased freight and material cost and higher warranty accruals, which was partially offset by a \$5.2 million settlement gain related to the termination of our UAW Legal Services Plan.

**Selling, General and Administrative Expenses (SG&A)** SG&A (including research and development (R&D)) was \$120.1 million or 7.7% of net sales in the first six months of 2013 as compared to \$117.3 million or 7.9% of net sales in the first six months of 2012. R&D was \$55.8 million in the first six months of 2013 as compared to \$58.9 million in the first six months of 2012. The increase in SG&A in the first six months of 2013 primarily reflects increased incentive compensation accruals and stock-based compensation expense, which was partially offset by lower R&D spending.

**Operating Income** Operating income was \$106.4 million in the first six months of 2013 as compared to \$107.7 million in the first six months of 2012. Operating margin was 6.8% in the first six months of 2013 as compared to 7.2% in the first six months of 2012. The changes in operating income and operating margin were due to factors discussed in Gross Profit and SG&A above.

**Interest Expense and Investment Income** Interest expense was \$57.9 million in the first six months of 2013 as compared to \$47.4 million in the first six months of 2012. The increase in interest expense reflects higher average outstanding borrowings in the first six months of 2013 as compared to the first six months of 2012. Investment income was \$0.3 million in the first six months of 2013 as compared to \$0.4 million in the first six months of 2012.

The weighted-average interest rate of our long-term debt outstanding was 7.6% in the first six months of 2013 and 7.9% in the first six months of 2012.

**Other Expense** Following are the components of Other Expense for the first six months of 2013 and 2012:

**Debt refinancing and redemption costs** In the first six months of 2013, we expensed \$11.2 million of unamortized debt issuance costs and prepayment premiums related to the termination of our class C Revolving Credit Facility, the purchase of \$172.6 million of our 7.875% Notes pursuant to a tender offer and the subsequent redemption of the remaining \$127.4 million of our 7.875% Notes.

**Other expense, net** Other expense, net, which includes foreign exchange gains and losses and the net effect of our proportionate share of earnings from equity in unconsolidated subsidiaries, was \$1.5 million in the first six months of 2013 as compared to \$1.8 million in the first six months of 2012.

**Income Tax Expense** Income tax expense was \$3.0 million in the first six months of 2013 as compared to \$3.9 million in the first six months of 2012. Our effective income tax rate was 8.3% in the first six months of 2013 as compared to 6.6% in the first six months of 2012.

Our income tax expense and effective tax rate for the first six months of 2013 primarily reflect favorable foreign tax rates, along with our inability to realize a tax benefit for current foreign losses. Additionally, in the first six months of 2013, we recorded a tax benefit of \$1.5 million relating to the release of a prior year unrecognized tax benefit due to the expiration of the applicable statute of limitations and a tax benefit of \$3.3 million relating to an election we made in the first six months of 2013 regarding the treatment of foreign exchange gains and losses in a foreign jurisdiction.

Our income tax expense and effective tax rate for the first six months of 2012 reflect the effect of recognizing a net operating loss benefit against our taxable income in the U.S. Our income tax expense for the first six months of 2012 also reflects a net tax expense of \$1.3 million related to the amendment of state income tax returns as a result of the settlement of federal income tax audits for the tax years 2004 through 2007.

**Net Loss Attributable to Noncontrolling Interest** Net loss attributable to noncontrolling interests was \$0.9 million in the first six months of 2012. The noncontrolling interest in e-AAM was acquired in the first quarter of 2012, so there is no longer an allocation of net loss attributable to noncontrolling interest related to this entity.

**Net Income Attributable to AAM and Earnings Per Share (EPS)** Net income attributable to AAM was \$33.1 million in the first six months of 2013 as compared to \$55.9 million in the first six months of 2012. Diluted earnings per share was \$0.43 in the first six months of 2013 as compared to \$0.74 in the first six months of 2012. Net income attributable to AAM and EPS for the first six months of 2013 and 2012 were primarily impacted by the factors discussed in Gross Profit, SG&A, Interest Expense and Debt Refinancing and Redemption Costs above.

## LIQUIDITY AND CAPITAL RESOURCES

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

**Operating Activities** In the first six months of 2013, net cash provided by operating activities was \$33.2 million as compared to \$24.6 million in the first six months of 2012. The following factors impacted cash provided by operating activities in the first six months of 2013 as compared to the first six months of 2012:

**Cash paid for special charges** In the first six months of 2012, we made cash payments of \$33.2 million for special charges primarily related to asset redeployment and other costs associated with the closure of DMC and CKMF.

