

Risk Factors Comparison 2025-02-14 to 2024-02-16 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

The following risk factors and other information included in this Annual Report on Form 10-K should be considered as our business, financial condition, operating results and cash flows could be materially adversely affected if any of the following risks occur. Risks Related to Our Operations Our business has been, and could continue to be, adversely affected by disruptions in our supply chain and our customers' supply chain. We depend on a limited number of suppliers for certain key components and materials needed for our products. We rely upon, and expect to continue to rely upon, certain suppliers for critical components and materials that are not readily available in sufficient volume from other sources. We may need to rely on suppliers in local markets that have not yet proven their ability to meet our requirements. These supply chain characteristics make us susceptible to supply shortages and price increases. If production volumes increase rapidly, there can be no assurance that the suppliers of critical components and materials will be able or willing to meet our future needs on a timely basis. A significant disruption in the supply of components or materials could have a material adverse effect on our results of operations and financial condition. Our supply chain, as well as our customers' supply chain, is also at risk of unanticipated events such as pandemic or epidemic illness, natural disasters, industrial incidents, changes in governmental regulations and trade agreements, **including tariffs**, or financial or operational instability of suppliers that could cause a disruption in the supply of critical components to us and our customers. ~~For example, the automotive industry has experienced, and continues to experience, significant disruptions in the supply chain, including volatility in metal, commodity and utility costs, global logistical constraints and increased transportation costs.~~ As a result, we ~~may have continued to~~ **may** experience volatility in our sales and production schedules, including manufacturing downtime, ~~often with limited notice from customers~~ and increased inventory levels, which ~~have could~~ **could** negatively impacted ~~--~~ **impact** our production efficiency and financial condition. In addition, we ~~may continue to~~ **may** experience a significant shortage of qualified hourly labor availability in certain regions in which we operate, ~~. This labor shortage has contributed~~ **contributing** to production volatility and inefficiencies in the manufacturing process, as well as increased labor costs, resulting in lower gross margins at certain of our manufacturing facilities. If we cannot secure sufficient hourly labor resources, we may be unable to protect continuity of supply and meet customer demand, which could have a material adverse effect on our results of operations and financial condition. Our business could be adversely affected by volatility in the price or availability of raw materials, utilities, natural resources and transportation. We may experience volatility, whether from inflation or otherwise, in the cost or availability of raw materials used in production, including steel, aluminum and other metallic materials, and resources used in electronic components, or in the cost or availability of utilities and natural resources used in our operations, such as electricity, water and natural gas. We may also experience volatility in the cost or availability of freight and logistics carriers as a result of supply chain constraints, **, or otherwise**. If we are unable to pass such cost increases on to our customers, or are otherwise unable to mitigate these cost increases **through continued technology improvements, cost reductions or other productivity initiatives**, or if we are unable to obtain adequate supply of raw materials, utilities and natural resources, this could have a material adverse effect on our results of operations and financial condition. Our business is significantly dependent on sales to GM, Stellantis and Ford. Sales to GM were approximately ~~39-42~~ **39-42** % of our consolidated net sales in **2024, 39 % in** 2023, **and** 40 % in 2022, ~~and 37 % in 2021~~. A reduction in our sales to GM, or a reduction by GM of its production of light truck, SUV or crossover vehicle programs that we support, as a result of market share losses of GM or otherwise, could have a material adverse effect on our results of operations and financial condition. Sales to Stellantis accounted for approximately ~~16-13~~ **16-13** % of our consolidated net sales in **2024, 16 % in** 2023, **and** 18 % in 2022 ~~and 19 % in 2021~~, and sales to Ford accounted for approximately ~~12-13~~ **12-13** % of our consolidated net sales in **2024, and 12 % in** 2023, ~~and 2022 and 2021~~. A reduction in our sales to either Stellantis or Ford or a reduction by Stellantis or Ford of their production of the programs we support, as a result of market share losses or otherwise, could have a material adverse effect on our results of operations and financial condition. Our business may also be adversely affected by reduced demand for the product programs we currently support, or anticipate supporting in the future, or if we do not obtain sales orders for successor programs that replace our current product programs, as a result of a shift in vehicle architecture from ICE to electrification, or otherwise. Our business is dependent on our Guanajuato Manufacturing Complex. A high concentration of our global business is supported by our Guanajuato Manufacturing Complex (GMC) in Mexico. GMC represents a significant portion of our net sales, profitability and cash flow from operations and we expect GMC to continue to represent a substantial portion of these metrics for the foreseeable future. A significant disruption to our GMC operations, as a result of changes in trade agreements between Mexico and other jurisdictions, including the U. S., tariffs, compliance with customs regulations, **exchange rate fluctuations between the U. S. dollar and the Mexican peso**, tax law changes, changes to our operating structure in Mexico, labor disputes or shortages, logistical constraints, natural disasters, availability of natural resources or utilities, pandemic or epidemic illness, or otherwise, could have a material adverse impact on our results of operations and financial condition. **Our business could be adversely affected..... to effectively manage any of these risks**. A failure of our information technology (IT) networks and systems, or the impact of a cyber attack, could adversely impact our business and operations. We rely upon information technology networks and systems to process, transmit and store electronic information, and to manage or support a variety of critical manufacturing and business processes or activities. Additionally, we and certain of our third-party vendors collect and store personal or confidential information, including personally identifiable information, in connection with human resources operations and other aspects of our business. The secure operation of these information technology networks and systems and the proper processing and maintenance of this information are critical to our manufacturing and business operations. Although

