

ADIENT PLC

Annual Report

For the Year Ended September 30, 2022

TABLE OF CONTENTS

	Page
<u>Directors' Report</u>	<u>3</u>
<u>Independent Auditors' Report</u>	<u>44</u>
<u>Consolidated Statement of Income (Loss)</u>	<u>52</u>
<u>Consolidated Statement of Comprehensive Income (Loss)</u>	<u>53</u>
<u>Consolidated Statement of Financial Position</u>	<u>54</u>
<u>Consolidated Statement of Shareholders' Equity</u>	<u>55</u>
<u>Consolidated Statement of Cash Flows</u>	<u>56</u>
<u>Notes to Consolidated Financial Statements</u>	<u>58</u>
<u>Company Balance Sheet</u>	<u>109</u>
<u>Company Statement of Changes in Equity</u>	<u>110</u>
<u>Notes to Company Financial Statements</u>	<u>111</u>

ADIENT PLC
DIRECTORS' REPORT
For the Financial Year Ended September 30, 2022

The directors present their report and the audited consolidated financial statements of Adient plc and its subsidiaries (collectively, the "Company") for the financial year ended September 30, 2022, which are set out on pages [52](#) to [107](#), and audited Parent Company (as defined below) financial statements for the financial year ended September 30, 2022, which are set out on pages [108](#) to [116](#).

The directors have elected to prepare the consolidated financial statements of Adient plc and its subsidiaries (hereinafter referred to as "Adient") in accordance with Section 279 of the Companies Act 2014 (the "Act"), which provides that a true and fair view of the state of affairs and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as defined in Section 279 of the Act, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Act or of any regulations made thereunder.

The directors have elected to prepare the Adient plc parent company ("Parent Company") financial statements in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Ireland" ("FRS 102"), together with the Act.

DIRECTORS' COMPLIANCE STATEMENT

The directors acknowledge that they are responsible for securing the Parent Company's compliance with its relevant obligations.

The directors confirm that the Parent Company has;

1. Drawn up a compliance policy statement setting out the Parent Company's policies respecting compliance by the Parent Company with its relevant obligations.
2. Put in place appropriate arrangements or structures that are designed to secure material compliance with the Parent Company's relevant obligations.
3. Conducted a review during fiscal 2022 of the arrangements and structures, referred to at 2 above.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year giving a true and fair view of Adient's assets, liabilities and financial position at the end of the financial year and the profit or loss of Adient for the financial year. Under that law, the directors have prepared the consolidated financial statements in accordance with U.S. accounting standards, as defined by Section 279(1) of the Act, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Act or of any regulations made thereunder and the Parent Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of Adient's assets, liabilities and financial position as at the end of the financial year and the profit or loss of Adient for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that Adient will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of Adient;
- enable, at any time, the assets, liabilities, financial position and profit or loss of Adient to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Act and enable those financial statements to be audited.

The directors are also responsible for safeguarding the assets of Adient and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on Adient's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in United States dollars and reflect the consolidated operations of Adient. Unless otherwise indicated, references to 2022 and 2021 are to Adient's financial years ending September 30, 2022 (fiscal 2022) and 2021 (fiscal 2021), respectively.

On October 31, 2016, Adient became an independent company as a result of the separation of the automotive seating and interiors businesses (the "separation") of Johnson Controls International plc ("the former Parent"). Adient was incorporated under the laws of Ireland on June 24, 2016 for the purpose of holding these businesses. Adient's ordinary shares began trading "regular-way" under the ticker symbol "ADNT" on the New York Stock Exchange on October 31, 2016. Upon becoming an independent company, the capital structure of Adient consisted of 25,000 euro deferred shares (per value of €1.00 per euro deferred share), 500 million authorized ordinary shares and 100 million authorized preferred shares (par value of \$0.001 per ordinary and preferred share). The number of Adient ordinary shares issued on October 31, 2016 was 93,671,810.

PRINCIPAL ACTIVITIES

Adient is a global leader in the automotive seating supply industry with leading market positions in the Americas, Europe and China and maintains longstanding relationships with the largest global automotive original equipment manufacturers (OEMs). Adient's proprietary technologies extend into virtually every area of automotive seating solutions, including complete seating systems, frames, mechanisms, foam, head restraints, armrests and trim covers. Adient is a global seat supplier with the capability to design, develop, engineer, manufacture, and deliver complete seat systems and components in every major automotive producing region in the world.

Adient designs, manufactures and markets a full range of seating systems and components for passenger cars, commercial vehicles and light trucks, including vans, pick-up trucks and sport/crossover utility vehicles. Adient operates more than 200 wholly- and majority-owned manufacturing or assembly facilities, with operations in 31 countries. Additionally, Adient has partially-owned affiliates in China, Asia, Europe and North America. Through its global footprint and vertical integration, Adient leverages its capabilities to drive growth in the automotive seating industry.

Adient's business model is focused on developing and maintaining long-term customer relationships, which allows Adient to successfully grow with leading global OEMs. Adient and its engineers work closely with customers as vehicle platforms are developed, which results in close ties with key decision makers at OEM customers.

Business Organization and Strategy

Global Manufacturing Footprint Adient is a global leader in automotive seating. With 75,000 employees operating in more than 200 manufacturing and assembly plants in 31 countries worldwide, Adient produces and delivers automotive seating for all vehicle classes and all major OEMs. From complete seating systems to individual components, Adient's manufacturing capabilities span every aspect of the automotive seat-making process. Integrated, in-house skills allows Adient to take products from research and design all the way to engineering and manufacturing and into more than 20 million vehicles every year.

Operational Efficiencies Adient intends to maintain high capacity utilization and increase its efficiency through continued use of standardized manufacturing processes, which represent a core competency. These standardized manufacturing processes allow Adient to deliver high quality levels and minimize waste. Adient achieves scale advantages through a global manufacturing footprint and an integrated supply chain. Adient fosters an environment of continuous improvement and identifies best business practices through the analysis of process and cost metrics, which are then shared globally throughout Adient's manufacturing network.

To ensure appropriate service levels, minimal inventory and optimal factory utilization, Adient employs a Sales & Operational Planning, or S&OP, process. A well-executed S&OP process provides two strategic advantages: focused customer service and on-time delivery which result in both customer retention and the opportunity for market share gain.

Longstanding Customer Relationships with Leading Global OEMs Adient works with OEMs to develop complete seating solutions to meet consumer expectations for performance, safety and comfort. Adient does business with all major global OEM customers, and in many cases, works closely with those customers to develop a seating solution integrated into the overall vehicle appearance and architecture.

Through dedicated customer teams, Adient maintains close relationships with its global OEM customers. These relationships enable Adient to clearly understand its customers' needs so that it is positioned to meet its customers' requirements. Adient's customer teams also lead the new business acquisition process, which ensures alignment with Adient's product, process and manufacturing strategies.

Product Innovation and Process Leadership Adient has a strong record for developing winning product and process technologies over many years, which has created a competitive advantage for Adient and its customers. Management expects to increase investment in innovation.

Adient utilizes a Global Core Product Portfolio, or CPP, strategy for part and design reuse in all of its product applications. Adient intends to continue investing in its CPP to sustain and expand its market success and to leverage its existing modular and scalable systems and interchangeable components. Through the CPP strategy, Adient provides high quality products for its customers with market competitive cost and mass (low weight to improve fuel economy) while meeting their performance requirements. Adient continues to use its CPP to advance Adient's lean manufacturing initiatives by providing standard, flexible processes that reduce complexity, inventory and floor space. This will yield reductions in development time, product cost and investment.

Global Development Network Adient participates in innovating and developing key competitive differentiators in the automotive seating business. In the development process, key downstream elements of the product are locked in, including material costs, plant conversion costs, quality characteristics and certain technical requirements. Adient uses a common product development process globally that ensures that these elements are correct at the outset of the development process, reflects the best practices of Adient's operations worldwide and meets the expectations of Adient's diverse customer base. Its product launch system is customizable and scalable based on customer and product requirements.

Adient's worldwide engineering network includes ten core development centers. These development centers utilize a globally consistent approach to the process for developing seating products. By leveraging a network of subject matter technical experts, Adient efficiently implements best practices and improves product cost and quality. Adient's product development practices also entail leveraging low cost country development centers in India, China, Czech Republic and Slovakia.

Development Centers

Plymouth (USA)	Trencin (Slovakia)
Burscheid (Germany)	Yokohama (Japan)
Solingen (Germany)	Chongqing (China)
Kaiserslautern (Germany)	Ceska Lipa (Czech Republic)
Ansan (South Korea)	Pune (India)

Leadership Position in China Adient is a leading supplier of "just-in-time" seating in China. It operates through 8 joint ventures (nonconsolidated and consolidated) with 35 manufacturing locations in 22 cities, which are supported by additional technical centers. Adient's strong position with European and American automakers is complemented by partnerships with all major auto groups in China, which has resulted in Adient's broad market penetration relative to seating competitors and market leadership in the industry's largest market. Adient leverages its operating expertise and innovation capabilities developed worldwide to further support its growth in China.

Platform for Global Growth Adient's current global platform creates multiple opportunities for growth, such as:

- *Market share expansion in seating and seating components.* Adient has relationships with global OEM customers. These relationships, combined with Adient's product offerings, enhance Adient's ability to expand its business with regional customers who are growing and expanding globally and also with new entrants to the automotive market.
- *Regional growth opportunities.* Adient is able to leverage its position as the market leader in Europe, North America and China to grow in other markets, such as Southeast Asia.
- *Vertical integration.* Adient's operations provide opportunities for continued vertical integration in areas that could enhance Adient's capabilities, expand profit margins and grow revenues with customers who employ component sourcing strategies.

Research and Development Costs

Expenditures for research activities relating to product development and improvement (other than those expenditures that are contractually guaranteed for reimbursement from the customer) are charged against income as incurred and included within selling, general and administrative expenses in the consolidated statements of income. Such expenditures for the years ended September 30, 2022 and 2021 were \$322 million and \$316 million, respectively. A portion of these costs associated with these activities are reimbursed by customers and, for the fiscal years ended September 30, 2022 and 2021 were \$194 million and \$210 million, respectively.

Product/Systems

Adient designs and manufactures a full range of seating systems and components for passenger cars, commercial vehicles and light trucks, including vans, pick-up trucks and sport/crossover utility vehicles. Adient's technologies extend into virtually every area of automotive seating solutions including complete seating systems, frames, mechanisms, foam, head restraints, armrests and trim covers.

Customers

Adient is a supplier to all of the global OEMs and has longstanding relationships with premier automotive manufacturers, including BMW, Mercedes-Benz Group, Ford Motor Company, General Motors Company, Honda Motor Company, Hyundai Motor Company, Jaguar Land Rover, Kia Corporation, Mazda Motor Corporation, Mitsubishi Motor Corporation, Nissan Motor Corporation, Renault Group, Subaru, Stellantis N.V., Suzuki Motor Corporation, Toyota Motor Corporation, Volkswagen Group and Volvo Car Group. Adient also supplies most of the growing regional OEMs such as BAIC Motor Co., Ltd., Changan Automobile (Group) Co., Ltd., Chery Automobile Co. Ltd., FAW Group Corporation, Proton Holdings Berhad, Ashok Leyland, Tata Motors Limited and Zhejiang Geely Holding Group Co., Ltd. and newer auto manufacturers such as Tesla Motors, Inc., NIO and Xpeng Motors. Additionally, Adient has more than 8 joint venture partnerships with key OEMs, including Guangzhou Automobile Group Co., Ltd., Beijing Automobile Works Co., Ltd. and FAW Group Corporation. Further details regarding Adient's customers is provided in Note 1, "Basis of Presentation and Summary of Significant Accounting Policies," of the notes to consolidated financial statements.

Industry

The Automotive Seating industry provides OEMs with complete seats on a "just-in-time" or "in-sequence" basis. Seats are assembled to specific order and delivered on a predetermined schedule directly to an automotive assembly line. The components for these complete seat assemblies such as seating foam, metal structures, fabrics, seat covers and seat mechanisms are shipped to Adient or competitor seating assembly plants. Adient is a global leader in complete seat assembly and one of the largest in all major seating components, operating manufacturing plants that produce seating foam, metal structures, seat covers and seat mechanisms.

Demand for automotive parts in the OEM market is generally a function of the number of new vehicles produced, which is primarily driven by macro-economic factors such as credit availability, interest rates, fuel prices, consumer confidence, employment and other trends. Although OEM demand is tied to actual vehicle production, participants in the automotive supplier industry also have the opportunity to grow through increasing product content per vehicle by further penetrating business with existing customers and in existing markets, gaining new customers and increasing their presence in global markets. Adient believes that, as a company with a global presence and advanced technology, engineering, manufacturing and customer support capabilities, it is well positioned to benefit from these opportunities.

Sourcing Patterns by OEMs Most OEMs have adopted global vehicle platforms to increase standardization, reduce per unit cost and increase capital efficiency and profitability. In seating, three sourcing patterns exist:

1. *Core seat structures*: By developing common front seat frames and mechanisms across multiple vehicle platforms, OEMs are reducing costs.
2. *Component sourcing*: Several OEMs have shifted from sourcing a complete seating system to a components approach where the OEM sources each of the different components of the seat and seating assembly as separate business awards.
3. *Engineering "in-sourcing"*: Some OEMs are conducting the design and engineering internally and are selecting suppliers that have the capability to manufacture products on a worldwide basis and adapt to regional variations.

As a supplier with global scale and strong design, engineering and lean manufacturing capabilities in both complete seat systems and components Adient is well-positioned to accommodate each of these three sourcing patterns.

Shorter Product Development Cycles As a result of new safety and environmental regulations, as well as a trend of more rapid customer preference changes, OEMs are requiring suppliers to respond faster with new designs and product innovations. Although these trends are more significant in mature markets, emerging markets are moving rapidly towards the regulatory standards and consumer preferences of the more mature markets. Suppliers with strong technologies, robust global engineering and development capabilities will be best positioned to meet OEM demands for rapid innovation.

Electric Vehicles The adoption of electric vehicles (EVs) is accelerating in the global automotive industry driven by numerous product offerings from legacy manufacturers and new entrants, government incentives and overall consumer acceptance. While seating systems are not largely impacted by the shift to EVs, key attributes of seat design are evolving as the market pivots toward EVs. This movement provides Adient with unique opportunities to provide value added solutions through Adient's Evolution of Seating Systems Sustainability ("ES³") and to capture market share through new entrants based on Adient's existing leading market position.

Autonomous Driving As the industry moves towards autonomous driving and alternative usage models such as car sharing and urban mobility, Adient has developed an interiors concept for autonomous driving which addresses major seating and other interior trends that are expected to drive the automotive industry of the future. Adient will continue to partner with OEMs and other customers in the development of autonomous driving concepts.

Refer to the Principal Risks and Uncertainties section below for the significant challenges the global automotive industry is facing as a result of unprecedented supply chain and other disruptions related to semiconductor chip shortages, hostilities in Ukraine and localized COVID-19 lockdowns in China.

Competition

Adient faces competition from other automotive suppliers and, with respect to certain products, from the automobile OEMs who produce or have the capability to produce certain products the business supplies. The automotive supply industry competes on the basis of technology, quality, reliability of supply and price. Design, engineering and product planning are increasingly important factors. The competitive landscape for seating and components can be categorized into three segments: (1) traditional seating suppliers, (2) component specialists and (3) competitors who are partnered with an OEM through ownership or interlocking business relationships. Independent suppliers that represent the principal competitors of Adient include Lear Corporation, Toyota Boshoku Corporation, Group Forvia and Magna International Inc. Adient's deep vertical integration, global footprint and broad product offering make it well positioned to compete against the traditional global Tier-1's and component specialists.

Raw Materials

Raw materials used by Adient in connection with its operations include steel, aluminum, polyurethane chemicals, fabrics, leather, vinyl and polypropylene. Continuing into fiscal 2022, the automotive industry has experienced a period of significant volatility in commodity prices. This price volatility may continue into the future as demand increases and/or supply remains constrained. Price volatility has resulted in an overall increase of input costs for Adient that may not be, or may only be partially, offset through customer negotiations. During fiscal 2023, commodity prices and availability could fluctuate throughout the year and significantly affect Adient's results of operations. Refer to Item 1A. Risk Factors section for additional information.

Intellectual Property

Generally, Adient seeks statutory protection for strategic or financially important intellectual property developed in connection with its business. Certain intellectual property, where appropriate, is protected by contracts, licenses, confidentiality or other agreements.

Adient owns numerous U.S. and non-U.S. patents (and their respective counterparts), the more important of which cover those technologies and inventions embodied in current products or which are used in the manufacture of those products. While Adient believes patents are important to its business operations and in the aggregate constitute a valuable asset, no single patent, or group of patents, is critical to the success of the business. Adient, from time to time, grants licenses under its patents and technology and receives licenses under patents and technology of others.

Adient's trademarks are registered or otherwise legally protected in the United States and many non-U.S. countries where products and services of Adient are sold.

Most works of authorship produced for Adient, such as computer programs, catalogs and sales literature, carry appropriate notices indicating Adient's claim to copyright protection under U.S. law and appropriate international treaties.

Regulation

Adient operates in a constantly evolving global regulatory environment and is subject to numerous and varying regulatory requirements for its product performance and material content. Adient's practice is to identify potential regulatory and quality risks early in the design and development process and proactively manage them throughout the product lifecycle through the use of routine assessments, protocols, standards, performance measures and audits. New regulations and changes to existing regulations are managed in collaboration with the OEM customers and implemented through Adient's global systems and procedures designed to ensure compliance with existing laws and regulations. Adient demonstrates material content compliance through the International Material Data System, or IMDS, which is the automotive industry material data system. In the IMDS, all materials used for automobile manufacturing are archived and maintained, in order to meet the obligations placed on the automobile manufacturers and thus on their suppliers by national and international standards, laws and regulations.

Adient works collaboratively with a number of stakeholder groups including government agencies (e.g., National Highway Traffic Safety Administration), its customers and its suppliers to proactively engage in federal, state and international public policy processes.

Environmental, Social and Governance

At Adient, we recognize robust and responsible environmental, social and governance (ESG) policies and practices are essential to the long-term success of our business and the well-being of our stakeholders, including our investors, employees, suppliers, customers and communities. We are weaving sustainability into our company's DNA by integrating ESG principles into our product development initiatives, manufacturing processes, procurement practices, corporate governance activities and other key business areas. Our board of directors and senior managers ensure we operate our business ethically and in accordance with applicable laws and regulations, and, as appropriate, they oversee and implement our ESG policies and strategies with input from a cross-functional team of subject matter experts across our organization. We regularly communicate our ESG targets and related actions to our stakeholders through our SEC filings, media releases, quarterly earnings reports and our annual corporate sustainability report.

Production Processes

Adient remains committed to improving sustainability in its global operations and to utilize standardized processes to reduce energy consumption, conserve water and generate less waste and emissions at our facilities globally. In fiscal year 2021, Adient set a goal of reducing its scope 1 and 2 greenhouse gas emissions 75% by 2030 (with 2019 as our base year), and continues to make progress toward that goal. Some recent examples of how Adient is reducing emissions and improving sustainability in its operations include:

- Investing in more efficient equipment such as variable-speed air compressors and higher-efficiency HVAC units
- Replacing inefficient lighting with LED lighting
- Conducting hunts for sustainability opportunities at the facility level
- Purchasing ultrasonic air leak detectors to find and repair leaks on the production line
- Reconfiguring shipping racks and packaging to optimize transportation logistics and save fuel

In addition, several of Adient's facilities generate renewable electricity on-site via solar panel installations, and more than 40 of its locations now attribute 100% of their electricity consumption to renewable sources.

Products

Sustainability has been an inherent part of product development and innovation at Adient for more than three decades, and customers' sustainability targets are closely tracked to ensure its efforts align with the needs and goals of its customers. More recently, vehicle electrification and a general move toward increasingly efficient transportation have emphasized the need for automotive seating products that are lighter, slimmer and contain more environmentally friendly materials than traditional seating products. To help meet this need, Adient has developed products such as the Soft Back Panel, which integrates 70% recycled PET (polyethylene terephthalate) while improving knee clearance and reducing the weight of each seat by as much as

2 kg. Through Adient's Evolution of Seating Systems Sustainability (ES³) approach to product design, Adient is continuously identifying and integrating materials and manufacturing methods that minimize environmental impact and promote a circular economy.

Adient also recognizes the importance of its supply chain's environmental risks and impacts and are working with its suppliers to reduce scope 3 (value chain) emissions 35% by 2030 (with 2019 as the base year). In 2022, Adient began mapping its complex supply chain, and in fiscal year 2023, Adient plans to implement a supplier due diligence tool — which, in part, calculates greenhouse gas emissions per commodity based on its supplier spend — to assess ESG risks within the supply chain and fine-tune the roadmap for reaching its scope 3 emissions-reduction goal. As noted in Adient's recently published Deforestation Policy, the Company is also committed to procuring its forest commodities from more sustainable sources in order to reduce the impact on deforestation and protect natural habitats globally.

People

Adient continues to work to protect the human rights and well-being of its employees, suppliers, customers and communities in which Adient operates globally. To those ends, Adient recently published a Human Rights Policy Statement, which outlines its commitment and defines the policies and procedures the Company has in place for respecting human rights, and a Diversity, Equity and Inclusion (DE&I) Commitment Statement, which illustrates why and how Adient is creating a safe, respectful, diverse and inclusive work culture. Additionally, Adient is proud to support women-, minority- and veteran-owned businesses by spending more than \$1 billion with diverse suppliers every year.