**GM payment terms** As a result of a change in the administration of GM supplier payment terms from pay on shipment to pay on receipt, our operating cash flow was negatively impacted by approximately \$28 million in the first half of 2012.

**Interest paid** Interest paid in the first six months of 2013 was \$55.9 million as compared to \$43.1 million in the first six months of 2012. The increase primarily relates to higher average outstanding borrowings in the first six months of 2013 as compared to the first six months of 2012.

**Pension and Other Postretirement Benefits (OPEB)** Due to our significant pension contributions made in 2012, we will not make any cash payments in 2013 to satisfy our regulatory funding requirements. We contributed \$10.6 million to our pension trusts in the first half of 2012. We expect our cash outlay for other postretirement benefit obligations in 2013, net of GM cost sharing, to be approximately \$15 million.

**Investing Activities** Capital expenditures were \$121.5 million in the first six months of 2013 as compared to \$92.9 million in the first six months of 2012. We expect our capital spending, net of proceeds from the sale-leaseback of equipment and the sale of property, plant and equipment in 2013 to approximate 7% of sales, which includes support for our significant global program launches in 2013 and 2014 within our new and incremental business backlog.

In the first six months of 2013, we entered into sale-leaseback transactions for equipment recently purchased. We received proceeds of \$16.0 million in the first six months of 2013 related to these transactions.

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

**Financing Activities** In the first six months of 2013, net cash provided by financing activities was \$84.8 million as compared to net cash used in financing activities of \$17.1 million in the first six months of 2012. Total long-term debt outstanding increased \$92.4 million in the first six months of 2013 to \$1,546.5 million as compared to \$1,454.1 million at year-end 2012, primarily as a result of the issuance of \$400.0 million of 6.25% senior unsecured notes in the first six months of 2013, which was partially offset by using the proceeds to purchase and redeem \$300.0 million of our 7.875% Notes.

**6.25% Notes** In the first six months of 2013, we issued \$400.0 million of 6.25% senior unsecured notes due 2021 (6.25% Notes). Concurrent with the offering of the 6.25% Notes, we made a tender offer to purchase our 7.875% Notes, of which the aggregate principal amount outstanding at the time of the tender offer was \$300.0 million. Net proceeds from the 6.25% Notes were used to fund the purchase pursuant to the tender offer and the subsequent redemption of the entire \$300.0 million of the 7.875% Notes and for other general corporate purposes. We paid debt issuance costs of \$6.6 million in the first six months of 2013 related to the 6.25% Notes.

**7.875% Notes** On March 1, 2013, in connection with the cash tender offer, we purchased \$172.6 million aggregate principal amount of the 7.875% Notes, and paid accrued interest. Upon purchase, we expensed \$5.2 million related to a tender premium, \$0.1 million of professional fees and unamortized debt issuance costs of \$1.2 million related to this debt. We had been amortizing the debt issuance costs over the expected life of the borrowing.

On March 15, 2013, we voluntarily redeemed the remaining 7.875% Notes outstanding. This resulted in a principal payment of \$127.4 million, a payment of \$3.3 million related to a redemption premium, as well as payment of accrued interest. Upon redemption, we expensed \$0.9 million of unamortized debt issuance costs related to this debt. We had been amortizing the debt issuance costs over the expected life of the borrowing.

**9.25% Notes** Pursuant to the terms of our 9.25% Notes, we have the right to voluntarily redeem an additional \$42.5 million of our 9.25% Notes in October 2013. In addition, at any time prior to January 15, 2014, we may redeem some or all of the notes at a price equal to 100% of the principal amount plus a make-whole premium. On or after January 15, 2014, we may redeem some or all of the notes at pre-established prices. We may elect to exercise our rights to redeem all or part of the remaining 9.25% Notes, subject to our liquidity position and the appropriate market conditions.

Revolving Credit Facility On March 20, 2013, we terminated our class C loan facility of \$72.8 million, which would have matured on June 30, 2013. Upon termination, we expensed \$0.5 million of unamortized debt issuance costs related to the class C facility. We had been amortizing the debt issuance costs over the expected life of the borrowing. As of June 30, 2013, the Revolving Credit Facility provided up to \$365.0 million of revolving bank financing commitments through June 30, 2016. At June 30, 2013, we had \$341.7 million available under the Revolving Credit Facility. This availability reflects a reduction of \$23.3 million for standby letters of credit issued against the facility.

We utilize foreign credit facilities and uncommitted lines of credit to finance working capital needs. At June 30, 2013, \$53.2 million was outstanding under these facilities with additional availability of \$59.2 million.