we have implemented robust security measures, we cannot be certain that the security measures we have in place to protect these systems and data will be successful or sufficient to protect our IT systems from current and emerging technology threats and damage from computer viruses, unauthorized access, cyber attack, **including increasingly sophisticated cyber attacks that incorporate the use of artificial intelligence**, and other similar disruptions. In addition, we are exposed to similar risks resulting from cyber attacks experienced by our customers, suppliers and third- party service providers. The occurrence of any of these events could compromise our networks, or the networks of our suppliers and third- party service providers, and the information stored there could be accessed, publicly disclosed or lost. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, the disruption of our operations or damage to our reputation. In the future, we may be required to incur significant costs to protect against or repair damage caused by these disruptions or security breaches, or as a result of implementing business continuity processes in response to disruptions or security breaches. See Item 1C. Cybersecurity for additional detail regarding our cybersecurity risk management, strategy and governance. Our company, our suppliers or our customers and their suppliers may not be able to successfully and efficiently manage the timing and costs of new product program launches. Certain of our customers are preparing to launch new product programs for which we will supply ~~newly developed~~ products and related components. There can be no assurance that we will successfully complete the transition of our manufacturing facilities and resources to support these new product programs or other future product programs on a timely and cost efficient basis. Accordingly, the launch of new product programs, or a shift in product mix from traditional ICE programs to hybrid and electric vehicle programs, may adversely affect production rates, **capacity utilization** or other operational efficiency and profitability measures at our facilities. **In addition, if production levels for new product programs are lower than expected, due to end-user acceptance of the products or otherwise, we may not recover the capital investment required to launch such new product programs, which may be significant.** We may also experience difficulties with the performance of our supply chain, or the supply chains of customers and their suppliers, on program launches, which could result in our inability to meet our contractual obligations to key customers. Production shortfalls or production delays, if any, could result in our failure to effectively manage our manufacturing costs relating to these program launches. In addition, our customers may delay the launch or fail to successfully execute the launch of these new product programs, or any additional future product program for which we will supply products. Our revenues, operating results and financial condition could be adversely impacted if our customers fail to timely launch such programs or if we are unable to manage the timing requirements and costs of new product program launches. Our company may not realize all of the revenue expected, or we may experience delays in realizing the expected revenue, from our new and incremental business backlog. The realization of incremental revenues from awarded business is inherently subject to a number of risks and uncertainties, including the accuracy of customer estimates relating to the number of vehicles to be produced in new and existing product programs and the timing of such production, as well as the fluctuation in exchange rates for programs sourced in currencies other than our reporting currency. Further, as ~~the percentage a portion~~ of our backlog **is** associated with electric vehicle ~~vehicles~~ programs ~~increases~~, these risks could be exacerbated due to uncertainty related to ~~electric vehicles, including~~ end- user acceptance rates and the availability of critical **charging** electric vehicle infrastructure. It is also possible that our customers may delay or cancel a product program that has been awarded to us. Our revenues, operating results and financial condition could be adversely affected relative to our current financial plans if we do not realize substantially all the revenue from our new and incremental business backlog. We may incur material losses and costs as a result of product recall or field action, product liability and warranty claims, litigation and other disputes and claims. We are exposed to warranty, product recall or field action and product liability claims in the event that our products fail to perform as expected, and we may be required to participate in a recall of such products. We are not responsible for certain warranty claims that may be incurred by our customers, which include returned components for which no defect was found upon inspection, discretionary acts of dealer goodwill, defects related to certain directed buy components, and build- to- print design issues. We review warranty claim activity in detail, and we may have disagreements with our customers as to responsibility for these types of costs incurred by our customers. In addition, as we continue to diversify our customer base, we expect our obligation to share in the cost of providing warranties as part of our agreements with new customers will increase. Costs and expenses associated with warranties, field actions, product recalls and product liability claims could have a material adverse impact on our results of operations and financial condition and may differ materially from the estimated liabilities that we have recorded in our consolidated financial statements. In addition to warranty claims relating directly to products we produce, potential product recalls for our customers and their other suppliers, and the potential reputational harm that may result from such product recalls, could have a material adverse impact on our results of operations and financial condition. We are also involved in various legal proceedings incidental to our business. Although we believe that none of these matters are likely to have a material adverse effect on our results of operations or financial condition, there can be no assurance as to the ultimate outcome of any such legal proceeding or any future legal proceedings. Our business could be adversely affected if we, our customers, or our suppliers fail to maintain satisfactory labor relations. A significant portion of our hourly associates worldwide, as well as the workforces of our customers and suppliers, are **or may become**, members of industrial trade unions employed under the terms of collective bargaining agreements. There can be no assurance that future negotiations with labor unions will be resolved favorably or that we, our customers or suppliers will not experience a work stoppage or disruption that could have a material adverse impact on our results of operations and financial condition. **Additionally, in** ~~In the third quarter of 2023,~~ **new** ~~the collective bargaining agreements between the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) and our three largest customers expired and the UAW initiated work stoppages at certain of the manufacturing locations of these customers, which continued into the fourth quarter. New labor agreements between the UAW and our three largest customers were ratified in November 2023 and resulted in~~ **significant** ~~compensation increases for the UAW associates. There can be no assurance that such~~ future negotiations, whether between AAM and the labor unions representing certain of our hourly

associates or between our customers or suppliers and the labor unions representing certain of their hourly associates, will not result in additional labor cost increases or other terms and conditions that could adversely affect our results of operations and financial condition, our ability to compete for future business or our ability to attract and retain qualified associates. We use important intellectual property in our business. If we are unable to protect our intellectual property, or if a third party makes assertions against us or our customers relating to intellectual property rights, our business could be adversely affected. We own important intellectual property, including patents, trademarks, copyrights and trade secrets. Our intellectual property plays an important role in maintaining our competitive position in a number of the markets that we serve. Our competitors may develop technologies that are similar to our proprietary technologies or design around the patents we own or license. Further, as we expand our operations in jurisdictions where the protection of intellectual property rights is less robust, the risk of others duplicating our proprietary technologies increases, despite efforts we undertake to protect them. Developments or assertions by or against us relating to intellectual property rights, and any inability to protect these rights, could materially adversely affect our business and our competitive position. Our company's ability to operate effectively could be impaired if we cannot attract and retain qualified personnel in key positions and functions. Our success depends, in part, on the efforts of our executive officers and other key salaried and hourly associates, such as global operational leadership, engineers, information technology professionals and associates with experience in skilled trades. In addition, our future success will depend on, among other factors, our ability to continue to attract and retain qualified personnel, particularly engineers and other associates with critical expertise and skills that support key customers and products, ~~including those supporting the expansion of our product portfolio into