Human Capital Resources

Adient's ability to sustain and grow its business requires it to hire, retain and develop a highly skilled and diverse workforce. Adient values character and integrity as much as qualifications and fosters an empowerment culture where employees have ownership in business outcomes. The highest levels of Adient's management drive these practices with the alignment and support of all levels within the organization. Our Executive Vice President, Chief Legal and Human Resources Officer, and Corporate Secretary, reporting directly to the Chief Executive Officer (CEO), oversees Adient's global talent processes to attract, develop and retain the most valuable asset - its employees. Adient has approximately 75,000 employees worldwide who represent a wide variety of backgrounds. Adient's workforce composition (including employees at consolidated joint ventures), as of September 30, 2022, consists of approximately:

- 44% work in the Americas, 43% work in EMEA and 13% work in our Asia-Pacific region
- 40% of the global workforce is female
- 43% of employees in the U.S. have identified themselves as ethnically diverse.

Adient ensures its people are engaged and working collaboratively to achieve company goals through positive employee relations activities that focus on supporting employees and their families. Adient also provides and encourages many forms of corporate communication such as town hall meetings, "Let's Talk" sessions with senior leaders, and an open-door policy so that employees can hear directly from Adient leadership and have the opportunity to ask questions, make suggestions and provide input. In addition, Adient promotes a speak up culture and maintains an Integrity Helpline where ethics-related concerns or questions can be reported. Because the attraction, development and retention of the employee base is significant to its business strategy, executive management provides frequent updates on these metrics to the board of directors.

Health and Safety

We are committed to protecting the safety and well-being of our colleagues, customers, suppliers and people using our premises by providing and maintaining a safe working environment that protects both physical and mental wellbeing. Adient requires protective equipment, enforces comprehensive safety policies and procedures, and encourages employees and leaders to look regularly for ways to improve workplace safety. Adient has implemented and maintains a health and safety management system that is certified to the ISO 45001 Occupational Health and Safety standard. Globally, 100% of Adient's facilities are internally audited and compliant, and 60% are also third-party audited and certified. Adient has achieved a year-over-year decrease in our global injury rate over the last several years. We work together across the globe, sharing best practice ideas, procedures, and information regarding accidents and injuries. At Adient, every new machine, operation, building or work-station change requires a safety risk assessment. When our employees come to work, they can know that where they work has undergone an extensive review of associated risks of injury or illness and that those risks are eliminated and/or minimized through robust controls. Adient provides monthly updates on health and safety to its board of directors, which during fiscal 2022, included updates on the return-to-work health and safety protocols in various geographies as a result of COVID-19.

Diversity, Equity and Inclusion

Adient strives to build a culture of diversity and inclusion through its purchasing and human resource practices and policies and works to eliminate discrimination and harassment in all of its forms, including that related to women, minorities and other protected groups. Its CEO signed the "CEO Action for Diversity & Inclusion" pledge promulgated by the CEO Action for Diversity & Inclusion initiative, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. In addition, Adient is a member of the Center for Automotive Diversity, Inclusion and Advancement (CADIA). In September 2022 Adient published two new documents - a Human Rights Policy Statement and a Diversity, Equity & Inclusion (DE&I) Commitment Statement - each of which emphasizes the Company's commitment to protecting the safety, well-being and human rights of our people while driving a diverse and inclusive work culture. Adient developed and tracks human capital metrics regarding diversity and inclusion, which the Chief Legal and Human Resources Officer reviews semi-annually with the board of directors.

Since success in this area requires listening to diverse voices, Adient established Diversity, Equity and Inclusion (DE&I) Councils in each of its three business regions - the Americas, EMEA (Europe, the Middle East and Africa) and APAC (Asia Pacific). The Councils drive strategic and tactical actions in the areas of talent acquisition and retention, communications and employee feedback, training and education, metrics and key performance indicators, as well as support Adient's diverse Business Resource Groups. While the three councils primarily work within their regions, they also communicate and collaborate across regions to ensure alignment and progress toward enterprise-wide DE&I goals. Additionally, Adient provides an annual global online training to all salaried employees focused on DE&I.

In 2022, Adient launched one Business Resource Group (BRG) in the Americas - the Hispanic Origins Latino Ancestry group (HOLA!) - in addition to growing the existing African Ancestry BRG, True Colors Network, and Women's Resource Network. We continue to develop and refine our diversity initiatives to achieve our DE&I vision of being a premier employer that champions an inclusive and equitable work culture enriched by our diversity, where all employees are valued and respected.

Succession and Talent Development

At Adient, we believe that attracting, developing, motivating and retaining employees is key to our sustainable and profitable growth. We understand that, like customers, our employees and potential employees have choices of where to work, and we must compete for the best talent. Adient supports employee development in multiple ways. Adient has a global performance management process through which employees provide a self-assessment and managers provide evaluation and feedback on performance. This process informs employee development goals. Adient's Leadership Talent Review (LTR) is its annual process for identifying and evaluating talent for the purposes of aligning individual aspirations and development plans with the organization's needs and building a diverse pipeline of leaders to mitigate leadership vacancy risk. LTR is designed to be an inclusive process that promotes visibility of talent, increases the validity of succession plans and ensures development efforts are applied efficiently. Talent potential assessments and succession plans are calibrated with broader groups of leaders to drive consistency, awareness and alignment on decisions and development actions. Adient's executive leadership provides annual updates on succession and talent development to the board of directors.

Seasonal Factors

Adient's principal operations are directly related to the automotive industry. Consequently, Adient may experience seasonal fluctuations to the extent automotive vehicle production slows, such as in the summer months when many customer plants close for model year changeovers and in December when many customer plants close for the holidays.

CAUTIONARY STATEMENTS FOR FORWARD-LOOKING INFORMATION

This document contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "will," "would," "could," "can," "may," or similar terms. Forward-looking statements are not guarantees of future performance and Adient's actual results may differ significantly from the results discussed in the forward-looking statements. Adient cautions that these statements are subject to numerous important risks, uncertainties, assumptions and other factors, some of which are beyond Adient's control, that could cause Adient's actual results to differ materially from those expressed or implied by such forward-looking statements, including, among others, risks related to: the Ukraine conflict and COVID lockdowns in China and their impact on regional and global economies and additional pressure on supply chains and vehicle production, the effects of local and national economic, credit and capital market conditions on the economy in general, and other risks and uncertainties, the continued financial and operational impacts of and uncertainties relating to the COVID-19 pandemic on Adient and its customers, suppliers, joint venture partners and other parties, work stoppages, including due to supply chain disruptions and similar events, energy and commodity availability and prices, the Company's ability and timing of customer recoveries for increased input costs, the availability of raw materials and component products (including components required by our customers for the manufacture of vehicles (i.e., semiconductors)), whether deleveraging activities may yield additional value for shareholders at all or on the same or different terms as those described herein, the ability of Adient to execute its turnaround plan, automotive vehicle production levels, mix and schedules, as well as our concentration of exposure to certain automotive manufacturers, the ability of Adient to effectively launch new business at forecast and profitable levels, the ability of Adient to meet debt service requirements, the terms of future financing, the impact of tax reform legislation, uncertainties in U.S. administrative policy regarding trade agreements, tariffs and other international trade relations, general economic and business conditions, the strength of the U.S. or other economies, shifts in market shares among vehicles, vehicle segments or away from vehicles on which Adient has significant content, changes in consumer demand, global climate change and related emphasis on ESG matters by various stakeholders, the ability of Adient to achieve its ESG-related goals, currency exchange rates and cancellation of or changes to commercial arrangements, and the ability of Adient to identify, recruit, and retain key leadership. Factors that might cause differences include, but are not limited to, those discussed under the heading "Principal Risks and Uncertainties" which are incorporated herein by reference. All information presented herein is based on the Adient's fiscal calendar. Unless otherwise stated, references to particular years, quarters, months or periods refer to Adient's fiscal years ended in September and the associated quarters, months and periods of those fiscal years. Adient assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks Related to Adient's Global Business

General economic, credit, capital market and global political conditions could adversely affect Adient's financial performance, Adient's ability to grow or sustain its businesses and Adient's ability to access the capital markets.

Adient competes around the world in various geographic regions and product markets. Global economic conditions, including supply chain disruptions, inflationary concerns and labor availability, affect Adient's business. As discussed in greater detail below, any future distress in the industries and/or markets where Adient competes could negatively affect Adient's revenues and financial performance in future periods, result in future restructuring charges, and adversely impact Adient's ability to grow or sustain its businesses.

The global automotive industry has experienced widespread supply chain disruptions, primarily related to semiconductor chip shortages. Although Adient's seating products are not highly dependent directly on semiconductor chips, Adient is directly impacted by the lower production levels at the OEMs as a direct result of these supply chain disruptions. These disruptions have led to unplanned downtime at Adient's production facilities, often with very little warning, which creates operating inefficiencies and limits Adient's ability to adequately mitigate such inefficiencies. The automotive industry has also experienced a period of significant price volatility (generally resulting in an increase in commodities, energy costs, freight costs, labor costs and other input costs), as well as encountering an environment of unfavorable foreign currency exposures and rising interest rates. These input cost increases and other exposures will likely continue into fiscal 2023 and perhaps further into the future. This environment of significant price volatility has resulted in, and may continue to result in, increased costs for Adient that may not be, or may only be partially, offset. Adient also experienced constrained labor availability which has resulted in wage inflationary pressures, both internally and at key vendors. Adient continues to assess any impact labor

shortages and wage inflation might have on Adient's ability to perform its obligations. Although Adient has developed and implemented strategies to mitigate the impact of supply chain disruptions along with the impact of higher input and other costs, these strategies, together with commercial negotiations with Adient's customers and suppliers, typically offset only a portion (less than 100%) of the adverse impact. Additionally, Adient's operating model requires long lead times between the design and development of products and the launch of production. This lead time requires Adient to secure vendor supply well in advance to minimize launch and production inefficiencies. During such lead times, price commitments are subject to change and could lead to an inability of Adient to fully recover all such price changes.

The capital and credit markets provide Adient with liquidity to operate and grow its business beyond the liquidity that operating cash flows provide. A worldwide economic downturn and/or disruption of the credit markets likely would reduce Adient's access to capital necessary for its operations and executing its strategic plan. If Adient's access to capital were to become constrained significantly, or if costs of capital increased significantly, due to lowered credit ratings, prevailing industry conditions, the volatility of the capital markets or other factors, Adient's financial condition, results of operations and cash flows likely would be adversely affected.

Unfavorable changes in the condition of the global automotive industry may adversely affect Adient's results of operations.

Adient's financial performance depends, in part, on conditions in the automotive industry. Automotive production and sales are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences. If automakers experience a decline in the number of new vehicle sales, whether as a result of economic decline, the continuing effects of the COVID-19 pandemic, ongoing supply chain disruptions, increasing consumer borrowing rates or otherwise, then Adient may experience reductions in orders from these customers, incur write-offs of accounts receivable, incur impairment charges or require additional restructuring actions beyond its current restructuring plans, particularly if any of the automakers cannot adequately fund their operations or experience financial distress. Such adverse changes likely would have a negative impact on Adient's business, financial condition or results of operations. In addition, Adient relies in part on its customers' forecasting of their expected needs, which forecasts can change rapidly and may not be accurate. Any inaccurate forecast data received by customers could also have an adverse impact on Adient's results of operations.

Adient's financial condition and results of operations have been, and could continue to be, adversely affected by COVID-19.

The global outbreak of COVID-19 has caused, and continues to cause, a material adverse effect on the level of economic activity around the world, including in all markets served by Adient. In response to this outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations, and these governments may take additional or further such actions in the future. Adient has implemented numerous measures attempting to manage and mitigate the effects of the virus. While Adient has implemented measures to mitigate the impact of these measures on the results of operations, there can be no assurance that these measures will be successful now or in the event of future outbreaks. Adient cannot predict the degree to, or the time period over, which its sales and operations will be affected by this ongoing outbreak and related preventative measures, and the effects could continue to be material.

The COVID-19 pandemic poses the risk that Adient or its affiliates and joint ventures, employees, suppliers, customers and others may be restricted or prevented from conducting business activities for indefinite or intermittent periods of time, including as a result of employee health and safety concerns, shutdowns, shelter in place orders, travel restrictions and other actions and restrictions that may be requested or mandated by governmental authorities. For example, the Company experienced a temporary shutdown of its facilities in the second quarter of fiscal 2020 in China as a result of government-mandated actions to control the spread of COVID-19, and again in late March 2020, in the Americas and European regions coinciding with the shutdown of its customer facilities in these regions. Furthermore, during fiscal 2022 the Company continued to see periodic or temporary shutdowns, from time to time, at its facilities in China as a result of the resurgence of COVID-19. In addition, certain government orders related to COVID-19 mitigation efforts may restrict Adient's ability to operate its business and may impact its financial condition and results of operations. Finally, while other of its facilities have been designated by customers as an essential business to its customers' business in jurisdictions in which facility closures have been mandated, the Company can give no assurance that this will not change in the future or that businesses will continue to be classified as essential in each of the jurisdictions in which Adient operates.

While OSHA's Emergency Temporary Standard (as announced in early fiscal 2022) has been withdrawn, state and local governments in which our business operates may implement or announce COVID-19 vaccination requirements applicable to certain of our employees. It is currently not possible to predict with certainty the impact these vaccination mandates, if implemented, will have on our business, especially on our workforce. Our implementation of these requirements may result in costs to us in the form of vaccinations or testing of employees. These requirements may also result in attrition in our

workforce, including attrition of critically skilled labor, and difficulty securing future labor needs, which could have a material adverse effect on our business, financial condition and results of operations.

Additionally, restrictions on the Company's access to its manufacturing facilities or on support operations or workforce, or similar limitations for its distributors and suppliers, could continue to limit customer demand and/or the Company's capacity to meet customer demands and have a material adverse effect on its business, financial condition and results of operations. In addition, Adient has modified its business practices (including limiting employee travel, employee work locations, and physical participation in meetings, events and conferences), and it may take further actions as may be required by government authorities, for the continued health and safety of the employees, or that the Company otherwise determines are in the best interests of the employees, customers, partners, and suppliers. Further, the Company has experienced, and may continue to experience, disruptions or delays in its supply chain as a result of such actions, which is likely to result in higher supply chain costs to Adient in order to maintain the supply of materials and components for the products, resulting in increased costs and decreased profitability, which may have an adverse impact on Adient's results of operations.

If the COVID-19 pandemic becomes more pronounced in the markets in which the Company or its automotive industry customers operate, or there is a continued resurgence in the virus in markets currently recovering from the spread of COVID-19, then the Company's operations in areas impacted by such events could experience further materially adverse financial impacts due to market changes and other resulting events and circumstances. The extent to which the COVID-19 outbreak continues to impact the Company's financial condition will depend on future developments that are highly uncertain and cannot be predicted, including new government actions or restrictions, new information that may emerge concerning the severity of COVID-19, the longevity of COVID-19 and the impact of COVID-19 on economic activity. To the extent the COVID-19 pandemic materially adversely affects the Company's business and financial results, it may also have the effect of significantly heightening many of the other risks associated with the Company's business, operations and indebtedness.

The COVID-19 pandemic and other macroeconomic factors, such as supply chain disruptions, could present significant challenges to Adient's liquidity.

Adient's continued access to sources of liquidity depends on multiple factors, including global economic conditions, the COVID-19 pandemic's effects on its customers and their production rates, the condition of global financial markets, the availability of sufficient amounts of financing, its operating performance and credit ratings. Adient's ability to borrow against the ABL Credit Facility is limited to its borrowing base, which consists primarily of accounts receivable, inventory and certain cash account balances. Such working capital account balances fluctuate significantly depending on production levels and operating activities. Given the continued potential impacts of COVID-19, along with on-going supply chain disruptions and the potential reduction in customer orders or a required shutdown of Adient's operations, the amount of accounts receivable or inventory may be significantly reduced, and Adient's ability to borrow against its ABL Credit Facility could be significantly decreased, which may have a material adverse effect on its financial condition.

As a result of on-going impacts of the COVID-19 pandemic and other macroeconomic factors negatively impacting the global automotive industry, Adient may be required to raise additional capital and its access to and cost of financing will depend on, among other things, global economic conditions, conditions in the global financing markets, the availability of sufficient amounts of financing, its prospects and credit ratings.

Risks associated with joint venture partnerships may adversely affect Adient's business and financial results.

Adient has entered into several joint ventures worldwide and may enter into additional joint ventures in the future. Adient's joint venture partners may at any time have economic, business or legal interests or goals that are inconsistent with Adient's goals or with the goals of the joint venture which could lead to, among other things, dissolution, liquidation and/or modification of the joint venture terms. Adient may compete against its joint venture partners in certain of its markets and certain negotiations with its customers may negatively impact its joint venture business with those same customers. Disagreements with Adient's business partners may impede Adient's ability to maximize the benefits of its partnerships and/or may consume management time and other resources to negotiate, and which could lead to, among other things, dissolution, liquidation and/or modification of the joint venture terms. Adient's joint venture arrangements may require Adient, among other matters, to pay certain costs or to make certain capital investments or to seek its joint venture partner's consent to take certain actions. Adient does not control the ability to collect cash dividends from its non-consolidated joint ventures. In addition, Adient does not control the financial reporting of its non-consolidated joint ventures, which may impact its ability to complete its financial statements in a timely or accurate manner. Delays in the collection of dividends, even by a few days, could adversely affect Adient's financial position and cash flows. Adient's joint venture partners may be unable or unwilling to meet their economic or other obligations under the operative documents, and Adient may be required to either fulfill those obligations alone to ensure the ongoing success of a joint venture or to dissolve and liquidate a joint venture. Further, joint venture partnerships are subject to renewal or expiration

at various times. The failure to renew or extend the terms of Adient's joint venture partnerships could impact other areas of Adient's business, including its business relationships. The above risks, if realized, could result in a material adverse effect on Adient's business and financial results.

Furthermore, non-consolidated joint ventures present various risks, including the risk that Adient may be slower or less able to identify or react to problems affecting its non-consolidated joint ventures than Adient would for a wholly-owned subsidiary or consolidated joint venture. In addition, these arrangements may cause Adient to be slower to detect compliance related problems and make its design of effective internal controls more challenging. Each of these challenges may be more costly to implement, and the risk of failure potentially higher, than would be the case in a more centralized structure. Depending on the nature of the problems, the failure to identify, detect or react could materially adversely affect Adient's business, financial condition or results of operations.

Risks associated with Adient's non-U.S. operations could adversely affect Adient's business, financial condition and results of operations.

Adient has significant operations in a number of countries outside the U.S., some of which are located in emerging markets. Long-term economic or political uncertainty in some of the regions of the world in which Adient operates, such as Asia, South America and Europe and other emerging markets, could result in the disruption of markets and negatively affect cash flows from Adient's operations to cover its capital needs and debt service requirements.

In addition, as a result of Adient's global presence, a significant portion of its revenues and expenses is denominated in currencies other than the U.S. dollar. Adient is therefore subject to foreign currency risks and foreign exchange exposure. While Adient employs financial instruments to hedge some of its transactional foreign exchange exposure, these activities do not insulate Adient completely from those exposures. Exchange rates can be volatile and could adversely impact Adient's financial results and the comparability of results from period to period. Our use of financial instruments to limit this risk is guided by strict policies and processes and the success of our hedging programs depends primarily on the performance of the business in comparison with our forecasted sales proceeds and costs. If we incorrectly forecast these and other related factors, the transactions we have entered into may have an adverse impact on our financial results. No assurance can be given that our judgment in this respect will be correct.

There are other risks that are inherent in Adient's non-U.S. operations, including the potential for changes in socioeconomic conditions, laws and regulations, including import, export, direct and indirect taxes, value-added taxes, labor and environmental laws, and monetary and fiscal policies; protectionist measures that may prohibit acquisitions or joint ventures, or impact trade volumes; unsettled political conditions or instability; government-imposed plant or other operational shutdowns; backlash from foreign labor organizations related to Adient's restructuring actions; corruption; natural and man-made disasters; global health epidemics (such as COVID-19); hazards and losses; armed conflict, territorial disputes or acts of aggression in Asia, South America, Europe or otherwise; violence, civil and labor unrest; and possible terrorist attacks.

On December 30, 2020, the U.K. completed its withdrawal from the European Union and entered into an agreement regarding their future relationship, the Trade and Cooperation Agreement, which was ratified by the parties and entered into full force on May 1, 2021. However, certain economic uncertainties remain in connection with the future of the U.K. and its relationship with the European Union. These uncertainties have caused and may continue to cause disruptions to capital and currency markets worldwide as well as cause disruptions to Adient's operations.

Russia's invasion of Ukraine in February 2022 has resulted in significant uncertainty and instability in global supply chains and availability of certain commodities and raw materials. Although Adient has no operations in Ukraine and its operation in Russia has since been disposed, certain of its suppliers as well as customers depend on commodities and other material supplies that originate in Ukraine or Russia. In response to Russia's invasion in Ukraine, a number of countries, including the United States, the United Kingdom and members of the European Union, have implemented economic sanctions on Russia and certain Russian enterprises including several large banks. The conflict has also led to increases in the cost of energy and the potential for energy shortages, especially in Europe. If the conflict continues or expands, it may trigger a series of additional economic and other sanctions which in turn could further disrupt the global automotive supply chains by limiting supplies of key components and increasing inflationary pressures. The continued conflict could have broader adverse impacts on Adient's business, cash flows, financial condition and results of operations.