In the first six months of 2012, we paid \$4.0 million to acquire the remaining shares of e-AAM Driveline Systems AB (e-AAM). e-AAM, previously a joint venture between AAM and Saab Automobile AB, was created to design and commercialize electric and hybrid driveline systems designed to improve fuel efficiency, reduce CO<sub>2</sub> emissions and provide all-wheel-drive capability.

In the first six months of 2012, we repurchased 0.5 million shares of AAM common stock for \$5.9 million to satisfy employee tax withholding obligations due upon the vesting of our 2007 and 2009 restricted stock grants.

We received \$0.8 million in the first six months of 2013 related to the exercise of employee stock options.

#### CYCLICALITY AND SEASONALITY

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

#### LITIGATION AND ENVIRONMENTAL MATTERS

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

We are subject to various federal, state, local and foreign environmental and occupational safety and health laws, regulations and ordinances, including those regulating air emissions, water discharge, waste management and environmental cleanup. We will continue to closely monitor our environmental conditions to ensure that we are in compliance with all laws, regulations and ordinances. We have made, and will continue to make, capital and other expenditures (including recurring administrative costs) to comply with environmental requirements. Such expenditures were not significant in the second quarter of 2013, and we do not expect such expenditures to be significant for the remainder of 2013.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

MARKET RISK

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

**Currency Exchange Risk** From time to time, we use foreign currency forward contracts to reduce the effects of fluctuations in exchange rates, primarily relating to the Mexican Peso, Euro and Pound Sterling. At June 30, 2013, we had currency forward contracts with a notional amount of \$47.5 million outstanding. The potential decrease in fair value of foreign exchange contracts, assuming a 10% adverse change in the foreign currency exchange rates, would be approximately \$4.3 million at June 30, 2013.

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

**Interest Rate Risk** We are exposed to variable interest rates on certain credit facilities. From time to time, we have used interest rate hedging to reduce the effects of fluctuations in market interest rates. As of June 30, 2013, there are no interest rate swaps in place. The pre-tax earnings and cash flow impact of a one-percentage-point increase in interest rates (approximately 13% of our weighted-average interest rate at June 30, 2013) on our long-term debt outstanding at June 30, 2013 would be approximately \$0.5 million on an annualized basis.

Item 4. 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 (1) 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 June 30, 2013, and (2) no change in internal control over financial reporting occurred during the quarter ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in our December 31, 2012 Form 10-K.



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

In the second quarter of 2013, we withheld and repurchased shares of AAM stock to satisfy employee tax withholding obligations due upon the vesting of restricted stock units. The following table provides information about our equity security purchases during the quarter ended June, 30, 2013:

## 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 |
|--------------------------|---------------------------------------------|----------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| April 1 - April 30, 2013 | —                                           | \$—                                    | —                                                                                           | —                                                                                                                       |
| May 1 - May 31, 2013     | 4,894                                       | 18.20                                  | —                                                                                           | —                                                                                                                       |
| June 1 - June 30, 2013   | —                                           | —                                      | —                                                                                           | —                                                                                                                       |
| Total                    | 4,894                                       | \$18.20                                | —                                                                                           | —                                                                                                                       |

## Item 6. Exhibits

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

SIGNATURES

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

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.  
(Registrant)

/s/ Michael K. Simonte  
Michael K. Simonte  
Executive Vice President & Chief Financial Officer  
(also in the capacity of Chief Accounting Officer)  
August 2, 2013

EXHIBIT INDEX

| Number    | Description of Exhibit                                                                                                                                                                                                                                    |
|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| *10.34    | Amendment to Amended and Restated American Axle & Manufacturing, Inc. Incentive Compensation Plan for Executive Officers                                                                                                                                  |
| *31.1     | Certification of David C. Dauch, President & Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act                                                                                                                            |
| *31.2     | Certification of Michael K. Simonte, Executive Vice President & Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act                                                                                                         |
| *32       | Certifications of David C. Dauch, President & Chief Executive Officer and Michael K. Simonte, Executive Vice President & Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| **101.INS | XBRL Instance Document                                                                                                                                                                                                                                    |
| **101.SCH | XBRL Taxonomy Extension Schema Document                                                                                                                                                                                                                   |
| **101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                                                                                                     |
| **101.LAB | XBRL Taxonomy Extension Label Linkbase Document                                                                                                                                                                                                           |
| **101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                                                                                                    |
| **101.DEF | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                                                                                                      |
| *         | Filed herewith                                                                                                                                                                                                                                            |
| **        | Submitted electronically with this Report.                                                                                                                                                                                                                |