electrification~~. The loss of the services of our executive officers or other key associates, unexpected turnover, or the inability to attract or retain associates, could have a material adverse effect on our results of operations and financial condition. Our goodwill, other intangible assets, and long-lived assets are at risk of impairment if our business or market conditions indicate that the carrying value of those assets exceeds their fair value. Accounting principles generally accepted in the United States of America (GAAP) require that companies evaluate the carrying value of goodwill, other intangible assets, and long-lived assets routinely in order to assess whether any indication of asset impairment exists. Goodwill is required to be evaluated on an annual basis, while finite-lived intangible assets and long-lived assets should be evaluated only when events and circumstances exist that indicate an asset or group of assets may be impaired. We conduct our annual goodwill impairment test in the fourth quarter using a third-party valuation specialist to assist management in determining the fair value of our reporting units. Fair value of each reporting unit is estimated based on a combination of discounted cash flows and the use of pricing multiples derived from an analysis of comparable public companies multiplied against historical and / or anticipated financial metrics of each reporting unit. These calculations contain uncertainties as they require management to make assumptions including, but not limited to, market comparables, future cash flows of the reporting units, and appropriate discount and long-term growth rates. A decline in the actual cash flows of our reporting units in future periods, as compared to the projected cash flows used in our valuations, could result in the carrying value of the reporting units exceeding their respective fair values. Further, a change in market comparables, discount rate or long-term growth rate, as a result of a change in economic conditions or otherwise, could result in the carrying values of the reporting units exceeding their respective fair values.

Risks Related to Our Industry We are under continuing pressure from our customers to reduce our prices. Annual price reductions are a common practice in the automotive industry. Many of our contracts require us to reduce our prices in subsequent years and most of our contracts allow us to adjust prices for engineering changes requested by our customers. If we accommodate a customer's demand for higher annual price reductions and are unable to offset the impact of any such price reductions through continued technology improvements, cost reductions or other productivity initiatives, our results of operations and financial condition could be adversely affected. Our business faces substantial competition. The markets in which we compete are highly competitive. Our competitors include the in-house operations of many vertically integrated OEMs, as well as many other **global domestic and foreign** companies possessing the capability to produce some or all of the products we supply. In addition to traditional competitors in the automotive sector, the **trend towards growth of** advanced electronic integration and electrification has increased the level of new market entrants, including technology companies. Some of our competitors are affiliated with OEMs and others could have economic advantages as compared to our business, such as scale of operations, patents, existing underutilized capacity and lower wage and benefit costs. Technology, design, quality, delivery and cost are the primary elements of competition in our markets. As a result of these competitive pressures and other industry trends, OEMs and suppliers are developing strategies to reduce costs. These strategies include supply base consolidation, as well as **in-sourcing insourcing**, vertical integration, global sourcing by OEMs and use of artificial intelligence and machine learning. Further, some traditional automotive industry participants are developing strategic partnerships with technology companies as each party seeks to leverage the existing customer relationships and technical knowledge of the partner, and expedite the development and commercialization of new technology. Our business may be adversely affected by increased competition from suppliers benefiting from OEM affiliate relationships or financial and other resources that we do not possess. Our business may also be adversely affected if we do not sustain our ability to meet customer requirements relative to technology, design, quality, delivery and cost. If we are unable to respond timely to changes in technology and market innovation, we risk not being able to develop our intellectual property into commercially viable products. Our results of operations and financial condition are impacted, in part, by our competitive advantage in developing, engineering, and manufacturing innovative products. Our ability to anticipate changes in technology, successfully develop, engineer, and bring to market new and innovative proprietary products, or successfully respond to evolving business models, including hybrid and electric vehicle advances, may have a significant impact on our market competitiveness. If we are unable to maintain our competitive advantage through innovation, or if we do not sustain our ability to meet customer requirements relative to technology, there could be a material adverse effect on our results of operations and financial condition. Our business **could be adversely affected by global industry uncertainty associated with transitioning from** internal combustion engine vehicle products to electric vehicle products. ~~As the electrification of~~

vehicles continues to expand, we have increased our product portfolio of electric vehicle systems and components. There are significant risks inherent in the industry shift to electric vehicles and expansion of vehicle electrification, as well as the resulting change in our product mix toward systems and components that will support this shift. These risks include significant capital investment, often with long lead times prior to start of production for these programs, accelerated product development cycles, and material and labor requirements and sources which differ from **our those used in** internal combustion engine vehicle **business components**. In addition, barriers to the adoption of electric vehicles by end- users, such as safety concerns, infrastructure limitations, **range and performance anxiety** and cost, create difficulty for our customers to predict the rate at which consumers will accept electric vehicles. This creates significant uncertainty in estimating production volumes and associated profitability for electric vehicle programs and **relating to** the timing of **start** of production for these programs. This uncertainty could result in AAM's actual revenues differing materially from those previously estimated and included in our new and incremental business backlog or could result in a change in the timing of recognizing revenues as **production dates are subject to change. Our business** is dependent on certain global automotive market segments. A substantial portion of our revenue is derived from products supporting internal combustion engine **RWD**-light truck and SUV platforms and **AWD** crossover vehicle platforms in North America, Europe and Asia. Sales and production levels of these vehicle platforms can be affected by many factors, including changes in consumer demand and preference; adverse economic conditions, such as recession or recessionary concerns; product mix shifts favoring other types of light vehicles, such as **front-wheel drive based crossover vehicles and** passenger cars; fuel prices; vehicle electrification; and government regulations. Reduced demand in the market segments we currently supply could have a material adverse impact on our results of operations and financial condition, or our ability to invest in the necessary research and development activities to **grow our electrification business continue developing new and innovative products**. Our business could be adversely affected by the cyclical nature of the automotive industry. 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, such as credit availability, interest rates, fuel prices, consumer preference and confidence, and the ability of end- users to secure affordable financing. Our business may be adversely affected by an economic decline or fiscal crisis, including prolonged recessionary periods, that result in a reduction of automotive production and sales by our customers.