Adient's business in China is subject to aggressive competition and is sensitive to economic and market conditions.

Maintaining a strong position in the Chinese market is a key component of Adient's strategy. Adient's business in China is conducted through both consolidated subsidiaries and nonconsolidated joint ventures. The automotive supply market in China is

highly competitive, with competition from many of the largest global manufacturers and numerous smaller domestic manufacturers. As the size of the Chinese market evolves, Adient anticipates that market participants will act aggressively to increase or maintain their market share. Increased competition may result in price reductions, reduced margins and Adient's inability to gain or hold market share. In addition to the risks imposed by U.S. economic trade policy discussed further below, Adient's business in China is sensitive to economic, political and market conditions that drive automotive sales volumes in China. If Adient is unable to maintain its position in the Chinese market, or if vehicle sales in China decrease or do not continue to increase, then Adient's business and financial results may be adversely affected.

Changes in U.S. administrative policy, including changes to existing trade agreements and any resulting changes in international trade relations, may have an adverse effect on Adient.

There is continued uncertainty about the future relationship between the U.S. and various other countries, most significantly China, with respect to trade policies, treaties, government regulations and tariffs. Under the Biden administration, changes in U.S. administrative policy could lead to changes to existing trade agreements, greater restrictions on free trade generally, and significant increases in tariffs on goods imported into the U.S., particularly tariffs on products manufactured in Mexico and China, among other possible changes. A trade war, other governmental action related to tariffs or international trade agreements, changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where Adient currently manufactures and sells products, and any resulting negative sentiments towards the U.S. as a result of such changes, likely would have an adverse effect on Adient's business, financial condition or results of operations.

The regulation of Adient's international operations, and any failure of Adient to comply with those regulations, could adversely affect its business, results of operations and reputation.

Due to Adient's global operations, Adient is subject to many laws governing international relations and its international operations, including laws that prohibit improper payments to government officials and commercial customers and that restrict where Adient can do business, what information or products Adient can import and export to and from certain countries and what information Adient can provide to a non-U.S. government. These laws include but are not limited to the U.S. Foreign Corrupt Practices Act (FCPA), the Irish Criminal Justice (Corruption Offences) Act, the U.K. Bribery Act, the U.S. Export Administration Act and U.S. and international economic sanctions and money laundering regulations. Adient has internal policies and procedures relating to compliance with such laws; however, there is a risk that such policies and procedures will not always protect Adient from the improper acts of employees, agents, business partners, joint venture partners or representatives, particularly in the case of recently acquired operations that may not have significant training in applicable compliance policies and procedures. Violations of these laws, which are complex, may result in criminal penalties, sanctions and/or fines, and may also result in costly and time-consuming governmental investigations, any or all of which could have an adverse effect on Adient's business, financial condition and results of operations and reputation. In addition, Adient is subject to antitrust laws in various countries throughout the world. Changes in these laws or their interpretation, administration or enforcement may occur over time. Any such changes may limit Adient's future acquisitions, divestitures or operations. Violations of antitrust laws may result in penalties, sanctions and/or fines, and may also result in costly and time-consuming governmental investigations, any or all of which could have an adverse effect on Adient's business, financial condition and results of operations and reputation.

Risks Related to Adient's Operations

Increases in the costs and restrictions on the availability of raw materials, energy, commodities, freight, labor and product components could adversely affect Adient's financial performance.

Raw material, energy, commodity, freight and labor costs can be volatile. Although Adient has developed and implemented strategies to mitigate the impact of higher raw material, energy, commodity, freight and labor costs, these strategies, together with commercial negotiations with Adient's customers and suppliers, may only offset a portion of the adverse impact. Certain of these strategies also may limit Adient's opportunities in a declining commodity environment. In addition, the availability of raw materials, commodities, transportation and product components fluctuates from time to time due to factors outside of Adient's control. Due to a variety of global factors, the automotive industry has been experiencing, and may continue to experience, supply chain disruptions from an insufficient availability of semiconductor chips, other components and labor. As a result of these disruptions, the automotive industry has seen a decrease in the volume of automobile production, which has resulted in, and may continue to result in, decreased sales, without a corresponding decrease in labor costs, for Adient. In addition, the automotive industry has seen a period of sustained price increases for commodities, primarily related to steel, and to a lesser extent petrochemicals, and more recently energy costs in Europe. Adient has also experienced constrained labor availability which has resulted in wage inflationary pressures, both internally and at key vendors. These increases may continue into the

future as demand increases and as supply may remain constrained, which has resulted in, and may continue to result in, increased costs for Adient. If the costs of raw materials, energy, commodities, freight costs, labor costs and product components increase or the availability thereof is restricted, it could adversely affect Adient's financial condition, operating results and cash flows.

Adient operates in the highly competitive automotive supply industry.

The global automotive component supply industry is highly competitive. Competition is based primarily on price, technology, quality, delivery and overall customer service. There can be no assurance that Adient's products will be able to compete successfully with the products of Adient's competitors. Furthermore, the rapidly evolving nature of the markets in which Adient competes, including as a result of the autonomous vehicle market and consumer preferences for mobility on demand services, such as car- and ride-sharing, may attract new entrants. Additionally, consolidation in the automotive industry may lead to decreased product purchases from Adient.

As a result, Adient's sales levels and margins could be adversely affected by pricing pressures from OEMs and pricing actions of competitors. These factors may lead to selective resourcing of business to competitors. Adient's competitors may develop, design or duplicate technologies that compete with Adient's owned or licensed intellectual property. Developments or assertions by or against Adient relating to intellectual property rights, or any inability to protect Adient's rights, could have an adverse impact on its business and competitive position. In addition, any of Adient's competitors may foresee the course of market development more accurately than Adient, develop products that are superior to Adient's products, produce similar products at a lower cost than Adient, or adapt more quickly than Adient to new technologies or evolving customer requirements. Adient cannot provide assurances that certain of Adient's products will not become obsolete or that Adient will be able to achieve the technological advances that may be necessary to remain competitive. As a result, Adient's products may not be able to compete successfully with its competitors' products and Adient may not be able to meet the growing demands of customers. In addition, Adient's customers may increase levels of production insourcing for a variety of reasons, such as shifts in customers' business strategies or the emergence of low-cost production opportunities in other countries. These trends may adversely affect Adient's sales as well as the profit margins on Adient's products.

Adient's profitability and results of operations may be adversely affected by a significant failure or inability to comply with the specifications and manufacturing requirements of its OEM customers or by program launch difficulties.

Adient's business faces the production demands and requirements of its OEM customers, as described in Item 1, "Business" of this Annual Report on Form 10-K. As a result of safety and environmental regulations, as well as a trend of more rapid customer preference changes, OEMs are requiring suppliers like Adient to respond faster with new designs and product innovations. A significant failure or inability to comply with customer specifications and manufacturing requirements or delays or other problems with existing or new products often results in financial penalties, increased costs, loss of sales, loss of customers or potential breaches of customer contracts, which likely would have an adverse effect on Adient's profitability and results of operations.

In addition, to the extent Adient experiences product launch difficulties (which could be the result of a wide range of factors, including the production readiness of Adient's and its suppliers' manufacturing facilities and manufacturing processes, as well as factors related to tooling, equipment, employees, initial product quality and other factors), vehicle production at Adient's customers could be significantly delayed or shut down. Such situations could result in significant financial penalties to Adient, a diversion of personnel and financial resources to improving launches rather than investment in continuous process improvement or other growth initiatives, and could result in Adient's customers shifting work away from Adient to a competitor, all of which could result in loss of revenue, loss of market share and likely would have an adverse effect on Adient's profitability and cash flows. Adient's failure to successfully launch material new or takeover business, or Adient's inability to accurately estimate the cost to design, develop and launch new or takeover business, likely would have an adverse effect on Adient's profitability and results of operations.

Adient may not be able to successfully negotiate pricing and other terms with its customers or may be unable to achieve product cost reductions that offset customer-imposed price reductions, both of which may adversely affect its results of operations.

Adient negotiates sales price adjustments and other contractual terms periodically with its automotive customers. There is no guarantee that Adient will be able to successfully negotiate pricing or other terms that are favorable or beneficial to Adient. Further, any cost-cutting initiatives that its customers adopt generally result in increased downward pressure on pricing. If Adient is unable to generate sufficient production or supply chain cost savings in the future to offset price reductions, Adient's results of operations may be adversely affected. In particular, large commercial settlements with Adient's customers likely

would adversely affect Adient's results of operations. In addition, Adient must negotiate contract and other program changes during the life of customer programs to address situations unforeseen at the beginning of the program, including those relating to labor shortages and material cost increases. The inability of Adient to negotiate these contract or program changes in a manner favorable to Adient could also adversely affect Adient's results of operations.

Work stoppages, including those at Adient's customers, and similar events could significantly disrupt Adient's business.

Because the automotive industry relies heavily on just-in-time delivery of components during the assembly and manufacture of vehicles, a work stoppage at one or more of Adient's manufacturing and assembly facilities could have adverse effects on the business. Similarly, if one or more of Adient's customers were to experience a work stoppage, such as those resulting from labor strikes, customer stoppages as a result of COVID-19-related governmental shutdowns, ongoing supply chain disruptions, or otherwise, that customer would likely halt or limit purchases of Adient's products, which could result in the shutdown of the related Adient manufacturing facilities and or other cost-reduction initiatives. In addition in certain instances we may be unable to adjust our staffing levels to correspond to a customer's work stoppage such that we incur increased labor costs along with a decrease in production. A significant disruption in the supply of a key component due to a work stoppage at one of Adient's suppliers or any other supplier could have the same consequences, and accordingly, have an adverse effect on Adient's financial results.

Adient may be unable to realize the expected benefits of its restructuring actions, which could adversely affect its profitability and operations.

In order to align Adient's resources with its strategies, operate more efficiently and control costs and to realign its businesses, with customer and market needs and operating conditions, Adient has periodically announced, and in the future may continue to announce, restructuring plans, which may include workforce reductions, global plant closures and consolidations, asset impairments and other cost reduction initiatives. In each of the last four fiscal years, Adient announced restructurings related to cost reduction initiatives, which included workforce reductions, plant closures and asset impairments. Adient may undertake additional restructuring actions, including plant closures and workforce reductions in the future. As these plans and actions are complex, unforeseen factors could result in expected savings and benefits to be delayed or not realized to the full extent planned (if at all), and Adient's operations and business may be disrupted, which likely would adversely affect Adient's financial condition, operating results and cash flow. Furthermore, to the extent such initiatives involve workforce changes, such changes may temporarily reduce workforce productivity, which could be disruptive to our business and adversely affect our results of operations.

A failure of Adient's information technology (IT) and data security infrastructure could adversely impact Adient's business, operations and reputation.

Adient relies upon the capacity, reliability and security of its IT and data security infrastructure, as well as its ability to expand and continually update this infrastructure in response to the changing needs of its business. If Adient experiences a problem with the functioning of an important IT system or a security breach of Adient's IT systems, including a potential ransomware attack, due to failure to timely upgrade systems or during system upgrades and/or new system implementations, the resulting disruptions could have an adverse effect on Adient's business.

Adient and certain of its third-party vendors receive and store personal information in connection with Adient's human resources operations and other aspects of Adient's business. Despite Adient's implementation of security measures, Adient's IT systems, like those of other companies, are vulnerable to damages from computer viruses, natural disasters, unauthorized access, cyber-attack, ransomware attack, and other similar disruptions. Any system failure, accident or cyber security breach or incident could result in disruptions to Adient's operations. A material network breach in the security of Adient's IT systems could lead to vendor payments being paid to fraudulent bank accounts and the theft of Adient's intellectual property, trade secrets, customer information, human resources information or other confidential information. To the extent that any disruptions or security breach results in a loss or damage to Adient's data, or an inappropriate disclosure of confidential, proprietary or customer information, it could cause significant damage to Adient's reputation, affect Adient's relationships with its customers and vendors, lead to claims against Adient and ultimately harm its business. In addition, Adient may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

In addition, legislators and/or regulators in countries in which Adient operates are increasingly adopting or revising privacy, information security and data protection laws. In particular, the European Union's General Data Protection Regulation and the China security law both have extra-territorial scope. Violations of such laws and regulations may result in penalties, sanctions and/or fines, and may also result in costly and time-consuming governmental investigations, any or all of which could have an adverse effect on Adient's business, financial condition and results of operations and reputation.

Negative or unexpected tax consequences could adversely affect Adient's results of operations.

Adverse changes in the underlying profitability and financial outlook of Adient's operations in several jurisdictions could lead to additional changes in Adient's valuation allowances against deferred tax assets and other tax reserves on Adient's statements of financial position. Additionally, changes in tax laws in Ireland, the U.S. or in other countries where Adient has significant operations could materially affect deferred tax assets and liabilities on Adient's statements of financial position and income tax provision on Adient's statements of income.

Adient is also subject to tax audits for both direct and indirect taxes by governmental authorities on a worldwide basis. Governmental authorities have become more aggressive in proposing tax assessments, including interest related to income taxes and transaction taxes such as Value Added Tax (VAT). Negative unexpected results from one or more such tax audits could adversely affect Adient's results of operations.

If Adient does not respond appropriately, the evolution of the automotive industry towards autonomous vehicles and mobility on demand services could adversely affect Adient's business.

The automotive industry is increasingly focused on the development of advanced driver assistance technologies, with the goal of developing and introducing a commercially-viable, fully automated driving experience. There has also been an increase in consumer preferences for mobility on demand services, such as car- and ride-sharing, as opposed to automobile ownership, which may result in a long term reduction in the number of vehicles per capita. These evolving areas have also attracted increased competition from entrants outside the traditional automotive industry. If Adient does not continue to innovate to develop or acquire new and compelling products that capitalize upon new technologies in response to OEM and consumer preferences, this could have an adverse impact on Adient's results of operations.

Adient may incur material losses and costs as a result of warranty claims and product liability actions that may be brought against Adient.

Adient faces an inherent business risk of exposure to warranty claims and product liability in the event that its products fail to perform as expected and, in the case of product liability, such failure of its products results, or is alleged to result, in bodily injury and/or property damage. While Adient will maintain reasonable limits of insurance coverage to appropriately respond to such exposures, large product liability claims, if made, could exceed Adient's insurance coverage limits and insurance may not continue to be available on commercially acceptable terms, if at all Adient may incur significant costs to defend these claims or experience product liability losses in the future. If any of Adient's products are or are alleged to be defective, Adient may be required to participate in a recall involving such products. As suppliers become more integrally involved in the vehicle design process and assume more of the vehicle assembly functions, auto manufacturers are increasingly looking to their suppliers for contribution when faced with recalls and product liability claims. A recall claim brought against Adient that is not insured, or a product liability claim brought against Adient in excess of its available insurance, could have an adverse impact on Adient's results of operations. In addition, a recall claim could require Adient to review its entire product portfolio to assess whether similar issues are present in other product lines, which could result in significant disruption to Adient's business and could have an adverse impact on Adient's results of operations.

Auto manufacturers are also increasingly requiring their suppliers to guarantee or warrant their products and bear the costs of repair and replacement of such products under new vehicle warranties. Depending on the terms under which Adient supplies products to an auto manufacturer, an auto manufacturer may attempt to hold Adient responsible for some or all of the repair or replacement costs of defective products under new vehicle warranties, when the vehicle manufacturer asserts that the product supplied did not perform as warranted.

Although Adient cannot assure that the future costs of warranty claims by its customers and product liability claims will not be material, Adient believes its established reserves are adequate to cover potential settlements. Adient's reserves are based on Adient's best estimates of amounts necessary to settle future and existing claims. Adient regularly evaluates the level of these reserves, and adjusts them when appropriate. However, the final amounts determined to be due related to these matters could differ materially from Adient's recorded estimates.

Any changes in consumer credit availability or cost of borrowing could adversely affect Adient's business.

Declines in the availability of consumer credit and increases in consumer borrowing costs have negatively impacted global automotive sales and resulted in lower production volumes in the past. Substantial declines in automotive sales and production by Adient's customers likely would have an adverse effect on Adient's business, results of operations and financial condition.

Global climate change and related emphasis on ESG matters by various stakeholders could negatively affect Adient's business.

Increased public awareness and concern regarding global climate change may result in more regional and/or federal requirements to reduce or mitigate the effects of greenhouse gas emissions. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. Such regulatory uncertainty extends to future incentives for energy efficient vehicles and costs of compliance, which may impact the demand for Adient's products and Adient's results of operations.

The effects of climate change, such as extreme weather conditions, create financial risk to Adient's business. For example, the demand for Adient's products and services may be affected by unseasonable weather conditions. Climate changes could also disrupt Adient's operations by impacting the availability and cost of materials needed for manufacturing and could increase insurance and other operating costs. These factors may impact Adient's decisions to construct new facilities or maintain existing facilities in areas most prone to physical climate risks. Adient could also face indirect financial risks passed through the supply chain, and process disruptions due to physical climate changes could result in price modifications for Adient's products and the resources needed to produce them.

Furthermore, customer, investor, and employee expectations in areas such as the environment, social matters and corporate governance (ESG) have been rapidly evolving and increasing. Specifically, certain customers are beginning to require that Adient provide information on its plans and goals relating to certain climate-related matters such as greenhouse gas emissions and renewable energy. The enhanced stakeholder focus on ESG issues relating to Adient requires the continuous monitoring of various and evolving standards and the associated reporting requirements. A failure to adequately meet stakeholder expectations or achieve its ESG-related goals may result in the loss of business, diluted market valuation, an inability to attract customers or an inability to attract and retain top talent.

As of the date of this filing, Adient has made several public commitments regarding our intended reduction of carbon emissions, including commitments to science-based targets to reduce carbon emissions from its operations and the operations of its customers. Although Adient intends to meet these commitments, it may be required to expend significant resources to do so, which could increase its operational costs. Further, there can be no assurance that any of Adient's commitments will be achieved, or that any future investments it makes to achieve such targets and goals will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance. Moreover, Adient may determine that it is in the best interest of the Company and its shareholders to prioritize other business, social, governance or sustainable investments over the achievement of our current commitments based on economic, regulatory and social factors, business strategy or pressure from investors, activist groups or other stakeholders. If Adient is unable to meet these commitments, then it could incur adverse publicity and reaction from investors, activist groups and other stakeholders, which could adversely impact the perception of the Company and its products and services by current and potential customers, as well as investors, which could in turn adversely impact its results of operations.

Risks related to Adient's defined benefit retirement plans may adversely impact Adient's results of operations and cash flow.

Significant changes in actual investment return on defined benefit plan assets, discount rates, mortality assumptions and other factors could adversely affect Adient's results of operations and the amounts of contributions Adient must make to its defined benefit plans in future periods. For example, Adient has recorded mark-to-market adjustments on the revaluation of its pension obligations that have significantly impacted its overall results the past two years. Generally accepted accounting principles in the U.S. require that Adient calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates, which may change based on economic conditions. Funding requirements for Adient's defined benefit plans are dependent upon, among other factors, interest rates, underlying asset returns and the impact of legislative or regulatory changes related to defined benefit funding obligations.

Legal proceedings in which Adient is, or may be, a party may adversely affect Adient.

Adient is currently and may in the future become subject to legal proceedings and commercial, contractual or other disputes. These are typically lawsuits, claims and proceedings that arise in the normal course of business including, without limitation, claims pertaining to product liability, product safety, environmental, safety and health, intellectual property, employment, commercial, contractual and various other matters. The outcome of such lawsuits, claims or proceedings cannot be predicted with certainty and some may be disposed of unfavorably to Adient. There exists the possibility that such claims may have an adverse impact on Adient's results of operations that is greater than Adient anticipates, and/or negatively affect Adient's reputation.

A downgrade in the ratings of Adient's debt capital could restrict Adient's ability to access the debt capital markets and increase Adient's interest costs.

Unfavorable changes in the ratings that rating agencies assign to Adient's debt may ultimately negatively impact Adient's access to the debt capital markets and increase the costs Adient incurs to borrow funds. Future tightening in the credit markets and a reduced level of liquidity in many financial markets due to turmoil in the financial and banking industries could adversely affect Adient's access to the debt capital markets or the price Adient pays to issue debt. A downgrade in Adient's ratings or volatility in the financial markets causing limitations to the debt capital markets could have an adverse effect on Adient's business or Adient's ability to meet its liquidity needs. There can be no assurance that Adient would be able to obtain additional financing or refinancing and failure to obtain such additional financing or refinancing could have a material adverse impact on our operations. Adient may incur or assume significantly more debt in the future. If Adient incurs more debt in the future and does not retire existing debt, the risks described above could increase.

Adient's debt obligations could adversely affect Adient's business, profitability and the ability to meet its obligations.

As of September 30, 2022, Adient's total consolidated indebtedness approximated \$2.6 billion. This significant amount of debt could potentially have adverse consequences to Adient and its debt and equity investors, including:

- making it more difficult to satisfy other obligations;
- increasing the risk of a future credit ratings downgrade of its debt, which could increase future debt costs and limit the future availability of debt financing;
- increasing Adient's vulnerability to general adverse economic and industry conditions;
- placing Adient at a competitive disadvantage relative to its competitors that may not be as highly leveraged with debt; and
- limiting Adient's ability to borrow additional funds as needed.