Risks Related to Liquidity, Indebtedness and the Capital Markets We have incurred substantial indebtedness and our financial condition and operations may be adversely affected by a violation of financial and other covenants. We have incurred substantial indebtedness and related debt service obligations, which could have important consequences, including:

- reduced flexibility in planning for, or reacting to, changes in our business, the competitive environment and the markets in which we operate, and to technological and other changes;
- reduced access to capital and increasing borrowing costs generally or for any additional indebtedness to finance future operating and capital expenditures and for general corporate purposes;
- lowered credit ratings;
- reduced funds available for operations, capital expenditures and other activities; and
- competitive disadvantages relative to other companies with lower debt levels.

Our Senior Secured Credit Facilities, comprised of our Revolving Credit Facility, as well as our Term Loan A Facility and Term Loan B Facility, and our senior unsecured notes, contain customary affirmative and negative covenants. Some or, with respect to certain covenants, all of these agreements include financial covenants based on leverage and cash interest expense coverage ratios and limitations on Holdings, AAM, Inc., and their restricted subsidiaries to make certain investments, declare or pay dividends or distributions on capital stock, redeem or repurchase capital stock and certain debt obligations, incur liens, incur indebtedness, or merge, make certain acquisitions or sales of assets. The Senior Secured Credit Facilities and the indentures governing our senior unsecured notes also include customary events of default. Obligations under the Senior Secured Credit Facilities and our senior unsecured notes are required to be guaranteed by most of our U. S. subsidiaries that hold domestic assets. In addition, the Senior Secured Credit Facilities are secured on a first priority basis by all or substantially all of the assets of AAM, Inc., the assets of Holdings and each guarantor's assets, including a pledge of capital stock of our U. S. subsidiaries that hold domestic assets, including each guarantor, and a portion of the capital stock of the first tier **foreign non- U. S.** subsidiaries of AAM Inc. and MPG. A violation of any of these covenants or agreements could result in a default under these contracts, which could permit the lenders or note holders, as applicable, to accelerate repayment of any borrowings or notes outstanding at that time and levy on the collateral granted in connection with the Senior Secured Credit Facilities. A default or acceleration under the Senior Secured Credit Facilities or the indentures governing the senior unsecured notes may result in defaults under our other debt agreements and may adversely affect our ability to operate our business, our subsidiaries' and guarantors' ability to operate their respective businesses and our results of operations and financial condition. The available capacity under our Revolving Credit Facility could be limited by our covenant ratios under certain conditions. An increase in the applicable leverage ratio, as a result of decreased earnings or otherwise, could result in reduced access to capital under our Revolving Credit Facility, which is a significant component of our total available liquidity. **See "Risks Relating to the Pending Business Combination with Dowlais – We will incur a substantial amount of debt to complete the acquisition of Dowlais" for further discussion of risks related to the expected incurrence of debt in connection with the pending combination with Dowlais**. Our business could be adversely affected by fluctuations in the global capital markets. Our business and financial results are affected by fluctuations in the global financial markets, including interest rates and currency exchange rates. Failure to respond timely to these fluctuations, or failure to effectively hedge these risks when possible, could lead to a material adverse impact on our results of operations and financial condition. Future business operations and opportunities, including potential expansion of our business outside North America, may further increase the risk that cash flows resulting from these global operations may be adversely affected by changes in interest rates or currency exchange rates. Our company faces substantial pension and other postretirement benefit obligations. We have significant pension and other postretirement benefit obligations to certain of our associates and retirees. Our ability to satisfy the funding requirements associated with these obligations will depend on our cash flow from operations and our ability to access credit and the capital markets. The funding requirements of these benefit plans,

and the related expense reflected in our financial statements, are affected by several factors that are subject to an inherent degree of uncertainty and volatility, including governmental regulation. Key assumptions used to value these benefit obligations and the cost of providing such benefits, funding requirements and expense recognition include the discount rate, the expected long- term rate of return on pension assets, mortality rates and the health care cost trend rate. If the actual trends in these factors are less favorable than our assumptions, this could have an adverse effect on our results of operations and financial condition. Risks Related to Our International Operations Our company' s global operations are subject to risks and uncertainties, including tariffs and trade relations. We have business and technical offices and manufacturing facilities in multiple countries outside the U. S. International operations are subject to certain risks inherent in conducting business outside the U. S., such as changes in currency exchange rates, tax laws, price and currency exchange controls, tariffs or import restrictions, compliance with customs regulations, nationalization, immigration policies, expropriation and other governmental action. Our global operations also may be adversely affected by political events, violations of anti- bribery or corruption laws, government sanctions, domestic or international terrorist events and hostilities, geopolitical conflicts, natural disasters and significant weather events, disruptions in the global financial markets, or public health crises, such as pandemic or epidemic illness. ~~As U. S. companies continue to expand globally, increased~~ **Increased** complexity exists **for global companies** due to ~~recent~~ **proposed** changes to corporate tax codes, potential revisions to international tax law treaties and renegotiated trade agreements, including the United States- Mexico- Canada trade agreement. These uncertainties, as well as the potential impacts of these agreements, could have a material adverse effect on our business and our results of operations and financial condition. Our future success will depend, in part, on our ability to anticipate and effectively manage these and other risks. Our business could be adversely impacted by global climate change or an inability to meet the expectations of our stakeholders related to environmental, social and governance (ESG) objectives. Natural disasters or extreme weather conditions that occur as a result of global climate change could lead us, our customers or suppliers to experience significant disruptions in operations or availability of key components, which could lead to a material adverse impact on our results of operations and financial condition. Further, various stakeholders, including customers, suppliers, providers of debt and equity capital, regulators and those in the workforce, are increasing their expectations of companies to do their part to combat global climate change and its impact, and to conduct their operations in an environmentally sustainable and socially responsible manner with appropriate oversight by senior leadership. We have made public commitments to reduce emissions, conserve resources at our various facilities and further develop a diverse, equitable and inclusive culture. A failure to respond to the expectations and initiatives of our stakeholders or achieve the commitments we have made, could result in damage to our reputation and relationships with various stakeholders. We could also experience adverse impacts to our financial condition due to volatility in the cost or availability of capital, difficulty obtaining new business or entering into new supplier relationships, a possible loss of market share on our current product portfolio, fines and penalties, **increased cost of complying with new and expanding regulatory requirements, such as the Corporate Sustainability Reporting Directive (CSRD)**, or difficulty attracting and retaining a skilled workforce. Exchange rate fluctuations could adversely affect our company' s global results of operations and financial condition. As a result of our international operations, we are exposed to foreign currency risks that arise from our normal business operations, including risks associated with transactions that are denominated in currencies other than our local functional currencies. Gains and losses resulting from the remeasurement of assets and liabilities in a currency other than the functional currency of our ~~foreign non- U. S.~~ **foreign non- U. S.** subsidiaries are reported in current period income. In the future, unfavorable changes in exchange rate relationships between the functional currencies of our subsidiaries and their non- functional currency denominated assets and liabilities could have an adverse impact on our results of operations and financial condition. While we use, from time to time, foreign currency derivative contracts to help mitigate certain of these risks and reduce the effects of fluctuations in exchange rates, our efforts to manage these risks may not be successful. We are also subject to currency translation risk as we are required to translate the financial statements of our ~~foreign non- U. S.~~ **foreign non- U. S.** subsidiaries to U. S. dollars. We report the effect of translation for our ~~foreign non- U. S.~~ **foreign non- U. S.** subsidiaries with a functional currency other than the U. S. dollar as a separate component of stockholders' equity. Unfavorable changes in the exchange rate relationship between the U. S. dollar and the functional currencies of our ~~foreign non- U. S.~~ **foreign non- U. S.** subsidiaries could have an adverse impact on our results of operations and financial condition. **See “ Risks Relating to the Pending Business Combination with Dowlais – Stockholders in the combined company will be exposed to additional currency exchange rate fluctuations as, following completion of the Business Combination, there will be an increased proportion of assets, liabilities and earnings denominated in foreign currencies ” for further discussion of risks related to exchange rates in connection with the pending combination with Dowlais.** Risks Related to Regulations and Taxes Negative or unexpected tax consequences, as well as possible changes in ~~foreign U. S. and domestic non- U. S.~~ **foreign U. S. and domestic non- U. S.** tax laws, could ~~adversely affect our results of operations and financial condition. The introduction of new laws or regulations, or changes in existing laws or regulations, or the interpretation thereof, could increase the costs of doing business for us, our customers or suppliers and adversely affect our results of operations and financial condition.~~ The Organisation for Economic Co- operation and Development (OECD), alongside the Group of Twenty (G- 20), ~~announced~~ **established** the OECD / G20 Inclusive Framework on Base Erosion and Profit Shifting (the Framework) which agreed to a ~~two- pillar~~ **Two - pillar** solution to address tax challenges arising from digitalization of the global economy. Under ~~OECD pillar~~ **OECD pillar** ~~two- Two~~ **two- Two**, the Framework provides for a global minimum corporate tax rate of 15 %, calculated on a country- by- country basis. **The Countries may implement the OECD Pillar Two model rules as issued, in a modified form or not at all. Many countries have passed legislation enacting certain parts of the** Framework agreement must now be implemented by **effective in 2024. As a result of the uncertainty,** OECD **Pillar Two** members who have agreed to the plan, effective in 2024. Although the OECD does not enact tax law, proposals like this or others may lead to substantial changes in enacted tax laws and treaties in the various countries in which we do business and could have a material adverse impact on our **effective** results of operations and financial condition. In addition, there have been changes to tax **rate** laws in the U. S., including the introduction of provisions such as the Global Intangible

Low-Taxed Income (GILTI) and **result in higher cash** Foreign-Derived Intangible Income (FDII) provisions, that have increased the complexity of U. S. tax **liabilities depending on which countries enact minimum** laws and have also increased volatility in our income tax **legislation** expense and applicable tax rates. Further, GILTI and FDII may not be compliant with the OECD guidelines as drafted in the Framework under pillar two and it is uncertain whether the U. S. will amend -- **and these existing rules in what manner**. Changes to these and other areas of domestic or international tax reform, including future **Future legislative** actions taken by governmental authorities, **resulting in domestic or international tax reform** could increase uncertainty and may adversely affect our tax rate, results of operations and cash flows in future years. **Additionally, the introduction of new laws or regulations, or changes in existing laws or regulations, or the interpretation thereof, could increase the costs of doing business for us, our customers or suppliers and adversely affect our results of operations and financial condition**. We file income tax returns in the U. S. federal jurisdiction, as well as various states and **foreign non-U. S.** jurisdictions. We are also subject to examinations of these income tax returns by the relevant tax authorities. Any negative or unexpected outcomes of these examinations and audits, or any resulting litigation, could have a material adverse impact on our results of operations and financial condition. See Note **9-13** - Income Taxes for additional discussion regarding examinations and audits of our tax returns and pending litigation. Our business is subject to costs associated with environmental, health and safety regulations. Our operations are subject to various federal, state, local and **foreign non- U. S.