Certain jurisdictions have or are in the process of phasing out LIBOR. The long-term impact of this change remains uncertain at this time, including whether alternative reference rates could increase borrowing costs. Adient has started, and will continue, to incorporate alternatives to LIBOR in its debt agreements.

Adient's business success depends on attracting and retaining qualified personnel and our attempts to fully reopen our offices and operate under a hybrid working environment may not be successful.

Adient's ability to sustain and grow its business requires it to hire, retain and develop a highly skilled and diverse management team and workforce. Failure to ensure that Adient has the leadership capacity with the necessary skill set and experience could impede Adient's ability to deliver its growth objectives and execute its strategic plan. Organizational and reporting changes as a result of any future leadership transition and corporate initiatives, including restructuring actions, could result in increased turnover. Additionally, any unplanned turnover or inability to attract and retain key employees could have a negative effect on Adient's results of operations. Further, certain of the recent austerity measures related to employee compensation, along with the on-going unpredictability of production schedules, could result in employees pursuing other employment opportunities outside of Adient.

The COVID-19 pandemic caused Adient to modify its workforce practices, including having the vast majority of non-plant employees work from home. As Adient reopens its offices, it is operating under a "hybrid" working environment, meaning that the majority of its employees will have the flexibility to work remotely at least some of the time, for the foreseeable future. The hybrid working environment may impair Adient's ability to maintain its collaborative and innovative culture, and may cause disruptions among employees, including decreases in productivity, challenges in communications between on-site and off-site employees and, potentially, employee dissatisfaction and attrition. If Adient's attempts to safely reopen offices and operate under a hybrid working environment are not successful, its business could be adversely impacted.

Adverse developments affecting, or the financial distress of, one or more of Adient's suppliers or other third party counterparties could adversely affect Adient's financial performance.

Adient obtains components and other products and services from numerous automotive suppliers and other vendors throughout the world. In addition, Adient is party to various arrangements with third parties who owe Adient money or goods and services, or who purchase goods and services from Adient. Adient is responsible for managing its supply chain, including suppliers that may be the sole sources of products that Adient requires, which Adient's customers direct Adient to use or which have unique capabilities that would make it difficult and/or expensive to re-source. In addition, with fewer sources of supply for certain

components, each supplier may perceive that it has greater leverage and, therefore, some ability to seek higher prices from us at a time that we face substantial pressure from OEMs to reduce the prices of our products. This could adversely affect our customer relations and business. In certain instances, as seen with respect to semiconductors, entire industries may experience short-term capacity constraints. Additionally, Adient's production capacity, and that of Adient's customers and suppliers, may be adversely affected by natural disasters. Any such significant disruption could adversely affect Adient's financial performance. Unfavorable economic or industry conditions could also result in financial distress within Adient's supply chain or among other third party counterparties, thereby increasing the risk of supply disruption or lost orders. Although market conditions generally have improved in recent years, uncertainty remains and another economic downturn or other unfavorable industry conditions in one or more of the regions in which Adient operates could cause a supply disruption or loss of customer orders and thereby adversely affect Adient's financial condition, operating results and cash flows.

The loss of business with respect to, or the lack of commercial success of, a vehicle model for which Adient is a significant supplier could adversely affect Adient's financial performance.

Although Adient receives purchase orders from its customers, these purchase orders often provide for the supply of a customer's annual requirements for a particular vehicle model and assembly plant, or in some cases, for the supply of a customer's requirements for the life of a particular vehicle model, rather than for the purchase of a specific quantity of products. In addition, it is possible that Adient's customers could elect to manufacture its products internally or increase the extent to which they require Adient to utilize specific suppliers or materials in the manufacture of its products. The loss of business with respect to, the lack of commercial success of or an increase in directed component sourcing for a vehicle model for which Adient is a significant supplier could reduce Adient's sales or margins and thereby adversely affect Adient's financial condition, operating results and cash flows.

Shifts in market shares among vehicles, vehicle segments or shifts away from vehicles on which Adient has significant content or overall changes in consumer demand could have an adverse effect on Adient's profitability.

While Adient supplies parts for a wide variety of vehicles produced globally, Adient does not supply parts for all vehicles produced, nor is the number or value of parts evenly distributed among the vehicles for which Adient does supply parts. Shifts in market shares among vehicles or vehicle segments, including as a result of the autonomous vehicle market, particularly shifts away from vehicles on which Adient has significant content and shifts away from vehicle segments in which Adient's sales may be more heavily concentrated, could have an adverse effect on Adient's profitability. Similarly, certain vehicles or vehicle segments Adient supplies may be disproportionately impacted by overall industry disruptions (i.e., semiconductor supply chain disruptions) such that Adient's sales may be adversely effected relative to the industry in general or our competitors, which could have a negative effect on Adient's business. Increases in energy costs or other factors (e.g., climate change concerns) may also shift consumer demand away from motor vehicles that typically have higher interior content that Adient supplies, such as light trucks, crossover vehicles, minivans and sports utility vehicles, to smaller vehicles having less interior content. The loss of business with respect to, or a lack of commercial success of, one or more particular vehicle models for which Adient is a significant supplier could reduce Adient's sales and harm Adient's profitability, thereby adversely affecting Adient's results of operations.

Adient may not pay dividends on its ordinary shares, which may impact Adient's investor base.

Adient currently does not have plans to pay dividends on its ordinary shares. The timing, declaration, amount and payment of future dividends to shareholders will fall within the discretion of Adient's board of directors. The board's decisions regarding the payment of dividends will depend on many factors, such as Adient's financial condition, earnings, sufficiency of distributable reserves, capital requirements, debt service obligations, legal requirements, regulatory constraints and other factors that the board deems relevant. Adient's ability to pay dividends will depend on its ongoing ability to generate cash from operations and access capital markets. Adient cannot guarantee that it will pay dividends in the future which may impact Adient's investor base.

A variety of other factors could adversely affect Adient's results of operations.

Any of the following could adversely impact Adient's results of operations: the inability of Adient to execute continued turnaround actions to improve profitability; the loss of, or changes in, automobile supply contracts, sourcing strategies or customer claims with Adient's major customers or suppliers; increased freight or shipping costs resulting from extreme weather conditions or supply chain disruptions, lack of commodity availability and unfavorable commodity pricing; start-up expenses associated with new vehicle programs or delays or cancellations of such programs; underutilization of Adient's manufacturing facilities, which are generally located near, and devoted to, a particular customer's facility; inability to recover engineering and tooling costs; market and financial consequences of any recalls that may be required on products that Adient has supplied or

sold into the automotive aftermarket; delays or difficulties in new product development and integration; quantity and complexity of new program launches, which are subject to Adient's customers' timing, performance, design and quality standards; interruption of supply of certain single-source components; the potential introduction of similar or superior technologies; changing nature and prevalence of Adient's joint ventures and relationships with its strategic business partners; and global overcapacity and vehicle platform proliferation.

Risks Related to Adient's Jurisdiction of Incorporation

As an Irish public limited company, certain capital structure decisions require shareholder approval, which may limit Adient's flexibility to manage its capital structure.

Irish law provides that a board of directors may allot shares (or rights to subscribe for or convertible into shares) only with the prior authorization of shareholders. Most recently, at its 2022 Annual General Meeting, Adient's shareholders renewed this authorization until September 2023 (unless previously renewed, varied or revoked). This authorization will need to be further renewed by ordinary resolution, being a resolution passed by a simple majority of votes cast, prior to expiration. We anticipate seeking another authorization at our next Annual General Meeting and annually thereafter. Should this authorization not be approved, our ability to issue equity could be limited which could adversely affect our securities holders.

Irish law also generally provides shareholders with preemptive rights when new shares are issued for cash; however, it is possible for shareholders to vote to exclude preemptive rights in a general meeting. Most recently, at its 2022 Annual General Meeting, Adient's shareholders renewed this authorization until September 2023 (unless previously renewed, varied or revoked). This authorization will need to be renewed by special resolution, being a resolution passed by not less than 75% of votes cast, upon expiration. We anticipate seeking another authorization at our next Annual General Meeting and annually thereafter. Should this authorization not be approved, our ability to issue equity could be limited which could adversely affect our securities holders.

The laws of Ireland differ from the laws in effect in the U.S. and may afford less protection to holders of Adient securities.

It may not be possible to enforce court judgments obtained in the U.S. against Adient in Ireland based on the civil liability provisions of the U.S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts obtained against Adient or its directors or officers based on the civil liabilities provisions of the U.S. federal or state securities laws or hear actions against Adient or those persons based on those laws. The U.S. currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters in Ireland. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland.

A judgment obtained against Adient will be enforced by the courts of Ireland if the following general requirements are met: (i) U.S. courts must have had jurisdiction in relation to the particular defendant according to Irish conflict of law rules (the submission to jurisdiction by the defendant would satisfy this rule) and (ii) the judgment must be final and conclusive and the decree must be final and unalterable in the court which pronounces it. A judgment can be final and conclusive even if it is subject to appeal or even if an appeal is pending. Where however the effect of lodging an appeal under the applicable law is to stay execution of the judgment, it is possible that in the meantime the judgment may not be actionable in Ireland. It remains to be determined whether final judgment given in default of appearance is final and conclusive. However, Irish courts may refuse to enforce a judgment of the U.S. courts which meets the above requirements for one of the following reasons: (i) if the judgment is not for a definite sum of money; (ii) if the judgment was obtained by fraud; (iii) the enforcement of the judgment in Ireland would be contrary to natural or constitutional justice; (iv) the judgment is contrary to Irish public policy or involves certain U.S. laws which will not be enforced in Ireland; or (v) jurisdiction cannot be obtained by the Irish courts over the judgment debtors in the enforcement proceedings by personal service in Ireland or outside Ireland under Order 11 of the Ireland Superior Courts Rules.

As an Irish company, Adient is governed by the Irish Companies Act 2014, which differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to Adient only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of Adient and may exercise such rights of action on behalf of Adient only in limited circumstances. Accordingly, holders of Adient's securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the U.S.

In addition, the Adient articles of association provide that the Irish courts have exclusive jurisdiction to determine any and all derivative actions in which a holder of Adient ordinary shares asserts a claim in the name of Adient, actions asserting a claim of breach of a fiduciary duty of any of the directors of Adient and actions asserting a claim arising pursuant to any provision of Irish law or Adient's articles of association. Under Irish law, the proper claimant for wrongs committed against Adient, including by the Adient directors, is considered to be Adient itself. Irish law permits a shareholder to initiate a lawsuit on behalf of a company such as Adient only in limited circumstances, and requires court permission to do so.

The Company's effective tax rate could be volatile and materially change as a result of changes in tax laws, mix of earnings and other factors.

A change in tax laws is one of many factors that impact the Company's effective tax rate. The U.S. Congress, the Organization for Economic Co-operation and Development ("OECD") and other government agencies in jurisdictions where Adient and its affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. One example is in the area of base erosion and profit shifting ("BEPS"), including situations where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. As a result, the tax laws in the U.S. and other countries in which the Company and its affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely impact Adient and its affiliates, including potential adverse impacts to the Company's effective tax rate.

On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the IRA) into law. The corporate tax provisions include (a) the creation of a 15% corporate minimum tax and (b) a nondeductible 1% excise tax on share buy-backs of covered corporations. Neither of these provisions are in effect for fiscal 2022 and Adient continues to monitor the impact, if any, for subsequent years. Following the passing of the IRA and the recent mid-term elections, it is uncertain whether additional U.S. corporate tax reform could be expected. There are a number of corporate income tax topics that were not addressed in the IRA that could be raised in the future, for example: increasing the U.S. corporate tax rate, increasing the rate of tax on certain earnings of foreign subsidiaries (the corporate minimum tax), modifying the base erosion and anti-abuse tax ("BEAT") rules to target outbound payments to low-taxed jurisdictions, and further limiting interest expense deductibility. If any or all of these (or similar) proposals are ultimately enacted into law, in whole or in part, they could have a negative impact to Adient's effective tax rate.

In October 2021, the OECD released an outline that describes the conceptual agreement between 137 countries on fundamental reforms to international tax rules. The outline provides for two primary "Pillars"; however, only Pillar Two, which provides for a global minimum corporate tax rate of 15%, is expected to be applicable to Adient (Pillar One is not expected to be applicable as Adient does not currently meet the turnover threshold – EUR 20 billion). Following the agreement in October 2021, progress has been made on implementation of Pillar Two, with the Model Rules for implementation being released in December 2021 and related commentary in March 2022. While the OECD remains committed to its original timeline (initial implementation in 2023), there is no global consensus. The enactment of Pillar Two is contingent upon the independent actions of participating countries to enact law changes. If enacted into law, in whole or in part, this proposed change to international tax rules could have a negative impact to Adient's effective tax rate.

Currently, the Company incurs losses in certain countries where it does not receive a financial statement benefit, and the Company operates in countries which have different statutory rates. Consequently, changes in the mix and source of earnings between countries could have a material impact on Adient's overall effective tax rate.

Legislative and other proposals that would deny governmental contracts to U.S. companies that move their corporate location abroad may affect Adient if adopted.

Various U.S. federal and state legislative and other proposals that would deny governmental contracts to U.S. companies (and subsidiaries of U.S. companies) that move (or have moved) their corporate location abroad may affect Adient and/or its affiliates if adopted. It is difficult to predict the likelihood that any such proposals might be adopted, the nature of the regulations that might be promulgated, or the effect such adoptions and increased regulatory scrutiny might have on Adient's business.

Adient's status as a foreign corporation for U.S. federal tax purposes could be affected by a change in law.

Under current law, Adient is expected to be treated as a foreign corporation for U.S. federal tax purposes and Section 7874 is not otherwise expected to apply to Adient or its affiliates as a result of the separation. However, changes to the rules contained in Section 7874 and the Treasury Regulations promulgated thereunder, or other changes in law, could adversely affect Adient's and/or its affiliates' status as foreign corporations for U.S. federal tax purposes, the ability of Adient's U.S. affiliates to use certain attributes or deductions, the Adient group's effective tax rate and/or future tax planning for the Adient group, and any

such changes could have prospective or retroactive application to Adient, its shareholders and affiliates, and/or the separation and distribution.

Recent legislative and other proposals have aimed to expand the scope of U.S. corporate tax residence. Under such proposals, Adient and/or its affiliates could be treated as U.S. corporations if the management and control of Adient or such affiliates were determined to be located primarily in the U.S. In addition, recent legislative and other proposals have aimed to expand the scope of Section 7874, or otherwise address certain perceived issues arising in connection with so-called inversion transactions. Such proposals, if made retroactively effective to transactions completed during the period in which the separation occurred, could cause Adient and/or its affiliates to be treated as U.S. corporations for U.S. federal tax purposes. If enacted, these proposals could cause the Adient group to be subject to substantially greater U.S. tax liability than currently contemplated.

Potential indemnification liabilities to Adient's former parent company pursuant to the separation agreement could adversely affect Adient.

Adient separated from Johnson Controls International plc in 2016. The separation arrangements with the former parent company provide for, among other things, the principal corporate transactions required to effect the separation, certain conditions to the separation and provisions governing the relationship between Adient and the former parent company with respect to and resulting from the separation, including ongoing relationships. Among other things, the separation arrangements provide for indemnification obligations designed to make Adient financially responsible for substantially all liabilities that may exist relating to its business activities, whether incurred prior to or after the separation, as well as those obligations of the former Parent assumed by Adient pursuant to the separation arrangements and in respect of the conduct of the parties post-separation. Adient may be subject to substantial liabilities under these indemnifications.

Transfers of Adient ordinary shares, other than by means of the transfer of book-entry interests in the Depository Trust Company, may be subject to Irish stamp duty.

It is expected that, for the majority of transfers of Adient ordinary shares, there will not be any Irish stamp duty. Transfers of Adient ordinary shares effected by means of the transfer of book-entry interests in the Depository Trust Company, which we refer to as DTC, are not subject to Irish stamp duty. But if Adient ordinary shares are held directly rather than beneficially through DTC, any transfer of Adient ordinary shares could be subject to Irish stamp duty (currently at the rate of 1% of the higher of the price paid or the market value of the shares acquired). A shareholder who directly holds Adient ordinary shares may transfer those shares into his or her own broker account to be held through DTC (or vice versa) without giving rise to Irish stamp duty provided that there is no change in the beneficial ownership of the shares as a result of the transfer and the transfer is not in contemplation of a sale of the shares by a beneficial owner to a third party.

Payment of Irish stamp duty is generally a legal obligation of the transferee. The potential for stamp duty could adversely affect the price of Adient ordinary shares.

Certain provisions in Adient's articles of association, among other things, could prevent or delay an acquisition of Adient, which could decrease the trading price of Adient ordinary shares.

Adient's Articles of Association include measures that may be found in the charters of U.S. companies and that could have the effect of deterring coercive takeover practices, inadequate takeover bids and unsolicited offers. These provisions include, among others: (i) the power for the board of directors to issue and allot preferred shares or implement a shareholder rights plan without shareholder approval in certain circumstances; (ii) a provision similar to Section 203 of the Delaware General Corporation Law, which provides that, subject to limited exceptions, persons that acquire, or are affiliated with a person that acquires, more than 15 percent of the outstanding ordinary shares of Adient shall not engage in any business combination with Adient, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which that person or its affiliates becomes the holder of more than 15 percent of Adient's outstanding ordinary shares; (iii) rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings; and (iv) the ability of the Adient board of directors to fill vacancies on the board of directors in certain circumstances.

It could be difficult for Adient to obtain shareholder approval for a merger or negotiated transaction because the shareholder approval requirements for certain types of transactions differ, and in some cases are greater, under Irish law than under U.S. state law.

In addition, several mandatory provisions of Irish law could prevent or delay an acquisition of Adient. For example, Adient will be subject to various provisions of Irish law relating to mandatory bids, voluntary bids, requirements to make a cash offer and minimum price requirements, as well as substantial acquisition rules and rules requiring the disclosure of interests in Adient

ordinary shares in certain circumstances. Also, Irish companies, including Adient, may only alter their memorandum of association and articles of association with the approval of the holders of at least 75% of Adient's shares present and voting in person or by proxy at a general meeting of Adient (and certain provisions of Adient's memorandum of association and articles of association may only be amended with the approval of the holders of at least 80% in nominal value of Adient's issued ordinary shares).

Irish law requires that Adient meet certain additional financial requirements before it declares dividends.

Under Irish law, Adient will be able to declare dividends and make distributions only out of "distributable reserves." Distributable reserves are the accumulated realized profits of Adient that have not previously been utilized in a distribution or capitalization less accumulated realized losses that have not previously been written off in a reduction or reorganization of capital, and include reserves created by way of a reduction of capital, including the share premium account. In addition, no distribution or dividend may be paid or made by Adient unless the net assets of Adient are equal to, or exceed, the aggregate of Adient's called up share capital plus non-distributable reserves and the distribution does not reduce Adient's net assets below such aggregate. Non-distributable reserves include the share premium account, the capital redemption reserve fund and the amount by which Adient's accumulated unrealized profits that have not been previously utilized by any capitalization exceed Adient's accumulated unrealized losses that have not previously been written off in a reduction or reorganization of capital.

FINANCIAL RISK MANAGEMENT

Interest Rate and Foreign Currency Risk Management

Adient regularly reviews its underlying foreign exchange and interest rate exposures, both on a stand-alone basis and in conjunction with applicable derivative hedge positions. Given the effective horizons of Adient's risk management activities and the anticipatory nature of the exposures, there is no assurance the "derivative hedge" positions will offset more than a portion of the financial impact resulting from movements in Adient's underlying foreign exchange or interest rate exposures. Further, the recognition of the gains and losses related to these instruments may not coincide with the timing of gains and losses related to the underlying economic exposures and, therefore, may adversely affect Adient's financial condition and operating results.

Adient selectively uses derivative instruments to reduce market risk associated with changes in foreign currency. All hedging transactions were authorized and executed pursuant to clearly defined policies and procedures, which strictly prohibit the use of financial instruments for speculative purposes. At the inception of the hedge, Adient assessed the effectiveness of the hedge instrument and designates the hedge instrument as either (1) a hedge of a recognized asset or liability or of a recognized firm commitment (a fair value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to an unrecognized asset or liability (a cash flow hedge) or (3) a hedge of a net investment in a non-U.S. operation (a net investment hedge). Adient performed hedge effectiveness testing on an ongoing basis depending on the type of hedging instrument used. All other derivatives not designated as hedging instruments under ASC 815, "Derivatives and Hedging," are revalued in the consolidated statements of income.

For all foreign currency derivative instruments designated as cash flow hedges, Adient tests their effectiveness at the cash flow hedge's inception and on an on-going basis. The fair value of the hedged exposures and the fair value of the hedge instruments are revalued, and the ratio of the cumulative sum of the periodic changes in the value of the hedge instruments to the cumulative sum of the periodic changes in the value of the hedge is calculated. The hedge is deemed as highly effective if the ratio is between 80% and 125%.

For all designated net investment hedges, Adient assessed its net investment position in non-U.S. operations and compared it with the outstanding net investment hedge principal on a quarterly basis. All hedges were deemed highly effective if the aggregate outstanding principal of the hedge instrument designated as the net investment hedge in a non-U.S. operation is between 80% and 125% of its net investment position in respective non-U.S. operations.

Further details are provided in the notes to consolidated financial statements. A discussion of Adient's accounting policies for derivative financial instruments is included in Note 1, "Basis of Presentation and Summary of Significant Accounting Policies," and further disclosure relating to derivatives and hedging activities is included in Note 15, "Derivative Instruments and Hedging Activities," and Note 16, "Fair Value Measurements," of the notes to consolidated financial statements.

Interest Rate Risk

Adient's exposure to changes in global interest rates relates primarily to Adient's investment portfolio and outstanding debt. While Adient is exposed to global interest rate fluctuations, Adient's interest income and expense are most sensitive to fluctuations in U.S. interest rates. Changes in global interest rates affect the interest earned on Adient's cash, cash equivalents and marketable securities and the fair value of those securities, as well as costs associated with hedging and interest paid on Adient's debt.

Adient purchased interest rate caps during fiscal 2019 to selectively limit the impact of USD LIBOR increases on its interest payments related to Adient's Term Loan B Agreement. The interest rate caps are designated as cash flow hedges under ASC 815. During fiscal 2021, in conjunction with the Term Loan B Amendment as discussed in Note 11, "Debt and Financing Arrangements," Adient de-designated these contracts, the impact of which was not material. These contracts matured in fiscal 2022. As of September 30, 2022, Adient had no outstanding interest rate caps.

Adient's investment policy and strategy are focused on preservation of capital and supporting Adient's liquidity requirements. Adient uses a combination of internal and external management to execute its investment strategy and achieve its investment objectives. Adient typically invests in highly-rated securities, and its investment policy generally limits the amount of credit exposure to any one issuer. The policy requires investments generally to be investment grade, with the primary objective of minimizing the potential risk of principal loss.

Further details regarding Adient's debt and financing arrangements are provided in Note 11, "Debt and Financing Arrangements," of the notes to consolidated financial statements.

Foreign Currency Risk

Adient has manufacturing, sales and distribution facilities around the world and thus makes investments and enters into transactions denominated in various foreign currencies. In order to maintain strict control and achieve the benefits of Adient's global diversification, foreign exchange exposures for each currency are netted internally so that only its net foreign exchange exposures are, as appropriate, hedged with financial instruments.

On an annual basis, Adient hedges 70% to 90% of the nominal amount of each of its known foreign exchange transactional exposures. Adient primarily enters into foreign currency exchange contracts to reduce the earnings and cash flow impact of the variation of non-functional currency denominated receivables and payables. Gains and losses resulting from hedging instruments offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincided with the settlement dates of the related transactions. Realized and unrealized gains and losses on these contracts are recognized in the same period as gains and losses on the hedged items. During fiscal 2022, Adient had hedge contracts outstanding with the aim of hedging balance sheet items, or with the aim of hedging forecasted commitments. Foreign exchange contracts hedging balance sheet items are marked-to-market through the income statement, while foreign exchange contracts to hedge forecasted commitments are designated in a hedge relationship as a cash flow hedge. These are marked-to-market through other comprehensive income when effective.

Adient's euro-denominated bond and certain cross-currency interest rate swaps have been designated to selectively hedge portions of Adient's net investments in Europe and Japan. The currency effects of its euro-denominated bond and cross-currency interest rate swaps are reflected in the accumulated other comprehensive income account within shareholders' equity attributable to Adient where they offset gains and losses recorded on Adient's net investments in Europe and Japan. The cross-currency interest rate swap in Japan matured during fiscal 2021.

At September 30, 2022 and 2021, Adient estimates that an unfavorable 10% change in all applicable exchange rates versus the U.S. Dollar would have decreased net unrealized gains or increased net unrealized losses by approximately \$61 million and \$43 million, respectively.

Commodity Risk

Adient's exposures to market risk from changes in the price of production material are managed primarily through indexing arrangements and negotiations with suppliers and customers, although not all customer commodity exposures are covered by indexing arrangements and there can be no assurance that Adient will otherwise be able to recover all such costs. Adient's current indexing arrangements with its customers typically provide for partial recovery of commodity price changes on a lag of 3 months to, in some cases, more than 12 months between cost incurrence and partial recovery. Adient continues to evaluate its arrangements with its customers and to pursue negotiated commercial settlements related to commodity pricing matters. Adient evaluates from time to time derivatives available in the marketplace and may decide to utilize derivatives in the future to manage select commodity risks if acceptable hedging instruments and counterparties are identified for its exposure level at that time, as well as the effectiveness of the financial hedge among other factors.

Liquidity Risk

Refer to LIQUIDITY AND CAPITAL RESOURCES below.

KEY PERFORMANCE INDICATORS

Adient is a global leader in the automotive seating supply industry with leading market positions in the Americas, Europe and China and maintains longstanding relationships with the largest global automotive original equipment manufacturers (OEMs). Adient's proprietary technologies extend into virtually every area of automotive seating solutions, including complete seating systems, frames, mechanisms, foam, head restraints, armrests and trim covers. Adient is a global seat supplier with the capability to design, develop, engineer, manufacture, and deliver complete seat systems and components in every major automotive producing region in the world.

Adient designs, manufactures and markets a full range of seating systems and components for passenger cars, commercial vehicles and light trucks, including vans, pick-up trucks and sport/crossover utility vehicles. Adient operates more than 200 wholly- and majority-owned manufacturing or assembly facilities, with operations in 31 countries. Additionally, Adient has partially-owned affiliates in China, Asia, Europe and North America. Through its global footprint and vertical integration, Adient leverages its capabilities to drive growth in the automotive seating industry.

Adient manages its business on a geographic basis and operates in the following three reportable segments for financial reporting purposes: 1) Americas, which is inclusive of North America and South America; 2) Europe, Middle East, and Africa ("EMEA") and 3) Asia Pacific/China ("Asia").

Adient evaluates the performance of its reportable segments using an adjusted EBITDA metric defined as income before income taxes and noncontrolling interests, excluding net financing charges, restructuring and impairment costs, restructuring related-costs, net mark-to-market adjustments on pension and postretirement plans, transaction gains/losses, purchase accounting amortization, depreciation, stock-based compensation and other non-recurring items ("Adjusted EBITDA"). Also, certain corporate-related costs are not allocated to the segments. The reportable segments are consistent with how management views the markets served by Adient and reflect the financial information that is reviewed by its chief operating decision maker. Refer to Note 22, "Segment Information," of the notes to the consolidated financial statements for additional information on Adient's reportable segments.

Factors Affecting Adient's Operating Environment

The global automotive industry has continued to experience unprecedented supply chain and other disruptions over the past year related to semiconductor chip shortages, hostilities in Ukraine and localized COVID-19 lockdowns in China. These disruptions have led to unplanned downtime at Adient's production facilities, often with very little warning, which results in operating inefficiencies and limits Adient's ability to adequately mitigate such inefficiencies. The automotive industry has also experienced a period of rising input costs and potential shortages related to energy (particularly in EMEA as a result of the conflict in Ukraine), freight and commodities as well as facing an environment of unfavorable foreign currency exchange and rising interest rates. In addition, Adient, along with the automotive industry, has experienced and continues to face wage inflationary pressures as a result of constrained labor availability, particularly in certain jurisdictions in EMEA. COVID-19 and related variants and sub-variants, also continues to be present throughout the world, including in all global and regional markets served by Adient. The elevated COVID-19 rates in China led to lockdowns at various times during fiscal 2022, negatively impacting the automotive production levels in that region, along with creating further supply chain disruptions. As a result of these disruptions, new vehicle sales continue to be significantly lower than historical and previously projected pre-pandemic sales levels. Adient believes that its current financial resources will be sufficient to fund the Company's liquidity requirements for at least the next twelve months. Refer to the consolidated results of operations and segment analysis discussion below for additional information on the impacts of these items on Adient's results.

Consolidated Results of Operations

(in millions)	Year Ended September 30,		
	2022	Change	2021
Net sales	\$ 14,121	3%	\$ 13,680
Cost of sales	13,314	4%	12,854
Gross profit	807	(2)%	826
Selling, general and administrative expenses	598	11%	537
Loss on business divestitures - net	—	n/a	26
Restructuring and impairment costs	25	19%	21
Equity income (loss)	75	(95)%	1,484
Earnings (loss) before interest and income taxes	259	(85)%	1,726
Net financing charges	215	(31)%	311
Other pension expense (income)	(10)	58%	(24)
Income (loss) before income taxes	54	(96)%	1,439
Income tax provision (benefit)	94	(62)%	249
Net income (loss)	(40)	>(100)%	1,190
Income (loss) attributable to noncontrolling interests	80	(2)%	82
Net income (loss) attributable to Adient	\$ (120)	>(100)%	\$ 1,108

Net Sales

(in millions)	Year Ended September 30,		
	2022	Change	2021
Net sales	\$ 14,121	3%	\$ 13,680

Net sales increased by \$441 million, or 3%, in fiscal 2022 primarily due to operational footprint changes primarily related to the consolidation of CQADNT in China (\$620 million), favorable material economics recoveries (\$312 million), and higher overall production volumes despite certain unplanned production stoppages resulting from semiconductor chip shortages and other supply chain disruptions, and despite the impact of the Russia/Ukraine conflict on EMEA production volumes and localized COVID-19 lockdowns in China (\$90 million), partially offset by the unfavorable impact of foreign currencies (\$568 million) and lower levels of commercial settlements (\$13 million). Refer to the segment analysis below for a discussion of segment net sales.

Cost of Sales / Gross Profit

(in millions)	Year Ended September 30,		
	2022	Change	2021
Cost of sales	\$ 13,314	4%	\$ 12,854
Gross profit	807	(2)%	826
% of sales	5.7 %		6.0 %

Cost of sales increased by \$460 million, or 4%, and gross profit decreased by \$19 million in fiscal 2022 as compared to fiscal 2021. The year-over-year increase in cost of sales was due primarily to operational footprint changes related to the consolidation of CQADNT in China (\$527 million), higher input costs including higher energy cost in EMEA as a result of the Russia/Ukraine conflict (\$327 million), higher overall production volumes (\$136 million), operational inefficiencies resulting from unplanned production stoppages including higher freight (\$74 million), net impact of gains associated with retrospective recoveries of Brazil indirect tax credits (\$5 million), and higher depreciation and amortization expense (\$6 million), partially offset by the favorable impact of foreign currencies (\$542 million), and favorable supplier pricing including the impact of a

modified pricing agreement with KEIPER (\$71 million). Gross profit was unfavorably impacted by foreign currencies, higher input costs, and inefficiencies caused by unplanned production stoppages, partially offset by operational footprint changes primarily related to the consolidation of CQADNT in China. Refer to the segment analysis below for a discussion of segment profitability.

Selling, General and Administrative Expenses

(in millions)	Year Ended September 30,		
	2022	Change	2021
Selling, general and administrative expenses	598	11%	537
% of sales	4.2 %		3.9 %

Selling, general and administrative expenses (SG&A) in fiscal 2022 increased by \$61 million as compared to fiscal 2021. The year-over-year increase in SG&A is attributable to higher overall engineering and other administrative spending in the current year (\$36 million), the impact of the prior year acquisitions and consolidations of CQADNT and LFADNT (\$35 million), the impact of a non-recurring contract related settlement with a customer (\$14 million), higher depreciation expense (\$7 million), and higher amortization expense attributable to the acquired intangible assets (\$7 million). These were offset by lower compensation expense including stock-based and performance-based incentive compensation costs (\$12 million), the favorable impact of foreign currencies (\$17 million), and lower transaction costs (\$11 million).

Restructuring and Impairment Costs

(in millions)	Year Ended September 30,		
	2022	Change	2021
Restructuring and impairment costs	\$ 25	19%	\$ 21

Restructuring and impairment charges increased by \$4 million in fiscal 2022 as compared to fiscal 2021 due primarily to one-time non-cash impairment charges related to the withdrawal from and sale of Adient's operations in Russia and other assets held for sale in EMEA. Refer to Note 20, "Restructuring and Impairment Costs," of the notes to the consolidated financial statements for information related to Adient's restructuring plans.

Equity Income

(in millions)	Year Ended September 30,		
	2022	Change	2021
Equity income	\$ 75	(95)%	\$ 1,484

Equity income was \$75 million in fiscal 2022 compared to \$1,484 million in fiscal 2021. The decrease is primarily attributable to the significant prior year gains on divestitures of Adient's interests in certain China joint ventures (YFAS, SJA and others) as well as the prior year acquisition of controlling interest in CQADNT and resulting lower equity in the current year (\$1,376 million), current year non-cash impairment charges recorded on certain of Adient's investments in non-consolidated affiliates in South Africa and China (\$10 million), the impact of KEIPER supply agreement modifications (\$17 million), the unfavorable impact of foreign currencies (\$3 million), higher restructuring charges primarily at Adient's affiliates in China (\$5 million), and current year operational interruptions and production stoppages resulting from supply chain disruptions and localized COVID-19 lockdowns in China (\$1 million), partially offset by lower purchase accounting amortization (\$3 million). Refer to Note 4, "Acquisitions and Divestitures," of the notes to the consolidated financial statements for more information.

Net Financing Charges

(in millions)	Year Ended September 30,		
	2022	Change	2021
Net financing charges	\$ 215	(31)%	\$ 311

Net financing charges decreased in fiscal 2022 as compared to fiscal 2021 as a result of lower levels of outstanding debt, higher amounts of premiums paid to tender outstanding debt and higher levels of accelerated expense of deferred financing costs in the prior year associated with the pay-down of debt.

Other Pension Expense

(in millions)	Year Ended September 30,		
	2022	Change	2021
Other pension expense (income)	\$ (10)	58%	\$ (24)

Other pension expense (income) consists of mark-to-market adjustments of Adient's retirement plans and non-service components of Adient's net periodic pension costs. The lower fiscal 2022 (income) is due primarily to a lower pension mark-to-market gain (\$8 million) and a lower expected return on plan assets (\$4 million). Refer to Note 19, "Retirement Plans," of the notes to the consolidated financial statements for more information.

Income Tax Provision

(in millions)	Year Ended September 30,		
	2022	Change	2021
Income tax provision (benefit)	\$ 94	(62)%	\$ 249

The fiscal 2022 income tax expense of \$94 million was higher than the Irish statutory rate of 12.5% primarily due to the inability to recognize a tax benefit for losses in jurisdictions with valuation allowances, the establishment of valuation allowances in certain jurisdictions, and the repatriation of foreign earnings, partially offset by tax benefits related to the release of valuation allowances in certain jurisdictions.

Adient reviews the realizability of its deferred tax assets on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or combined group recording the net deferred tax asset are considered, along with any other positive or negative evidence. All of the factors that Adient considers in evaluating whether and when to establish or release all or a portion of the deferred tax asset valuation allowance involve significant judgment. Since future financial results may differ from previous estimates, periodic adjustments to Adient's valuation allowances may be necessary.

As a result of Adient's fiscal 2022 analysis of the realizability of its worldwide deferred tax assets, and after considering tax planning initiatives and other positive and negative evidence, Adient determined it was more likely than not that certain deferred tax assets in Canada, Japan, and other jurisdictions would not be realized and recorded income tax expense of \$12 million, \$3 million and \$3 million, respectively, to establish valuation allowances. Additionally, Adient determined it was more likely than not that deferred tax assets in the Czech Republic and other jurisdictions would be realizable and recorded income tax benefit of \$11 million and \$2 million, respectively, to release valuation allowances. Adient continues to record valuation allowances on certain deferred tax assets in Germany, Hungary, Luxembourg, Mexico, Poland, Spain, the United Kingdom, the U.S. and other jurisdictions as it remains more likely than not that they will not be realized.

The fiscal 2021 income tax expense of \$249 million was higher than the Irish statutory rate of 12.5% primarily due to the inability to recognize a tax benefit for losses in jurisdictions with valuation allowances, the establishment of valuation allowances in certain jurisdictions, and the repatriation of foreign earnings, partially offset by tax benefits from audit

settlements, the write-off of deferred tax liabilities related to withholding taxes, and withholding taxes on the 2021 Yanfeng Transaction at a rate lower than the Irish statutory rate of 12.5%.

As a result of Adient's fiscal 2021 analysis of the realizability of its worldwide deferred tax assets, and after considering tax planning initiatives and other positive and negative evidence, Adient determined it was more likely than not that certain deferred tax assets in the Czech Republic, Korea, Mexico, and other jurisdictions would not be realized and recorded income tax expense of \$5 million, \$5 million, \$8 million, and \$4 million, respectively, to establish valuation allowances.

Adient is subject to income taxes in Ireland, the U.S. and other non-U.S. jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of Adient's business, there are many transactions and calculations where the ultimate tax determination is uncertain. Adient's income tax returns for various fiscal years remain under audit by the respective tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

Adient does not generally provide for additional income taxes which would become payable upon repatriation of undistributed earnings of wholly owned foreign subsidiaries. Adient's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax efficient.

Income Attributable to Noncontrolling Interests

(in millions)	Year Ended September 30,		
	2022	Change	2021
Income attributable to noncontrolling interests	\$ 80	(2)%	\$ 82

The \$2 million decrease in income attributable to noncontrolling interests for fiscal 2022 is attributable to lower income due to operational inefficiencies resulting from unplanned production stoppages including higher freight at certain Seating joint ventures in varying jurisdictions during the current year.

Net income (Loss) Attributable to Adient

(in millions)	Year Ended September 30,		
	2022	Change	2021
Net income (loss) attributable to Adient	\$ (120)	>(100%)	\$ 1,108

Net loss attributable to Adient was \$120 million for fiscal 2022, compared to net income attributable to Adient of \$1,108 million for fiscal 2021. The current year net loss attributable to Adient is primarily due to lower equity income attributable to prior year one-time gains on divestitures of Adient's interests in certain China joint ventures as described above, current year operational inefficiencies resulting from unplanned production stoppages including higher freight and other supply chain disruptions, the impact of the Russia/Ukraine conflict on EMEA production volumes and higher energy costs, the impact of localized COVID-19 lockdowns in China, and higher overall engineering and other administrative spending, partially offset by the favorable impact of operational footprint changes primarily related to the consolidation of CQADNT in China, favorable material economics recoveries, lower net financing charges, and lower income tax expense.

Comprehensive Income (Loss) Attributable to Adient

(in millions)	Year Ended September 30,		
	2022	Change	2021
Comprehensive income (loss) attributable to Adient	\$ (338)	>(100%)	\$ 1,146

Comprehensive loss attributable to Adient was \$338 million for fiscal 2022 compared to comprehensive income attributable to Adient for fiscal 2021 of \$1,146 million. The comprehensive loss in fiscal 2022 is attributable to lower net income (\$1,230 million), the unfavorable impact in foreign currency translation adjustments resulting from overall strengthening of U.S. dollar against virtually all other currencies (\$266 million), less favorable impact in realized and unrealized losses on derivatives (\$20 million), partially offset by the decrease in comprehensive income attributable to noncontrolling interests (\$32 million).

SEGMENT RESULTS

Adient manages its business on a geographic basis and operates in the following three reportable segments for financial reporting purposes: 1) Americas, which is inclusive of North America and South America; 2) Europe, Middle East, and Africa ("EMEA") and 3) Asia Pacific/China ("Asia").

Adient evaluates the performance of its reportable segments using an adjusted EBITDA metric defined as income before income taxes and noncontrolling interests, excluding net financing charges, restructuring and impairment costs, restructuring related-costs, net mark-to-market adjustments on pension and postretirement plans, transaction gains/losses, purchase accounting amortization, depreciation, stock-based compensation and other non-recurring items ("Adjusted EBITDA"). Also, certain corporate-related costs are not allocated to the segments. The reportable segments are consistent with how management views the markets served by Adient and reflect the financial information that is reviewed by its chief operating decision maker.

(in millions)	Year Ended September 30,	
	2022	2021
Net Sales		
Americas	\$ 6,557	\$ 6,164
EMEA	4,764	5,564
Asia	2,926	2,123
Eliminations	(126)	(171)
Total net sales	<u>\$ 14,121</u>	<u>\$ 13,680</u>
(in millions)	Year Ended September 30,	
	2022	2021
Adjusted EBITDA		
Americas	\$ 242	\$ 232
EMEA	138	277
Asia	383	486
Corporate-related costs ⁽¹⁾	(88)	(78)
Restructuring and impairment costs ⁽²⁾	(25)	(21)
Purchase accounting amortization ⁽³⁾	(54)	(50)
Restructuring related charges ⁽⁴⁾	(6)	(9)
Loss on business divestitures - net ⁽⁵⁾	—	(26)
Gain on sale / (impairment) of nonconsolidated partially-owned affiliates ⁽⁶⁾	(10)	1,214
Depreciation	(298)	(285)
Stock based compensation	(29)	(36)
Other items ⁽⁷⁾	6	22
Earnings (loss) before interest and income taxes	<u>259</u>	<u>1,726</u>
Net financing charges	(215)	(311)
Other pension income (expense)	10	24
Income (loss) before income taxes	<u>\$ 54</u>	<u>\$ 1,439</u>

Notes:

(1) Corporate-related costs not allocated to the segments include executive office, communications, corporate development, legal and corporate finance.

(2) Reflects restructuring charges for costs that are directly attributable to restructuring activities and meet the definition of restructuring under ASC 420 and non-recurring impairment charges. During fiscal 2022, an impairment charge of \$4 million related to the withdrawal from and sale of its operations in Russia, and a held-for-sale impairment charge of \$6 million were recorded in EMEA. Included in restructuring charges in fiscal 2021 is \$10 million of held for sale and other non-cash impairment charges in EMEA. Refer to Note 15, "Restructuring and Impairment Costs," of the notes to the consolidated financial statements for more information.