** laws and regulations governing, among other things, emissions to air, discharge to waters and the generation, handling, storage, transportation, treatment and disposal of waste and other materials. We believe that our current and former operations and facilities have been, and are being, operated in compliance, in all material respects, with such laws and regulations, many of which provide for substantial fines and criminal sanctions for violations. The operation of our manufacturing facilities entails risks in these areas, however, and there can be no assurance that we will not incur material costs or liabilities. In addition, potentially significant expenditures could be required in order to comply with evolving environmental, health and safety laws, regulations or other pertinent requirements that may be adopted or imposed in the future by governmental authorities. Risks Related to Our Restructuring Initiatives may not achieve their intended outcomes. We have initiated restructuring actions in recent years to reduce cost and realign certain areas of our business and expect to initiate further restructuring actions in future periods. There can be no assurance that such restructuring initiatives will successfully achieve the intended outcomes, or that the charges related to such initiatives will not have a material adverse effect on our results of operations and financial condition. As part of our strategic initiatives, we are actively assessing our product portfolio. As a result, we have divested certain operations and may pursue additional plans to divest certain operations in future periods. Our results of operations or financial condition could be adversely affected if we initiate a divestiture and it is not completed in accordance with our expected timeline, or at all, or if we do not realize the expected benefits of the divestiture. We may be unable to consummate and successfully integrate acquisitions and joint ventures. Engaging in acquisitions and joint ventures involves potential risks, including financial risks, risks related to integrating enterprise resource planning systems, and failure to successfully integrate and fully realize the expected benefits of such acquisitions and joint ventures. Integrating acquired operations is a significant challenge and there is no assurance that we will be able to manage integrations successfully. As we continue our diversification efforts, we may pursue strategic growth initiatives, including through acquisitions and joint ventures. An inability to successfully achieve the levels of organic and inorganic growth from our strategic initiatives could adversely impact our results of operations and financial condition. **Risks Related to the Pending Business Combination with Dowlais (Business Combination) The pending Business Combination with Dowlais may be delayed or not occur at all for a variety of reasons, including that the Business Combination is subject to various closing conditions, including governmental, regulatory and shareholder approvals, as well as other uncertainties, and there can be no assurances as to whether or when it may be completed. On January 29, 2025, the Company announced the pending Business Combination with Dowlais. In connection with the Business Combination, on January 29, 2025, the Company and Dowlais entered into a Co- operation Agreement. The consummation of the Business Combination is subject to the satisfaction or waiver of certain conditions. A number of the conditions are not within our control, and it is possible that such conditions may prevent, delay or otherwise materially adversely affect the completion of the Business Combination. These conditions include, among others: (i) the approval of the Court- sanctioned scheme of arrangement (the Scheme) between Dowlais and its shareholders under Part 26 of the Companies Act 2006 by a majority in number of Dowlais shareholders who are present and voting (either in person or by proxy) and who represent not less than 75 % in value of the Dowlais shares voted by those Dowlais shareholders; (ii) the sanction of the Scheme by the High Court of Justice in England and Wales (the Court); (iii) the Scheme becoming unconditional and becoming effective, subject to Rule 2. 7 of the United Kingdom City Code on Takeovers and Mergers (the Takeover Code), by no later than 11: 59 p. m. on June 29, 2026 (or such later date (if any) as the Company and Dowlais may agree, with the consent of the UK Panel on Takeovers and Mergers (the Panel), and the Court may allow); (iv) the receipt of certain required antitrust and other regulatory approvals; (v) the amendment to the Company' s certificate of incorporation to increase the number of authorized shares of common stock of the Company, par value \$ 0. 01 per share (the Company Common Stock) (the Charter Amendment), being duly approved by the affirmative vote of the holders of a majority in voting power of the Company Common Stock entitled to vote thereon at the Company stockholders meeting (the Company Special Meeting); (vi) the issuance of the Company Common Stock in connection with the Business Combination (the Share Issuance) being duly approved by the affirmative vote of the holders of a majority in voting power present in person or by proxy at the Company Special Meeting; and (vii) confirmation having been received by the Company that the Company Common Stock has been approved for listing, subject to official notice of issuance, on the New York Stock Exchange. We cannot predict with certainty whether and when any of the remaining required conditions will be satisfied or if another uncertainty may arise. Failure to complete the Business Combination within the expected timeframe or at all could adversely affect our business, results of operations, financial condition, and**

the market price of our common stock in a number of ways, including: • the market price of our shares may decline to the extent that the current market price reflects an assumption that the Business Combination will be consummated; • we have incurred, and will continue to incur, significant expenses for professional services in connection with the Business Combination for which we will have received little or no benefit if the Business Combination is not consummated; and • we may experience negative publicity and / or reactions from our investors, associates, customers, and other business partners. We may fail to realize the anticipated benefits and operating synergies expected from the Business Combination. The success of the Business Combination will depend, in significant part, on our ability to successfully integrate the acquired business, grow the revenue of the combined company and realize the anticipated strategic benefits and synergies from the Business Combination. We believe that the Business Combination will create a leading global driveline and metal forming supplier with a comprehensive product portfolio and a diversified customer base. We expect that the Business Combination will generate significant synergies, as set out in more detail in our announcement of the combination on January 29, 2025. Achieving these goals may require growth of the revenue of the combined company and realization of the targeted operating synergies expected from the Business Combination. This growth and the anticipated benefits of the transaction may not be realized fully, or at all, or may take longer to realize than we expect. Actual operating, technological, strategic and revenue opportunities, if achieved at all, may be less significant than we expect or may take longer to achieve than anticipated. If we are not able to achieve these objectives and realize the anticipated benefits and synergies expected from the Business Combination within a reasonable time, our business, results of operations and financial condition could be adversely affected. Efforts to complete the Business Combination could disrupt our relationships with third parties and associates, divert management's attention, or result in negative publicity or legal proceedings. We have expended, and continue to expend, significant management time and resources in an effort to complete the Business Combination, which may have a negative impact on our ongoing business and operations. Uncertainty regarding the outcome of the Business Combination and our future could disrupt our business relationships with our existing and potential customers and business partners, who may attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other than us or Dowlais. Uncertainty regarding the outcome of the Business Combination could also adversely affect our ability to recruit and retain key personnel and other associates. The pendency of the Business Combination may also result in negative publicity and a negative impression of us in the financial markets, and may lead to litigation against us and our directors and officers. Such litigation would be distracting to management and, may, in the future, require us to incur significant costs. Such litigation could result in the Business Combination being delayed and / or enjoined by a court of competent jurisdiction, which could prevent the Business Combination from being completed. The occurrence