(3) Reflects amortization of intangible assets including those related to partially owned affiliates recorded within equity income.

(4) Reflects restructuring related charges for costs that are directly attributable to restructuring activities, but do not meet the definition of restructuring under ASC 420 along with restructuring costs at partially owned affiliates recorded within equity income.

(5) Fiscal 2021 includes a \$21 million loss associated with certain aspects of the 2021 Yanfeng Transaction and a \$5 million loss on sale of non-core assets in Asia.

(6) Fiscal 2022 includes \$3 million and \$7 million of non-cash impairments of certain of Adient's investments in nonconsolidated partially-owned affiliates in Asia and EMEA, respectively. Fiscal 2021 includes a gain associated with the 2021 Yanfeng Transaction of \$1,181 million and a gain of \$33 million on the sale of Adient's interest in SJA. All of these impacts have been recorded within the equity income line in the consolidated statements of income.

(7) Fiscal 2022 reflects \$8 million of transaction costs, a one-time gain of \$32 million associated with the retrospective recovery of indirect tax credits in Brazil, a \$14 million charge related to a non-recurring contract related settlement, \$1 million of allowance for doubtful accounts resulting from the withdrawal from and sale of operations in Russia, and \$2 million of loss on finalization of asset sale in Turkey. Fiscal 2021 reflects a one-time gain of \$38 million associated with the retrospective recovery of indirect tax credits in Brazil (of which \$36 million relates to recoveries covering the past 20 years and is adjusted out of Americas' segment results), a \$5 million gain on previously held interest at YFAS in an affiliate, and \$19 million of transaction costs.

Americas

(in millions)	Year Ended September 30,		
	2022	Change	2021
Net sales	\$ 6,557	6%	\$ 6,164
Adjusted EBITDA	\$ 242	4%	\$ 232

Net sales increased in fiscal 2022 by \$393 million as a result of higher production volumes despite certain unplanned production stoppages primarily resulting from semiconductor chip shortages and other supply chain disruptions (\$278 million), the favorable impact of material economics recoveries (\$179 million), and the favorable impact of foreign currencies (\$2 million), partially offset by the impact of unfavorable commercial settlements and net pricing adjustments (\$45 million) and the impact of operational footprint changes (\$21 million).

Adjusted EBITDA increased in fiscal 2022 by \$10 million due to operational performance improvements (\$62 million), lower administrative and engineering expense (\$20 million), the favorable impact of KEIPER supply agreement modifications (\$14 million), higher current year production volumes (\$12 million), the favorable impact of foreign currencies (\$8 million), and higher equity income (\$3 million), partially offset by higher freight costs (\$55 million), lower levels of commercial settlements and net pricing adjustments (\$34 million), unfavorable material economics, net of recoveries (\$15 million), and the impact of operational footprint changes (\$5 million).

EMEA

(in millions)	Year Ended September 30,		
	2022	Change	2021
Net sales	\$ 4,764	(14)%	\$ 5,564
Adjusted EBITDA	\$ 138	(50)%	\$ 277

Net sales decreased in fiscal 2022 by \$800 million primarily as a result of operational interruptions due to certain unplanned production stoppages resulting from semiconductor chip shortages and other supply chain disruptions along with the negative impact of the Russia/Ukraine conflict on EMEA production volumes (\$362 million), the unfavorable impact of foreign currency (\$466 million), the impact of operational footprint changes (\$129 million), partially offset by the favorable impact of material economics recoveries (\$115 million), and favorable impact of commercial settlements and net pricing adjustments (\$42 million).

Adjusted EBITDA decreased in fiscal 2022 by \$139 million due primarily to lower current year production volumes as explained above (\$88 million), increased utilities, labor and freight costs along with other operating inefficiencies associated with lower volumes (\$71 million), the impact of operational footprint changes (\$27 million), the unfavorable impact of foreign currencies (\$20 million), and higher administrative and engineering expense (\$1 million), partially offset by favorable commercial settlements and net pricing adjustments (\$66 million), and favorable material economics, net of recoveries (\$2 million).

Asia

(in millions)	Year Ended September 30,		
	2022	Change	2021
Net sales	\$ 2,926	38%	\$ 2,123
Adjusted EBITDA	\$ 383	(21)%	\$ 486

Net sales increased in fiscal 2022 by \$803 million due to the impact of operational footprint changes in China primarily related to the consolidation of CQADNT (\$770 million), favorable volume and mix (\$153 million), and the favorable impact of material economics recoveries (\$18 million), partially offset by the unfavorable impact of foreign currencies (\$128 million), and unfavorable impact of commercial settlements and net pricing adjustments (\$10 million).

Adjusted EBITDA decreased in fiscal 2022 by \$103 million due primarily to operational footprint changes including the impact of the 2021 Yanfeng Transaction (\$75 million), operating inefficiencies including freight and labor economics, and launch timing (\$27 million), lower equity income due to the impact of KEIPER supply agreement modifications (\$17 million), the unfavorable impact of foreign currencies (\$15 million), higher administrative and engineering expense (\$6 million), lower equity income due to lower volumes primarily at Adient's affiliates in China attributable to the COVID-19 lockdowns (\$4 million), and the unfavorable impact of material economics, net of recoveries (\$2 million), partially offset by favorable volume and mix despite the impact of localized COVID-19 lockdowns in China during the second quarter of fiscal 2022 (\$30 million), and favorable commercial settlements and net pricing adjustments which includes \$9 million of a non-recurring settlement in China (\$13 million).

LIQUIDITY AND CAPITAL RESOURCES

Adient's primary liquidity needs are to fund general business requirements, including working capital, capital expenditures, restructuring costs and debt service requirements. Adient's principal sources of liquidity are cash flows from operating activities, the revolving credit facility and other debt issuances, and existing cash balances. Adient actively manages its working capital and associated cash requirements and continually seeks more effective uses of cash. Adient also recently announced a share repurchase authorization (up to \$600 million) with no expiration date, wherein Adient expects to take a measured approach as to the timing and amount of share repurchases as part of its assessment of the most effective use of cash. Working capital is highly influenced by the timing of cash flows associated with sales and purchases, and therefore can be difficult to manage at times. See below and refer to Note 11, "Debt and Financing Arrangements," of the notes to consolidated financial statements for discussion of financing arrangements. Refer to Note 4, "Acquisitions and Divestitures," for more information on

strategic transactions that have provided significant liquidity that allowed for additional voluntary debt pay down in fiscal 2022 and 2021. Following the first quarter of fiscal 2019 dividend payout, Adient suspended future dividends.

Indebtedness

Adient US LLC ("Adient US"), a wholly owned subsidiary of Adient, together with certain of Adient's other subsidiaries, maintains an asset-based revolving credit facility (the "ABL Credit Facility"), which provides for a revolving line of credit up to \$1,250 million, including a North American subfacility of up to \$950 million and a European subfacility of up to \$300 million, subject to borrowing base capacity and certain other restrictions, including a minimum fixed charge coverage ratio. The ABL Credit Facility was set to mature on May 6, 2024, subject to a springing maturity date 91 days earlier if certain amounts remain outstanding at that time under the Term Loan B Agreement (defined below). Adient will pay a commitment fee of 0.25% to 0.375% on the unused portion of the commitments under the asset-based revolving credit facility based on average global availability. Letters of credit are limited to the lesser of (x) \$150 million and (y) the aggregate unused amount of commitments under the ABL Credit Facility then in effect. Subject to certain conditions, the ABL Credit Facility may be expanded by up to \$250 million in additional commitments. Loans under the ABL Credit Facility may be denominated, at the option of Adient, in U.S. dollars, Euros, Pounds Sterling or Swedish Kroner. The ABL Credit Agreement is secured on a first-priority lien on all accounts receivable, inventory and bank accounts (and funds on deposit therein) and a second-priority lien on all of the tangible and intangible assets of certain Adient subsidiaries. On November 24, 2021, Adient entered into an amendment to its ABL Credit Facility (the "2021 ABL Amendment") to amend certain terms and provisions, including to (i) change the interest rate benchmark rates applicable under the ABL Credit Facility for borrowings denominated in euro, Swedish krona and pounds sterling to EURIBOR, STIBOR, and SONIA, in each case subject to certain adjustments, and (ii) update the provisions in our ABL Credit Facility by which U.S. dollar LIBOR will eventually be replaced with SOFR or another interest rate benchmark, in each case, to reflect the most recent standards and practices used in the industry. Interest is payable on the ABL Credit Facility at a fluctuating rate of interest determined by reference to LIBOR, in the case of amounts outstanding in dollars, EURIBOR, in the case of amounts outstanding in euros, STIBOR, in the case of amounts outstanding in Swedish krona and SONIA, in the case of amounts outstanding in pounds sterling, in each case, plus an applicable margin of 1.50% to 2.00%. On November 2, 2022, Adient entered into an amendment to its ABL Credit Facility (the "2022 ABL Amendment") to amend certain terms and provisions, including to (i) extend its maturity date to November 2, 2027 (subject to certain springing maturity provisions), (ii) replace LIBOR with Term SOFR as the benchmark rate of interest for U.S. dollar borrowings thereunder and (iii) provide flexibility for future amendments to the ABL Credit Facility to incorporate certain sustainability-based pricing provisions. Other key terms and conditions of the facility remain unchanged. As of September 30, 2022, Adient had not drawn down on the ABL Credit Facility and had availability under this facility of \$899 million (net of \$13 million of letters of credit).

In addition, Adient US and Adient Global Holdings S.à r.l., a wholly-owned subsidiary of Adient, maintain a term loan credit agreement, as amended in fiscal 2021, (the "Term Loan B Agreement") that provides for a \$1.0 billion senior secured term loan facility. The Term Loan B Agreement amortizes in equal quarterly installments at a rate of 1.00% per annum of the original principal amount thereof, with the remaining balance due at final maturity on April 8, 2028. Interest on the Term Loan B Agreement accrues at the Eurodollar rate plus an applicable margin equal to 3.25%. The Term Loan B Agreement also permits Adient to incur incremental term loans in an aggregate amount not to exceed the greater of \$750 million and an unlimited amount subject to a pro forma first lien secured net leverage ratio of not greater than 1.75 to 1.00 and certain other conditions. Adient paid \$7 million related to the fiscal 2021 amendment along with expensing \$8 million of previously deferred financing costs to net financing charges.

Adient US was also a party to an indenture relating to the issuance of \$800 million aggregate principal amount of Senior First Lien Notes. The notes were set to mature on May 15, 2026 and bore interest at a rate of 7.00% per annum. Interest on these notes was payable semi-annually in arrears on November 15 and May 15 of each year. During fiscal 2021, Adient repurchased the full amount of the outstanding balance of the Senior First Lien Notes at a premium of \$50 million plus \$21 million of accrued and unpaid interest. As a result, \$12 million of previously deferred financing costs were expensed to net financing charges.

The ABL Credit Facility and Term Loan B Agreement contain covenants that are usual and customary for facilities and debt instruments of this type and that, among other things, restrict the ability of Adient and its restricted subsidiaries to: create certain liens and enter into sale and lease-back transactions; create, assume, incur or guarantee certain indebtedness; pay dividends or make other distributions on, or repurchase or redeem, Adient's capital stock or certain other debt; make other restricted payments; and consolidate or merge with, or convey, transfer or lease all or substantially all of Adient's and its restricted subsidiaries' assets, to another person. These covenants are subject to a number of other limitations and exceptions set forth in the agreements. The agreements also provide for customary events of default, including, but not limited to, cross-default clauses with other debt arrangements, failure to pay principal and interest, failure to comply with covenants, agreements or conditions, and certain events of bankruptcy or insolvency involving Adient and its significant subsidiaries.

Adient Global Holdings Ltd. ("AGH"), a wholly-owned subsidiary of Adient, previously maintained \$900 million aggregate principal amount of 4.875% USD-denominated unsecured notes due 2026. During fiscal 2020, Adient redeemed \$103 million of face value of these notes. Adient further redeemed \$2 million of the notes during fiscal 2021, resulting in a remaining balance of \$795 million as of September 30, 2022 and 2021. AGH also previously maintained €1.0 billion aggregate principal amount of 3.50% unsecured notes due 2024. In fiscal 2022, Adient repurchased €177 million (\$198 million) of the 3.50% unsecured notes due 2024 at a premium of €3 million (\$4 million) plus €3 million (\$3 million) of accrued and unpaid interest, and expensed €1 million (\$1 million) of previously deferred financing costs to net financing charges. As of September 30, 2022, the remaining balance of this debt was €823 million (\$809 million).

Adient Germany Ltd. & Co. KG, a wholly owned subsidiary of Adient, previously maintained €135 million (\$156 million) in an unsecured term loan from the European Investment Bank ("EIB") due in 2022. The loan bore interest at the 6-month EURIBOR rate plus 158 basis points. During fiscal 2021, Adient repaid \$36 million of the EIB loan, triggered in part by the redemption of debt and the sale of the fabrics business in the prior year. Adient fully repaid the remaining balance of the EIB loan in May 2022 upon its maturity.

On April 20, 2020, Adient US issued \$600 million (net proceeds of \$591 million) aggregate principal amount of 9.00% Senior First Lien Notes due 2025. These notes were set to mature on April 15, 2025, provided that if AGH has not refinanced (or otherwise redeemed) in whole its outstanding 3.50% unsecured notes due 2024 or any refinancing indebtedness thereof that matures earlier than 91 days prior to the maturity date of the Senior First Lien Notes due 2025 on or prior to May 15, 2024, these notes will mature on May 15, 2024. Interest on these notes was due on April 15 and October 15 each year, beginning on October 15, 2020. These notes contained covenants that were usual and customary, similar to the covenants as described above. In fiscal 2022, Adient repurchased the full \$600 million of 9.00% Senior First Lien Notes due 2025 at a premium of \$34 million plus \$19 million of accrued and unpaid interest, and expensed \$7 million of previously deferred financing costs to net financing charges.

Sources of Cash Flows

(in millions)	Year Ended September 30,	
	2022	2021
Cash provided (used) by operating activities	\$ 274	\$ 260
Cash provided (used) by investing activities	484	347
Cash provided (used) by financing activities	(1,273)	(770)
Capital expenditures	(227)	(260)

Cash flows from operating activities

Fiscal 2022 compared to Fiscal 2021: The increase in operating cash flows is primarily due to favorable changes of trade working capital, specifically lower levels of inventory and restructuring spending, and higher levels of accounts payable, partially offset by higher levels of accounts receivable (net of \$137 million of favorable impact from accounts receivable factoring programs). Operating cash flows were also positively impacted by lower interest payments, but were negatively impacted by lapsed non-income related tax deferral programs and lower levels of dividends from nonconsolidated partially-owned affiliates. See the working capital section below for further information on changes in working capital.

Cash flows from investing activities

Fiscal 2022 compared to Fiscal 2021: The increase in cash provided by investing activities is primarily attributable to the \$652 million of proceeds received related to the 2021 Yanfeng Transaction, the \$46 million in proceeds received from the sale of the assets in Turkey, and the collection of \$41 million of deferred proceeds from the sale of Adient's interest in YFAI as part of the 2020 Yanfeng Transaction and lower capital expenditures, partially offset by the \$30 million settlement of the derivative contracts related to the cash proceeds of the 2021 Yanfeng Transaction. Refer to Note 4, "Acquisitions and Divestitures," and Note 15, "Derivative Instruments and Hedging Activities," of the notes to the consolidated financial statements for more information.

Cash flows from financing activities

Fiscal 2022 compared to Fiscal 2021: The increase in cash used by financing activities is attributable to the repayment of long-term debt, including premiums paid, of \$987 million, amounts paid to acquire the noncontrolling interest of CQADNT (\$153 million), along with higher dividend payments to noncontrolling interests primarily in connection with the acquisition of CQANDT. Refer to Note 4, "Acquisitions and Divestitures," and Note 11, "Debt and Financing Arrangements," of the notes to the consolidated financial statements for more information.

Capital expenditures

Fiscal 2022 compared to Fiscal 2021: Capital expenditures decreased year-over-year based on timing of program spend on product launches and continued tightening of overall spending.

Working capital

(in millions)	September 30,	
	2022	2021
Current assets	\$ 4,163	\$ 5,086
Current liabilities	3,501	3,511
Working capital	\$ 662	\$ 1,575

The decrease in working capital of \$913 million is primarily attributable to lower cash and cash equivalents as a result of the repayment of long-term debt during the current year, and lower other current assets balances due to the settlement of all outstanding balances related to the 2021 Yanfeng Transaction.

Off-Balance Sheet Arrangements and Contractual Obligations

Adient enters into supply chain financing programs in domestic and certain foreign jurisdictions to either sell or discount accounts receivable without recourse to third-party institutions. Sales or discounts of accounts receivable are reflected as a reduction of accounts receivable on the consolidated statements of financial position and the proceeds are included in cash flows from operating activities in the consolidated statements of cash flows. As of September 30, 2022 and 2021, \$269 million and \$132 million have been funded under these programs, respectively.

A summary of Adient's significant contractual obligations as of September 30, 2022:

(in millions)	Total	2023	2024-2025	2026-2027	Beyond 2028
Long-term debt	\$ 2,593	\$ 11	\$ 829	\$ 815	\$ 938
Interest on long-term debt	562	130	231	164	37
Operating leases	310	90	113	52	55
Purchase obligations ⁽¹⁾	369	198	8	52	111
Pension contributions	118	14	19	22	63
Total contractual cash obligations	<u>\$ 3,952</u>	<u>\$ 443</u>	<u>\$ 1,200</u>	<u>\$ 1,105</u>	<u>\$ 1,204</u>

(1) Primarily consists of commitments for production materials and other supply items, as well as \$92 million of committed capital expenditures.

ACQUISITION AND CANCELLATION OF OWN SHARES

No Adient shares were repurchased during fiscal 2022 and 2021. Adient or any of its subsidiary undertakings did not hold any of its shares as of September 30, 2022 and 2021.

In November 2022, Adient's board of directors authorized the repurchase of the Company's ordinary shares up to an aggregate purchase price of \$600 million with no expiration date. Under the share repurchase authorization, Adient's ordinary shares may

be purchased either through discretionary purchases on the open market, by block trades or privately negotiated transactions. The number of ordinary shares repurchased, if any, and the timing of repurchases will depend on a number of factors, including share price, trading volume and general market conditions, as well as on working capital requirements, general business conditions and other factors.

DIVIDENDS

Adient suspended its cash dividends following the dividend paid in the first quarter of fiscal 2019. Any future dividends will be at the discretion of the board of directors and will depend upon Adient's financial condition, results of operations, capital requirements, alternative uses of capital and other factors the board of directors may consider at its discretion. In addition, under Irish law, dividends and distributions (including the payment of cash dividends or share repurchases) may be made only from "distributable reserves" on Adient's unconsolidated balance sheet prepared in accordance with the Irish Companies Act 2014. In addition, no distribution or dividend may be paid or made by Adient unless the net assets of Adient are equal to, or exceed, the aggregate of Adient's share capital that has been paid up or that is payable in the future plus non-distributable reserves, and the distribution does not reduce Adient's net assets below such aggregate.

FUTURE DEVELOPMENTS

The directors do not anticipate any significant changes in Adient's strategic activities following the date of this report.

ACCOUNTING RECORDS

The measures that the directors have taken to secure compliance with the requirements of Sections 281 to 285 of the Companies Act 2014 with regards to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerized accounting systems. In accordance with Section 283 of the Companies Act 2014, sufficient books of account are maintained in Adient's registered office at 3 Dublin Landings, North Wall Quay, Dublin 1, Ireland and at Adient's offices at 49200 Halyard Drive, Plymouth, MI 48170, USA to disclose, with reasonable accuracy, the financial position of Adient.

SIGNIFICANT EVENTS SINCE YEAR END

Subsequent events have been evaluated through February 7, 2023, the date this report was approved by the board of directors.

DIRECTORS

The following table lists directors who have served during fiscal 2022.

DIRECTORS' AND CORPORATE SECRETARY INTERESTS IN SHARES

The interests in the ordinary shares of the Parent Company of the directors and corporate secretary of Adient plc holding office at the end of the fiscal year 2022 and fiscal year 2021 were as follows:

	September 30, 2022	September 30, 2021
Directors	Ordinary Shares	Ordinary Shares
Julie L. Bushman	33,821	29,290
Peter H. Carlin	28,593	26,114
Raymond L. Conner	36,214	31,683
José Gutiérrez	29,504	24,973
Douglas G. Del Grosso	240,630	67,516
Richard Goodman	33,140	28,609
Frederick A. Henderson	64,208	57,021
Barb J. Samardzich	32,751	28,220
Ricky T. Dillon ⁽¹⁾	7,124	2,593
Corporate Secretary		
Heather M. Tiltmann	9,419	3,551

(1) Ricky T. Dillon was appointed as a director of Adient on May 3, 2021.

POLITICAL DONATIONS

No political donations were made during fiscal 2022.

NON-FINANCIAL STATEMENT

For the purposes of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended) pages 1 through 66 of our 2022 Sustainability Report, as published on our website at <https://investors.adient.com/~media/Files/A/Adient-IR/governance-docs/adient-sustainability-report-2022.pdf> is deemed to be incorporated into this part of the Director's Report. Additional information on Adient's business model is also included under "Principal Activities" at pages 5 through 11 of this Report. A description of principal risks facing Adient, including those related to non-financial matters, can be found at pages 12 through 26 of this Report.

SUBSIDIARY COMPANIES AND UNDERTAKINGS

Refer to Note 29, "Significant Subsidiaries," of the notes to consolidated financial statements for information regarding significant subsidiaries. Refer to Note 23, "Nonconsolidated Partially-Owned Affiliates," of the notes to the consolidated financial statements for information regarding significant nonconsolidated affiliates.

GOING CONCERN

The global automotive industry has continued to experience unprecedented supply chain and other disruptions over the past year related to semiconductor chip shortages, hostilities in Ukraine and localized COVID-19 lockdowns in China. These disruptions have led to unplanned downtime at Adient's production facilities, often with very little warning, which results in operating inefficiencies and limits Adient's ability to adequately mitigate such inefficiencies. The automotive industry has also experienced a period of rising input costs and potential shortages related to energy (particularly in EMEA as a result of the conflict in Ukraine), freight and commodities as well as facing an environment of unfavorable foreign currency exchange and rising interest rates. In addition, Adient, along with the automotive industry, has experienced and continues to face wage inflationary pressures as a result of constrained labor availability, particularly in certain jurisdictions in EMEA. COVID-19 and related variants and sub-variants, also continues to be present throughout the world, including in all global and regional markets served by Adient. The elevated COVID-19 rates in China led to lockdowns at various times during fiscal 2022, negatively impacting the automotive production levels in that region, along with creating further supply chain disruptions. As a result of these disruptions, new vehicle sales continue to be significantly lower than historical and previously projected pre-pandemic sales levels.

Although these factors are presenting challenges to Adient, the board of directors has formed a judgment at the time of approving the financial statements that there is a reasonable expectation that Adient have adequate resources to continue in operational existence for at least the next twelve-month period extending from the time of approving the financial statements. The board of directors has considered uncertainties driven by on-going supply chain disruptions, the impact of the Russia/Ukraine conflict, and the impact of localized COVID-19 lockdowns in China. These uncertainties include, but are not limited to, customer demand, temporary closure of production facilities, disruptions or delays in the supply chain and customers' and suppliers' financial condition.

In assessing the potential impact of these uncertainties on its liquidity, Adient prepared cash flow forecasts covering a period of at least twelve months from the date of these financial statements. This assessment included consideration of the forecasted business performance, the cash and financial facilities available to Adient, the potential impact of continued supply chain disruptions and a more severe COVID-19 resurgence. Adient continues to expect that existing cash at bank and in hand, the cash generated by our operations, our available credit facility, as well as our expected ability to access the capital and debt markets will be sufficient to fund Adient's operating and capital needs for at least the next twelve months and thereafter for the foreseeable future. To its knowledge, the board of directors reasonably believes that these uncertainties would not have a material impact on our ability to continue as a going concern as of the financial statements' approval date.

Adient continues to actively monitor its liquidity position and working capital needs. During fiscal 2022, Adient repurchased the full \$600 million of 9.00% Senior First Lien Notes due 2025, and also fully repaid the remaining balance of the €135 million unsecured term loan from the European Investment Bank. Adient maintains an asset-based revolving credit facility (the "ABL Credit Facility"), which provides for a revolving line of credit up to \$1,250 million, including a North American sub facility of up to \$950 million and a European sub facility of up to \$300 million, subject to borrowing base capacity. In November 2022, Adient extended its maturity date to November 2, 2027.

As a result of Adient's assessment of its ability to fund its expected operating and capital needs and the steps it could take in the event of a more significant broader economic impact arising from the uncertainties described above, the directors are satisfied

that is appropriate that the going concern basis continues to be adopted in the preparation of the Consolidated Financial Statements and the Company Financial Statements.

Refer also to Factors Affecting Adient's Operating Environment under Key Performance Indicators for additional information.

AUDIT COMMITTEE

An Audit Committee as required by the Companies Act 2014, Section 167, has been in place for the fiscal year ended September 30, 2022.

STATUTORY AUDITORS

The statutory auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Disclosure of information to auditors

The directors in office at the date of this report have each confirmed that:

- As far as he/she is aware, there is no relevant audit information of which Adient's statutory auditors are unaware; and
- He/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that Adient's statutory auditors is aware of that information.

On behalf of the Directors:

/s/ Douglas G. Del Grosso

Douglas G. Del Grosso
President and Chief Executive Officer and
Director

/s/ Richard Goodman

Richard Goodman
Director

February 7, 2023

February 7, 2023



Independent auditors' report to the members of Adient plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Adient plc's consolidated financial statements and company financial statements (the "financial statements") give a true and fair view of the group's and the company's assets, liabilities and financial position as at 30 September 2022 and of the group's loss and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), as defined in Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of consolidated financial statements does not contravene any provision of Part 6 of the Companies Act 2014;
- the company financial statements have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law); and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Consolidated Statement of Financial Position as at 30 September 2022;
- the Company Balance Sheet as at 30 September 2022;
- the Consolidated Statement of Income (Loss) and Consolidated Statement of Comprehensive Income (Loss) for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Shareholders' Equity for the year then ended;
- the Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

	Overall materiality • \$40 million (2021: \$40 million) - Consolidated financial statements • Equating to c. 0.3% of net sales. • \$24 million (2021: \$24 million) - Company financial statements • Based on c. 1% of total assets.
	Performance materiality • \$30 million (2021: \$30 million) - Consolidated financial statements. • \$18 million (2021: \$18 million) - Company financial statements.
	Audit scope • The group is structured along three reportable segments being Americas (includes North and South America), EMEA (Europe, Middle East and Africa) and Asia (Asia Pacific/China) • We conducted work on 15 reporting components. We paid particular attention to these components due to their size or characteristics and to ensure appropriate audit coverage. • Taken together the components where we performed our audit work accounted for in excess of 75% of net sales, 80% of group total assets and 80% of group total liabilities.
	Key audit matters • Annual Goodwill Impairment Assessment.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Annual Goodwill Impairment Assessment</i> <i>Refer to the goodwill and other intangible assets section in note 1 “Basis of Presentation and Summary of Significant Accounting Policies”, note 2 “Critical Accounting Estimates” and note 5 “Goodwill and Other Intangible Assets”</i> As described in notes 1 and 5 of the consolidated financial statements, the Group had a goodwill balance of \$2,057 million, representing circa 22% of the Group’s total assets, as of September 30, 2022. The Group conducts its annual impairment test during the fourth fiscal quarter or more frequently if events or changes in circumstances indicate the carrying value of goodwill might be impaired. Adient performed its annual goodwill impairment test using a fair value method. This method requires management to make assumptions about future cash flows, including projected revenues, operating margins, and discount rates. As disclosed in note 5, management determined that goodwill was not impaired. We determined the goodwill impairment assessment to be a key audit matter due to the significant judgement exercised by management in determining key assumptions in estimating the fair value of the reportable segments. These include assumptions in respect of projected revenues, operating margins and the discount rates utilised.	We tested the effectiveness of controls relating to management’s goodwill impairment assessment, including controls over the valuation of the Company’s reporting units. We tested management’s process for developing the fair value estimates including the completeness and accuracy of the underlying data used in the fair value model. We considered the reasonableness of significant assumptions for the annual impairment assessments, including projected revenues, operating margins and the discount rates utilised. When assessing these assumptions used by management, we evaluated whether the assumptions used were reasonable considering the current and past performance of the reportable segments and consistency with relevant industry data. We engaged PwC professionals with specialised skills and knowledge to assist in the assessment of the discount rates and evaluating the appropriateness of the model. We evaluated the appropriateness of the related disclosures in the notes to the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group has operations in 39 countries, including wholly-owned subsidiaries, entities in which it has a controlling interest and joint ventures. Reporting components are structured by individual plants, grouping of plants or on a country basis depending on their management team and structure and also include joint ventures. The majority of the group’s components are supported by two shared service centres in Bratislava and Dalian.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, including those performed at the group’s shared services centres and the industry in which the group operates. We paid particular attention to 15 components due to their size or characteristics and to ensure appropriate audit coverage.

In determining our audit scope, we considered the type of work that needed to be performed by us, as the Irish group engagement team, PwC US as the global engagement team, or other component auditors within other PwC network firms. Where the work was performed by component auditors, we determined the level of involvement we



needed to have in the audit work of those reporting components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

Overall, through full scope audits and specific audit procedures on certain balances within the reporting components where we conducted our work, we obtained coverage of in excess of 75% of net sales, 80% of group total assets and 80% of group total liabilities. We allocated materiality levels and issued instructions to each component auditor. In addition to the audit report from each of the component auditors, we received detailed memoranda of examinations on work performed and relevant findings which supplemented our understanding of the component, its results and the audit findings and we participated in a number of audit clearance meetings with the component teams. This, together with additional procedures performed at group level, gave us the evidence we needed for our opinion on the financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	<i>Consolidated financial statements</i>	<i>Company financial statements</i>
<i>Overall materiality</i>	\$40 million (2021: \$40 million).	\$24 million (2021: \$24 million).
	Equating to c. 0.3% of net sales.	Based on c. 1% of total assets.
<i>Rationale for benchmark applied</i>	We considered a number of materiality benchmarks including “net sales”, “adjusted EBITDA” and “income before income taxes” in calculating our overall materiality level. In considering the materiality levels calculated by reference to the various benchmarks we considered a materiality level of \$40 million to be appropriate which equates to c. 0.3.% of net sales. We also considered the reasonableness of the amount of overall materiality by reference to the amount of materiality used in the prior year.	As the company is a holding company, whose main activity is the management of investments in subsidiaries, it was determined that total assets is the most appropriate benchmark to calculate materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to \$30 million (group audit) and \$18 million (company audit).

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$3 million (group audit) (2021: \$3 million) and \$2 million (company audit) (2021: \$2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group and company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's going concern assessment for a period of at least twelve months from the date on which the financial statements are authorised for issue;
- Agreeing the cash flow projections underlying management's going concern assessment to board approved forecasts, assessing how these forecasts are compiled, and evaluating their key assumptions;
- Evaluating management's assessment of the impact that COVID-19 and the hostilities in Ukraine may continue to have through the going concern assessment period;
- Considering the group's and company's liquidity and available financial resources including financing arrangements; and
- Reviewing the going concern disclosures within note 1 of the consolidated financial statements and note 2 of the company financial statements in order to assess whether the disclosures were appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's or the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non Financial Statement" as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are

not required to report) for the year ended 30 September 2022 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.

- Based on our knowledge and understanding of the group and company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report).

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the U.S Foreign Corrupt Practices Act, anti-bribery legislation and breaches of environmental and health and safety law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as tax legislation and the Irish Companies Act 2014. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to (1) the posting of inappropriate journal entries to manipulate financial results; and (2) management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit, the Group's internal and external legal counsel, and the head of ethics and compliance, including consideration of the Group's response to matters reported on the Group's whistleblowing helpline;
- Reading the minutes of Board meetings to identify any inconsistencies with other information provided by management;
- Analysing legal expense accounts to identify significant legal spend that may be indicative of non-compliance with laws and regulations;
- Obtaining legal confirmations from external lawyers and assessing the confirmations for any information indicating non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in determining significant accounting estimates, including performing look back procedures, where appropriate;



- Identifying and testing unusual journal entries, in particular journal entries posted with unusual account combinations, and testing all material consolidation journals;
- Incorporating unpredictability into our audit approach.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
 - In our opinion the accounting records of the company were sufficient to permit the company financial statements to be readily and properly audited.
 - The Company Balance Sheet is in agreement with the accounting records.
-

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Prior financial year Non Financial Statement

We are required to report if the company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 in respect of the prior financial year. We have nothing to report arising from this responsibility.

/s/Alisa Hayden
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
7 February, 2023

ADIENT PLC
CONSOLIDATED STATEMENT OF INCOME (LOSS)

(in millions, except per share data)	Note	Year Ended September 30,	
		2022	2021
Net sales	3	\$ 14,121	\$ 13,680
Cost of sales		13,314	12,854
Gross profit		807	826
Selling, general and administrative expenses		598	537
Loss on business divestitures- net	4	—	26
Restructuring and impairment costs	20	25	21
Equity income	23	75	1,484
(Loss) earnings before interest and income taxes		259	1,726
Net financing charges	11	215	311
Other pension expense		(10)	(24)
(Loss) income before income taxes		54	1,439
Income tax provision	21	94	249
Net income (loss)		(40)	1,190
Income attributable to noncontrolling interests		80	82
Net income (loss) attributable to Adient		<u>\$ (120)</u>	<u>\$ 1,108</u>
Earnings (loss) per share:			
Basic	1	\$ (1.27)	\$ 11.76
Diluted	1	\$ (1.27)	\$ 11.58
Shares used in computing earnings (loss) per share:			
Basic	1	94.8	94.2
Diluted	1	94.8	95.7

The accompanying notes are an integral part of the consolidated financial statements.

ADIENT PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(in millions)	Note	Year ended September 30	
		2022	2021
Net income (loss)		\$ (40)	\$ 1,190
Other comprehensive income (loss), net of taxation			
Foreign currency translation adjustments		(250)	16
Realized and unrealized gains (losses) on derivatives	15	—	20
Pension and postretirement plans	19	1	1
Other comprehensive income (loss)		(249)	37
Total comprehensive income (loss)		(289)	1,227
Comprehensive income attributable to noncontrolling interests	18	49	81
Comprehensive income (loss) attributable to Adient		<u>\$ (338)</u>	<u>\$ 1,146</u>

The accompanying notes are an integral part of the consolidated financial statements.

ADIENT PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions, except share and per share data)	Note	September 30,	
		2022	2021
Assets			
Cash and cash equivalents	1	\$ 947	\$ 1,521
Accounts receivable, less allowance for doubtful accounts of \$21 and \$29, respectively	1	1,852	1,426
Inventories	8	953	976
Assets held for sale	4	—	49
Other current assets	7	411	1,114
Current assets		4,163	5,086
Property, plant and equipment - net	6	1,377	1,607
Goodwill	5	2,057	2,212
Other intangible assets - net	5	467	555
Investments in partially-owned affiliates	23	286	335
Assets held for sale	4	11	25
Other noncurrent assets	7	797	958
Total assets		\$ 9,158	\$ 10,778
Liabilities and Shareholders' Equity			
Short-term debt	11	\$ 3	\$ 17
Current portion of long-term debt	11	11	167
Accounts payable	12	2,478	2,130
Accrued compensation and benefits		340	389
Liabilities held for sale	4	—	16
Provisions - current	14	117	167
Other current liabilities	13	552	625
Current liabilities		3,501	3,511
Long-term debt	11	2,564	3,512
Provisions - noncurrent	14	314	369
Other noncurrent liabilities	13	359	428
Long-term liabilities		3,237	4,309
Commitments and Contingencies	24		
Redeemable noncontrolling interests	18	45	240
Preferred shares issued, par value \$0.001; 100,000,000 shares authorized zero shares issued and outstanding at September 30, 2022		—	—
Ordinary shares issued, par value \$0.001; 500,000,000 shares authorized 94,858,156 shares issued and outstanding at September 30, 2022		—	—
Additional paid-in capital		4,026	3,991
Retained earnings		(1,108)	(988)
Accumulated other comprehensive (loss)	18	(845)	(627)
Shareholders' equity attributable to Adient		2,073	2,376
Noncontrolling interests		302	342
Total shareholders' equity		2,375	2,718
Total liabilities and shareholders' equity		\$ 9,158	\$ 10,778

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the board of directors on February 7, 2023 and signed on its behalf by:

/s/ Douglas G. Del Grosso
Douglas G. Del Grosso
President and Chief Executive Officer and Director

/s/ Richard Goodman
Richard Goodman
Director

ADIANT PLC
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in millions)	Ordinary Shares, par value	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity Attributable to Adiant	Shareholders' Equity Attributable to Noncontrolling Interests	Total Equity
Balance at September 30, 2020	\$ —	\$ 3,974	\$ (2,096)	\$ (665)	\$ 1,213	\$ 322	\$ 1,535
Net income (loss)	—	—	1,108	—	1,108	57	1,165
Foreign currency translation adjustments	—	—	—	17	17	7	24
Realized and unrealized gains (losses) on derivatives	—	—	—	20	20	—	20
Employee retirement plans	—	—	—	1	1	—	1
Dividends attributable to noncontrolling interests	—	—	—	—	—	(42)	(42)
Change in noncontrolling interest share	—	—	—	—	—	(3)	(3)
Share based compensation and other	—	17	—	—	17	1	18
Balance at September 30, 2021	\$ —	\$ 3,991	\$ (988)	\$ (627)	\$ 2,376	\$ 342	\$ 2,718
Net income (loss)	—	—	(120)	—	(120)	45	(75)
Foreign currency translation adjustments	—	—	—	(219)	(219)	(20)	(239)
Realized and unrealized gains (losses) on derivatives	—	—	—	—	—	—	—
Employee retirement plans	—	—	—	1	1	—	1
Dividends attributable to noncontrolling interests	—	—	—	—	—	(53)	(53)
Purchase of subsidiary shares from noncontrolling interest	—	12	—	—	12	(12)	—
Share based compensation and other	—	23	—	—	23	—	23
Balance at September 30, 2022	\$ —	\$ 4,026	\$ (1,108)	\$ (845)	\$ 2,073	\$ 302	\$ 2,375

The accompanying notes are an integral part of the consolidated financial statements.

ADIENT PLC
CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions)	Year ended September 30	
	2022	2021
Operating Activities		
Profit (loss) on ordinary activities after taxation attributable to Adient ordinary shareholders	\$ (120)	\$ 1,108
Income attributable to noncontrolling interest	80	82
Profit (loss) on ordinary activities after taxation	(40)	1,190
Adjustments to reconcile profit (loss) on ordinary activities after taxation to net cash provided by operating activities:		
Adjustments to reconcile net income (loss) to cash provided (used) by operating activities:		
Depreciation	298	285
Amortization of intangibles	52	45
Pension and postretirement benefit expense	(2)	(16)
Pension and postretirement contributions	(16)	(23)
Equity in earnings of partially-owned affiliates, net of dividends received (includes purchase accounting amortization of \$5 and \$3, respectively)	4	44
(Gain) on sale of / impairment of nonconsolidated partially owned affiliates	10	(1,214)
Premium and transaction costs paid on repurchase of debt	38	50
Retrospective recoveries of Brazil indirect tax credits	(29)	(38)
Derivative loss on the 2021 Yanfeng Transaction	3	30
Deferred income taxes	5	40
Non-cash restructuring and impairment charges	14	11
Loss on divestitures - net	—	26
Equity-based compensation	29	36
Other	17	21
Changes in assets and liabilities:		
Receivables	(576)	483
Inventories	(62)	(263)
Other assets	32	82
Restructuring reserves	(57)	(136)
Accounts payable and accrued liabilities	542	(388)
Accrued income taxes	12	(5)
Cash provided (used) by operating activities	274	260
Investing Activities		
Capital expenditures	(227)	(260)
Sale of property, plant and equipment	20	30
Settlement of cross-currency interest rate swaps	(30)	(12)
Acquisition of businesses, net of cash acquired	(19)	(211)
Business divestitures	740	785
Loans to affiliates	—	15
Cash provided (used) by investing activities	484	347

ADIANT PLC
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Financing Activities

Increase (decrease) in short-term debt	(14)	(5)
Increase (decrease) in long-term debt	—	214
Repayment of long-term debt	(987)	(895)
Debt financing costs	(1)	(8)
Cash paid to acquire a noncontrolling interest	(153)	—
Dividends paid to noncontrolling interests	(106)	(69)
Other	(12)	(7)
Cash provided (used) by financing activities	<u>(1,273)</u>	<u>(770)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(59)</u>	<u>8</u>
Increase (decrease) in cash and cash equivalents, including cash classified within current assets held for sale	(574)	(155)
Less: cash classified within current assets held for sale	<u>—</u>	<u>(16)</u>
Increase (decrease) in cash and cash equivalents	(574)	(171)
Cash and cash equivalents at beginning of period	1,521	1,692
Cash and cash equivalents at end of period	<u><u>\$ 947</u></u>	<u><u>\$ 1,521</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

ADIENT PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Summary of Significant Accounting Policies

The directors have elected to prepare the consolidated financial statements of Adient plc and its subsidiaries (hereinafter referred to as "Adient") in accordance with Section 279 of the Companies Act 2014 (the "Act"), which provides that a true and fair view of the state of affairs and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as defined in Section 279 of the Act, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Act or of any regulations made thereunder.

On October 31, 2016, Adient plc ("Adient") became an independent company as a result of the separation of the automotive seating and interiors business (the "separation") from Johnson Controls International plc ("the former Parent"). Adient was incorporated under the laws of Ireland in fiscal 2016 for the purpose of holding these businesses. Adient's ordinary shares began trading "regular-way" under the ticker symbol "ADNT" on the New York Stock Exchange on October 31, 2016. Upon becoming an independent company, the capital structure of Adient consisted of 500 million authorized ordinary shares and 100 million authorized preferred shares (par value of \$0.001 per ordinary and preferred share). The number of Adient ordinary shares issued on October 31, 2016 was 93,671,810.

Adient plc is a public limited company incorporated under registration number 584907 and domiciled in Ireland. The address of its registered office is: 3 Dublin Landings, North Wall Quay, Dublin 1.