of any of these events individually or in combination could have a material adverse effect on our business, results of operations and financial condition. The Business Combination will result in significant integration costs and we may not be able to integrate Dowlais into the combined company successfully. The Business Combination involves the integration of two businesses that previously operated independently. If the parties complete the Business Combination, it is expected that our Chairman and CEO will lead the combined company, two directors of Dowlais are expected to join the board of directors and certain senior Dowlais executives will be invited to join the senior executive management team of the combined company, in roles to be confirmed. The complexity and magnitude of the integration effort associated with the Business Combination are substantial and require that we fund significant capital and operating expenses to support the integration of the combined operations. Such expenses have included significant transaction, consulting and third-party service fees. Further, the anticipated costs of the integration effort are subject to change. We have incurred and expect to continue to incur additional operating expenses as we build up internal resources or engage third-party providers while we integrate the combined company following the Business Combination. Additionally, the process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or both of us and Dowlais. The diversion of management's attention and any delays or difficulties encountered in connection with the integration of the operations, or the failure to successfully integrate the two businesses and leadership team, could have a material adverse effect on our business, financial condition and results of operations. We will incur a substantial amount of debt to complete the acquisition of Dowlais. We will incur significant debt to complete the acquisition of Dowlais, including incurring approximately \$ 2. 2 billion in additional indebtedness under the Backstop Credit Agreement and Bridge Facilities (each as defined below), or pursuant to other permanent financing that replaces such facilities, which may include the issuance of debt securities and / or one or more senior term loan facilities. In connection with the Business Combination, on January 29, 2025, Holdings and American Axle & Manufacturing, Inc. (AAM, Inc.), entered into a credit agreement (the Backstop Credit Agreement) pursuant to which, subject to the terms and conditions set forth therein, the lenders party thereto agreed to provide AAM, Inc. with: (i) \$ 484. 25 million in Tranche A Term Loans; (ii) \$ 1, 491. 0 million in Tranche B Term Loans; and (iii) \$ 1, 250. 0 million in revolving loans. Additionally, and in connection with the Business Combination, on January 29, 2025, Holdings and AAM, Inc. entered into: (i) a First Lien Bridge Credit Agreement pursuant to which the lenders party thereto have agreed to provide AAM, Inc. with a \$ 843. 0 million interim loan facility (the First Lien Bridge Facility); and (ii) a Second Lien Bridge Credit Agreement pursuant to which the lenders party thereto have agreed to provide AAM, Inc. with a \$ 500. 0 million interim loan facility (the Second Lien Bridge Facility and together with the First Lien Bridge Facility, the Bridge Facilities). The proceeds of the commitments provided under the Backstop Credit Agreement and Bridge Facilities, or of other permanent financing that replaces such facilities, which may include the issuance of debt securities and / or one or more senior term loan facilities, will be used, among other things, to finance the cash consideration payable to Dowlais shareholders pursuant to the Business Combination and expenses payable in connection with the Business Combination (including debt refinancing costs) and

to refinance borrowings under the Amended and Restated Credit Agreement in full. While we expect to replace the Backstop Credit Agreement before the completion of the Business Combination by amending the Amended and Restated Credit Agreement and to replace the Bridge Facilities with permanent financing before or after the completion of the Business Combination, our ability to pursue permanent financing will depend in part on global capital and credit market conditions, and we cannot assure that any such replacement financing will be available on terms satisfactory to us or at all. Additionally, if the Bridge Facilities have not been previously repaid in full on or prior to the one-year anniversary of the first date on which loans are made thereunder, any loans thereunder will automatically be converted into a term loan on terms likely to be significantly less favorable to the Company. While amounts are outstanding under the Bridge Facilities, the lenders party thereto may require that the Company issue notes in a Rule 144A or other private offering subject to certain terms and conditions, and to use the proceeds to repay all or a portion of the Bridge Facilities. On a combined company basis, we expect that, together with Dowlais, we would have approximately \$ 4.8 billion of indebtedness, excluding a minimum of \$ 1.25 billion of undrawn commitments under our revolving credit facility. This substantial additional level of indebtedness that we expect to incur in connection with the Business Combination could have important consequences to our business, including making it more difficult to satisfy our debt obligations, increasing our vulnerability to general adverse economic and industry conditions, limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate and restricting us from pursuing certain business opportunities. Additionally, any agreements that we may enter into in connection with the pending Business Combination with Dowlais may contain a number of covenants that impose operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interests. Any failure to comply with covenants in the instruments governing our indebtedness could result in a default under our debt agreements and may adversely affect our ability to operate our business, our subsidiaries' and guarantors' ability to operate their respective businesses and our results of operations and financial condition. See "Risks Related to Liquidity, Indebtedness and the Capital Markets – We have incurred substantial indebtedness and our financial condition and operations may be adversely affected by a violation of financial and other covenants" for a further discussion of risks related to our indebtedness. The complexity of the integration and transition associated with the Business Combination may result in us incurring significant costs to implement changes to our internal control over financial reporting for the combined company. The additional scale of Dowlais' s operations, together with the complexity of the integration effort, including changes to or implementation of critical information technology systems, may result in us incurring significant costs, including management time, to integrate and implement changes to our controls over financial reporting. In addition, we will have to train new associates and third-party providers, and assume operations in jurisdictions where we have not previously had operations. We expect that the Business Combination may necessitate significant modifications to our internal control systems, processes and information systems, both on a transition basis and over the longer-term as we fully integrate the combined company. Due to the complexity of the Business Combination, we cannot be certain that changes to our internal control over financial reporting will be effective for any period, or implemented in an efficient manner which does not incur significant costs and management time. If we are unable to implement such changes to our internal control over financial reporting in an efficient manner, our business, financial condition and results of operations and the market perception thereof may be materially adversely affected. The Business Combination may expose us to significant unanticipated liabilities. The Business Combination may expose us to significant unanticipated liabilities relating to the operation of the combined company. These liabilities could include employment or severance-related obligations under applicable law or other benefits arrangements, legal claims, warranty or similar liabilities to customers, and claims by or amounts owed to vendors. Particularly in international jurisdictions, our acquisition of Dowlais, or any future decision to independently enter new international markets where Dowlais previously conducted business, could also expose us to tax liabilities and other amounts owed by Dowlais. The occurrence of such unforeseen or unanticipated liabilities, should they be significant, could have a material adverse effect on our business, financial condition and results of operations. While the Co-operation Agreement is in effect, we are subject to restrictions on our business activities. From the date of the Co-operation Agreement until the Effective Date (as defined therein), we are restricted from taking certain actions set forth in the Co-operation Agreement unless consented to by Dowlais or required by applicable law or contract as described in the Co-operation Agreement. These limitations include, among other things, certain restrictions on our ability to amend our organizational documents, to acquire other businesses and assets that would be reasonably likely to prevent or materially delay or prejudice the consummation of the Business Combination, to reclassify or issue the Company' s capital stock or other certain equity securities, and to pay dividends (or make any other distribution or return of capital). These restrictions could prevent us from pursuing strategic business opportunities and taking actions with respect to our business that we may consider advantageous and may, as a result, could have a material adverse effect on our financial condition and results of operations. Certain Dowlais agreements may contain change of control provisions which, if not waived, could have material adverse effects on the combined company. Dowlais is a party to various agreements with third parties, customer and supplier contracts and other material contracts, that may contain change of control provisions that will be triggered upon the completion of the Business Combination. Agreements with change of control provisions typically provide for or permit the termination of the agreement upon the occurrence of a change of control of one of the parties which can be waived by the relevant counterparties. To the extent waivers are required, the inability to obtain waivers from one or more relevant counterparties could have a material adverse effect on the combined company. If certain conditions or approvals are not met or obtained, we may be required to pay a break fee under the terms of the Co-operation Agreement. In certain circumstances, such as if our board of directors no longer recommends the Business Combination or if we fail to hold the

stockholder meeting to obtain the approvals required in connection with the Business Combination prior to June 29, 2026 (the Long Stop Date), we will be required to pay a break fee of approximately \$ 50 million to Dowlais. Furthermore, if we invoke (with the approval of the Panel) any regulatory condition or any regulatory conditions have not been satisfied or waived by us by the Long Stop Date, we will be required to pay a break fee of approximately \$ 50 million to Dowlais. In addition, if our stockholders do not approve the resolutions required to implement the Business Combination and there has been no change in the recommendation of our board of directors, we will be required to pay a break fee of approximately \$ 14 million to Dowlais. If a break fee is ultimately required to be paid by us, the payment of such fee will have an adverse impact on our financial results. Stockholders in the combined company will be exposed to additional currency exchange rate fluctuations as, following completion of the Business Combination, there will be an increased proportion of assets, liabilities and earnings denominated in foreign currencies. As a result of the Business Combination, the financial results of the combined company will be more exposed to currency exchange rate fluctuations and an increased proportion of assets, liabilities and earnings will be denominated in foreign currencies. The combined company will present its financial statements in U. S. dollars and is expected to have a significant proportion of net assets and income in foreign currencies. The combined company's financial condition and results of operation will therefore be more sensitive to movements in foreign exchange rates. A depreciation of foreign currencies relative to the U. S. dollar could have an adverse impact on the combined company's financial results. The Takeover Code restricts the Company's ability to cause Dowlais to consummate the Business Combination and limits the relief the Company may obtain in the event Dowlais' s Board of Directors withdraws its support of the Business Combination. The Takeover Code limits the contractual commitments that may be obtained from Dowlais to take actions in furtherance of the Business Combination, and Dowlais' s board of directors may, if its fiduciary duties so require, withdraw its recommendation in support for the Business Combination, and withdraw the Scheme, at any time prior to the Scheme arrangement becoming effective. The Takeover Code does not permit Dowlais to pay any break fee to the Company if the Dowlais board of directors does so, nor can Dowlais be subject to any restrictions on soliciting or negotiating other offers or transactions involving Dowlais other than the restrictions that arise under the Takeover Code against undertaking actions or entering into agreements which may impact the Company's takeover offer for Dowlais. Even if a material adverse change to Dowlais' s business or prospects were to occur prior to closing, we may not be able to invoke the offer conditions and terminate the Business Combination, which could reduce the value of our shares. Under the Takeover Code, and except for a limited number of conditions, such as the approval of the Share Issuance and the Charter Amendment and the Dowlais shareholder approval (or the minimum acceptance condition if the Business Combination is implemented by way of a takeover offer (as defined in Chapter 3 of Part 28 of the Companies Act 2006)), we may invoke a condition to the Business Combination to cause the Business Combination not to proceed only if the Panel is satisfied that the circumstances giving rise to that condition not being satisfied are of material significance to the Company in the context of the Business Combination. Because of this Panel consent requirement, the conditions, including as to a material adverse change affecting Dowlais, may provide us less protection than the customary conditions in an offer for a U. S. domestic company. Issuance of Company shares in connection with the Business Combination will reduce our existing stockholders' aggregate ownership and voting interest in the Company, will result in existing stockholders exercising less influence over management, and may adversely affect the market price of our shares. In connection with the payment of the Business Combination consideration, we expect to issue additional Company shares. Company stockholders and Dowlais shareholders are expected to own approximately 51 % and 49 %, respectively, of the combined company following completion of the Business Combination. The issuance of these new shares will reduce our existing stockholders' ownership and voting interest in the Company and, as a result, our existing stockholders, individually and in the aggregate, will be able to exert less influence. The issuance of these new shares may also result in fluctuations in the market price of Company shares, including a price decrease.