Adient is a global leader in the automotive seating supply industry with leading market positions in the Americas, Europe and China and maintains longstanding relationships with the largest global automotive original equipment manufacturers (OEMs). Adient's proprietary technologies extend into virtually every area of automotive seating solutions, including complete seating systems, frames, mechanisms, foam, head restraints, armrests and trim covers. Adient is a global seat supplier with the capability to design, develop, engineer, manufacture, and deliver complete seat systems and components in every major automotive producing region in the world.

Basis of Presentation

The consolidated financial statements include the consolidated statement of financial position of Adient plc and its subsidiaries as of September 30, 2022 and 2021, and the related consolidated statement of income (loss), statement of comprehensive income, statement of shareholders' equity and statement of cash flows for the twelve months ended September 30, 2022 and 2021. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as defined in Section 279 of the Act, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Act or of any regulations made thereunder.

Adient manages its business on a geographic basis and operates in the following three reportable segments for financial reporting purposes: 1) Americas, which is inclusive of North America and South America; 2) Europe, Middle East, and Africa ("EMEA") and 3) Asia Pacific/China ("Asia").

Adient evaluates the performance of its reportable segments using an adjusted EBITDA metric defined as income before income taxes and noncontrolling interests, excluding net financing charges, restructuring and impairment costs, restructuring related-costs, net mark-to-market adjustments on pension and postretirement plans, transaction gains/losses, purchase accounting amortization, depreciation, stock-based compensation and other non-recurring items ("Adjusted EBITDA"). Also, certain corporate-related costs are not allocated to the segments. The reportable segments are consistent with how management views the markets served by Adient and reflect the financial information that is reviewed by its chief operating decision maker.

Irish Company Law contains specific requirements for the classification of any liability uncertain as to the amounts at which it will be settled or as to the date on which it will be settled. These liabilities are classified as provisions. Refer to Note 14, "Provisions," of the notes to consolidated financial statements for those liabilities which meet the provision classification requirements under Irish Company Law.

Going Concern

The global automotive industry has continued to experience unprecedented supply chain and other disruptions over the past year related to semiconductor chip shortages, hostilities in Ukraine and localized COVID-19 lockdowns in China. These disruptions have led to unplanned downtime at Adient's production facilities, often with very little warning, which results in

operating inefficiencies and limits Adient's ability to adequately mitigate such inefficiencies. The automotive industry has also experienced a period of rising input costs and potential shortages related to energy (particularly in EMEA as a result of the conflict in Ukraine), freight and commodities as well as facing an environment of unfavorable foreign currency exchange and rising interest rates. In addition, Adient, along with the automotive industry, has experienced and continues to face wage inflationary pressures as a result of constrained labor availability, particularly in certain jurisdictions in EMEA. COVID-19 and related variants and sub-variants, also continues to be present throughout the world, including in all global and regional markets served by Adient. The elevated COVID-19 rates in China led to lockdowns at various times during fiscal 2022, negatively impacting the automotive production levels in that region, along with creating further supply chain disruptions. As a result of these disruptions, new vehicle sales continue to be significantly lower than historical and previously projected pre-pandemic sales levels.

Although these factors are presenting challenges to Adient, the board of directors has formed a judgment at the time of approving the financial statements that there is a reasonable expectation that Adient have adequate resources to continue in operational existence for at least the next twelve-month period extending from the time of approving the financial statements. The board of directors has considered uncertainties driven by on-going supply chain disruptions, the impact of the Russia/Ukraine conflict, and the impact of localized COVID-19 lockdowns in China. These uncertainties include, but are not limited to, customer demand, temporary closure of production facilities, disruptions or delays in the supply chain and customers' and suppliers' financial condition.

In assessing the potential impact of these uncertainties on its liquidity, Adient prepared cash flow forecasts covering a period of at least twelve months from the date of these financial statements. This assessment included consideration of the forecasted business performance, the cash and financial facilities available to Adient, the potential impact of continued supply chain disruptions and a more severe COVID-19 resurgence. Adient continues to expect that existing cash at bank and in hand, the cash generated by our operations, our available credit facility, as well as our expected ability to access the capital and debt markets will be sufficient to fund Adient's operating and capital needs for at least the next twelve months and thereafter for the foreseeable future. To its knowledge, the board of directors reasonably believes that these uncertainties would not have a material impact on our ability to continue as a going concern as of the financial statements' approval date.

Adient continues to actively monitor its liquidity position and working capital needs. During fiscal 2022, Adient repurchased the full \$600 million of 9.00% Senior First Lien Notes due 2025, and also fully repaid the remaining balance of the €135 million unsecured term loan from the European Investment Bank. Adient maintains an asset-based revolving credit facility (the "ABL Credit Facility"), which provides for a revolving line of credit up to \$1,250 million, including a North American sub facility of up to \$950 million and a European sub facility of up to \$300 million, subject to borrowing base capacity. In November 2022, Adient extended its maturity date to November 2, 2027.

As a result of Adient's assessment of its ability to fund its expected operating and capital needs and the steps it could take in the event of a more significant broader economic impact arising from the uncertainties described above, the directors are satisfied that is appropriate that the going concern basis continues to be adopted in the preparation of the Consolidated Financial Statements and the Company Financial Statements.

Principles of Consolidation

Adient consolidates its wholly-owned subsidiaries and those entities in which it has a controlling interest. Investments in partially-owned affiliates are accounted for by the equity method when Adient's interest exceeds 20% and does not have a controlling interest. Refer to Note 29, "Significant Subsidiaries," of the notes to consolidated financial statements for a list of Adient's significant subsidiaries.

Consolidated VIEs

Based upon the criteria set forth in the Financial Accounting Standards Board (the FASB) Accounting Standards Codification (ASC) 810, "Consolidation," Adient has determined that it was the primary beneficiary in two variable interest entities (VIEs) for the reporting periods ended September 30, 2022 and 2021, respectively, as Adient absorbs significant economics of the entities and has the power to direct the activities that are considered most significant to the entities.

The two VIEs manufacture seating products in North America for the automotive industry. Adient funds the entities' short-term liquidity needs through revolving credit facilities and has the power to direct the activities that are considered most significant to the entities through its key customer supply relationships.

The carrying amounts and classification of assets (none of which are restricted) and liabilities included in Adient's consolidated statements of financial position for the consolidated VIEs are as follows:

(in millions)	September 30,	
	2022	2021
Current assets	\$ 262	\$ 158
Noncurrent assets	113	88
Total assets	<u>\$ 375</u>	<u>\$ 246</u>
Current liabilities	\$ 233	\$ 143
Noncurrent liabilities	14	8
Total liabilities	<u>\$ 247</u>	<u>\$ 151</u>

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The consolidated financial statements reflect management's estimates as of the reporting date. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The fair values of cash and cash equivalents, accounts receivable, short-term debt and accounts payable approximate their carrying values. See Note 15, "Derivative Instruments and Hedging Activities," and Note 16, "Fair Value Measurements," of the notes to consolidated financial statements for fair value of financial instruments, including derivative instruments and hedging activities.

Cash and Cash Equivalents

Adient considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is managed by legal entity, with cash pooling agreements in place for all participating entities on a global basis, as applicable.

Receivables

Receivables consist of amounts billed and currently due from customers and revenues that have been recognized for accounting purposes but not yet billed to customers. Adient extends credit to customers in the normal course of business and maintains an allowance for doubtful accounts resulting from the inability or unwillingness of customers to make required payments. The allowance for doubtful accounts is based on historical experience, existing economic conditions and any specific customer collection issues Adient has identified. Adient enters into supply chain financing programs in certain domestic and foreign jurisdictions to either sell or discount accounts receivable without recourse to third-party institutions. Sales or discounts of accounts receivable are reflected as a reduction of accounts receivable on the consolidated statements of financial position and the proceeds are included in cash flows from operating activities in the consolidated statements of cash flows. As of September 30, 2022 and 2021, \$269 million and \$132 million have been funded under these programs, respectively.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out ("FIFO") method. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs.

Pre-Production Costs Related to Long-Term Supply Arrangements

Adient's policy for engineering, research and development, and other design and development costs related to products that will be sold under long-term supply arrangements requires such costs to be expensed as incurred or capitalized if reimbursement from the customer is contractually assured. Income related to recovery of these costs is recorded within selling, general and administrative expense in the consolidated statements of income. At September 30, 2022 and 2021, Adient recorded within the

consolidated statements of financial position \$239 million and \$278 million, respectively, of engineering and research and development costs for which customer reimbursement is contractually assured. The reimbursable costs are recorded in other current assets if reimbursement will occur in less than one year and in other noncurrent assets if reimbursement will occur beyond one year. At September 30, 2022, Adient had \$73 million and \$166 million of reimbursable costs recorded in current and noncurrent assets, respectively. At September 30, 2021, Adient had \$66 million and \$212 million of reimbursable costs recorded in current and noncurrent assets, respectively.

Costs for molds, dies and other tools used to make products that will be sold under long-term supply arrangements are capitalized within property, plant and equipment if Adient has title to the assets or has the non-cancelable right to use the assets during the term of the supply arrangement. Capitalized items, if specifically designed for a supply arrangement, are amortized over the term of the arrangement; otherwise, amounts are amortized over the estimated useful lives of the assets. The carrying values of assets capitalized in accordance with the foregoing policy are periodically reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. At September 30, 2022 and 2021, approximately \$53 million and \$62 million, respectively, of costs for molds, dies and other tools were capitalized within property, plant and equipment which represented assets to which Adient had title. In addition, at September 30, 2022, Adient recorded within the consolidated statements of financial position in other current and noncurrent assets \$74 million and \$15 million, respectively, of costs for molds, dies and other tools for which customer reimbursement is contractually assured. At September 30, 2021, Adient recorded within the consolidated statements of financial position in other current and noncurrent assets \$77 million and \$8 million, respectively, of costs for molds, dies and other tools for which customer reimbursement is contractually assured.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. The estimated useful lives range from 3 to 40 years for buildings and improvements and from 3 to 15 years for machinery and equipment.

Leases

Operating lease right-of-use (ROU) assets and liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement dates. ROU assets also include payments made in advance and exclude lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that such options are to be exercised. Adient uses its incremental borrowing rate, which is the rate of interest it would pay to borrow on a collateralized basis over a similar term to the lease in a similar economic environment, for discounting lease consideration as most lease agreements do not provide an implicit rate. Refer to Note 10, "Leases" of the notes to consolidated financial statements for more information regarding Adient's leases.

Goodwill and Other Intangible Assets

Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. Adient reviews goodwill for impairment during the fourth fiscal quarter or more frequently if events or changes in circumstances indicate the asset might be impaired. Adient performs impairment reviews for its reporting units, which have been determined to be Adient's reportable segments using a fair value method based on management's judgments and assumptions or third party valuations. The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. In estimating the fair value, Adient primarily uses an income approach utilizing discounted cash flow analyses. Adient also uses a market approach utilizing published multiples of earnings of comparable entities with similar operational and economic characteristics to further support the fair value estimates. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement." The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill. An impairment is recorded to the extent the estimated fair value is below the carrying amount of the reporting unit.

Intangible assets with definite lives are amortized over their estimated useful lives and are subject to impairment testing if events or changes in circumstances indicate that the asset might be impaired.

Impairment of Long-Lived Assets

Adient reviews long-lived assets, including property, plant and equipment and other intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable.

Adient conducts its long-lived asset impairment analyses in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." ASC 360-10-15 requires Adient to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals.

Impairment of Investments in Partially-Owned Affiliates

Adient monitors its investments in partially-owned affiliates for indicators of other-than-temporary declines in value on an ongoing basis. If Adient determines that an other-than-temporary decline in value has occurred, it recognizes an impairment loss, which is measured as the difference between the recorded book value and the fair value of the investment. Fair value is generally determined using an income approach based on discounted cash flows or negotiated transaction values. Refer to Note 23, "Nonconsolidated Partially-Owned Affiliates," of the notes to consolidated financial statements for more information on Adient's partially-owned affiliates.

Revenue Recognition

Adient provides production and service parts to its customers under awarded multi-year programs. The duration of a program is generally consistent with the life cycle of a vehicle, however, an awarded program does not reach the level of a performance obligation until Adient receives either a purchase order and/or a materials release from the customer for a specific number of parts at a specified price, at which point an enforceable contract exists. Sales revenue is recognized at the point in time when parts are shipped and control has transferred to the customer, at which point an enforceable right to payment exists. Contracts may provide for annual price reductions over the production life of the awarded program, and prices are adjusted on an ongoing basis to reflect changes in product content/cost and other commercial factors. The amount of revenue recognized reflects the consideration that Adient expects to be entitled to in exchange for such products based on purchase orders, annual price reductions and ongoing price adjustments. Refer to Note 3, "Revenue Recognition," of the notes to consolidated financial statements for information on Adient's revenue recognition.

Customers

Essentially all of Adient's sales are to the automotive industry. Adient's most significant customers include Stellantis N.V. which comprised 12% of consolidated net sales in fiscal 2022, and Stellantis N.V. and Volkswagen Group which comprised 13% and 11% of consolidated net sales, respectively, in fiscal 2021.

Research and Development Costs

Expenditures for research activities relating to product development and improvement (other than those expenditures that are contractually guaranteed for reimbursement from the customer) are charged against income as incurred and included within selling, general and administrative expenses in the consolidated statements of income. Such expenditures for the years ended September 30, 2022 and 2021 were \$322 million and \$316 million, respectively. A portion of these costs associated with these activities are reimbursed by customers and, for the fiscal years ended September 30, 2022 and 2021 were \$194 million and \$210 million, respectively.

Foreign Currency Translation

Substantially all of Adient's international operations use the respective local currency as the functional currency. Assets and liabilities of international entities have been translated at period-end exchange rates, and income and expenses have been translated using average exchange rates for the period. Monetary assets and liabilities denominated in non-functional currencies are adjusted to reflect period-end exchange rates. The resulting translation adjustments are accumulated as a component of accumulated other comprehensive income (AOCI). The aggregate transaction gains (losses) included in net income for the years ended September 30, 2022 and 2021 were \$6 million and \$(8) million, respectively.

Derivative Financial Instruments

The fair values of all derivatives are recorded in the consolidated statements of financial position. The change in a derivative's fair value is recorded each period in current earnings or accumulated other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction and if so, the type of hedge transaction. Refer to Note 15, "Derivative

Instruments and Hedging Activities," and Note 16, "Fair Value Measurements," of the notes to consolidated financial statements for disclosure of Adient's derivative instruments and hedging activities.

Stock-Based Compensation

Stock-based compensation is initially measured at the fair value of the awards on the grant date and is recognized in the financial statements over the period the employees are required to provide services in exchange for the awards. The fair value of restricted stock awards is based on the number of units granted and the stock price on the grant date. The fair value of performance-based share unit, or PSU, awards is based on the stock price at the grant date and the assessed probability of meeting future performance targets. The fair value of cash settled awards are recalculated at the end of each reporting period and the liability and expense are adjusted based on the new fair value. Refer to Note 17, "Stock-Based Compensation," of the notes to consolidated financial statements for Adient's stock based compensation disclosures.

Pension and Postretirement Benefits

Adient utilizes a mark-to-market approach for recognizing pension and postretirement benefit expenses, including measuring the market related value of plan assets at fair value and recognizing actuarial gains and losses in the fourth quarter of each fiscal year or at the date of a remeasurement event. Refer to Note 19, "Retirement Plans," of the notes to consolidated financial statements for disclosure of Adient's pension and postretirement benefit plans.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Adient records a valuation allowance that primarily represents operating and other loss carryforwards for which realization is uncertain. Management judgment is required in determining Adient's provision for income taxes, deferred tax assets and liabilities, and the valuation allowance recorded against Adient's net deferred tax assets.

Adient reviews the realizability of its deferred tax assets on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or combined group recording the net deferred tax asset are considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to Adient's valuation allowances may be necessary.

Adient is subject to income taxes in Ireland, the U.S. and other non-U.S. jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of Adient's business, there are many transactions and calculations where the ultimate tax determination is uncertain. Adient's income tax returns for various fiscal years remain under audit by the respective tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

Adient does not generally provide for additional income taxes which would become payable upon repatriation of undistributed earnings of wholly owned foreign subsidiaries. Adient's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax efficient.

Refer to Note 21, "Income Tax Provision," of the notes to consolidated financial statements for Adient's income tax disclosures.

Earnings Per Share

The following table shows the computation of basic and diluted earnings per share:

(in millions, except per share data)	Year Ended September 30,	
	2022	2021
Numerator:		
Net income (loss) attributable to Adient	\$ (120)	\$ 1,108
Denominator:		
Shares outstanding	94.8	94.2
Effect of dilutive securities	—	1.5
Diluted shares	94.8	95.7
Earnings per share:		
Basic	\$ (1.27)	\$ 11.76
Diluted	\$ (1.27)	\$ 11.58

The effect of common stock equivalents which would have been anti-dilutive was excluded from the calculation of diluted earnings per share for fiscal 2021 and was immaterial. Potentially dilutive securities whose effect would have been antidilutive are excluded from the computation of diluted earnings per share which for fiscal 2022 is a result of being in a loss position.

New Accounting Pronouncements

Standards Adopted During Fiscal 2022

On October 1, 2021, Adient adopted Accounting Standards Codification (ASU) 2018-14 Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20). ASU 2018-14 eliminates, adds, and modifies certain disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The guidance is to be applied on a retrospective basis. The adoption of this guidance on October 1, 2021 did not significantly impact Adient's consolidated financial statements for fiscal 2022.

On October 1, 2021, Adient adopted ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. ASU 2019-12 modifies ASC 740, Income Taxes, by simplifying accounting for income taxes. As part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements, the FASB's amendments may impact both interim and annual reporting periods. The adoption of this guidance on October 1, 2021 did not significantly impact Adient's consolidated financial statements for fiscal 2022.

Standards Effective After Fiscal 2022

Adient has considered the ASUs summarized below, effective after fiscal 2022, none of which are expected to significantly impact the consolidated financial statements:

Standard Pending Adoption	Description	Date Effective
ASU 2020-06, Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)	ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity by reducing the number of accounting models for convertible debt and convertible preferred stock.	October 1, 2022

ASU 2021-10, Government Assistance (Topic 832) - Disclosures by Business Entities about Government Assistance	The ASU requires annual disclosures of: i) information about the nature of government assistance transactions and the related accounting policy used to account for the transactions, ii) the balance sheet and income statement line items affected by the transactions, and the amounts for each financial statement line item, and iii) significant transaction terms and conditions.	October 1, 2022
ASU 2022-04, Liabilities - Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations	The ASU requires buyers of goods and services to disclose information about supplier finance programs if such arrangements are used to manage their payables. The disclosures should include both qualitative and quantitative information including key terms and the amount of outstanding obligations.	October 1, 2023

2. Critical Accounting Estimates

Adient prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). This requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. The following policies are considered by management to be the most critical in understanding the judgments that are involved in the preparation of Adient's consolidated financial statements and the uncertainties that could impact results of operations, financial position and cash flows.

Revenue Recognition

Adient records revenue when persuasive evidence of an arrangement exists, delivery occurs or services are rendered, the sales price or fee is fixed or determinable and collectability is reasonably assured. Adient delivers products and records revenue pursuant to commercial agreements with its customers generally in the form of an approved purchase order, including the effects of contractual customer price productivity. Adient does negotiate discrete price changes with its customers, which are generally the result of unique commercial issues between Adient and its customers. Adient records amounts associated with discrete price changes as a reduction to revenue when specific facts and circumstances indicate that a price reduction is probable and the amounts are reasonably estimable. Adient records amounts associated with discrete price changes as an increase to revenue upon execution of a legally enforceable contractual agreement and when collectability is reasonably assured. Refer to Note 1, "Basis of Presentation and Summary of Significant Accounting Policies," and Note 3, "Revenue Recognition," of the notes to the consolidated financial statements for more information.

Impairment of Goodwill, Other Long-lived Assets and Investments in Partially Owned Affiliates

Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. Adient reviews goodwill for impairment during the fourth fiscal quarter or more frequently if events or changes in circumstances indicate the asset might be impaired. Adient performs impairment reviews for its reporting units, which have been determined to be Adient's reportable segments, using a fair value method based on management's judgments and assumptions or third-party valuations. The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. In estimating the fair value, Adient uses the income approach in which discounted cash flow analyses are used to derive estimates of fair value of each reporting unit. Multiples of earnings based on the average of historical, published multiples of earnings of comparable entities with similar operations and economic characteristics are also used in developing estimated fair values. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement." These calculations contain uncertainties as they require management to make assumptions about market comparables, future cash flows and appropriate discount rates (based on weighted average cost of capital ranging from 17.5% – 21.0% at September 30, 2022) to reflect the risk inherent in the future cash flows and to derive a reasonable enterprise value and related premium. The estimated future cash flows reflect management's latest assumptions of the financial projections based on current and anticipated competitive landscape, including estimates of revenue based on production volumes over the foreseeable future and long-term growth rates, and operating margins based on historical trends and future cost containment activities. The financial projections also considered the impact that the COVID-19 pandemic, supply-chain disruptions, higher commodity, shipping and energy costs, and the Russia/Ukraine conflict are having on Adient's current and future operations as well as the impact to new vehicle sales in future years. A change in any of these estimates and assumptions could produce a different fair value, which could have a material impact on the results of the goodwill impairment test and on Adient's results of operations. The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill. Adient is subject to financial statement risk to the extent that the carrying amount exceeds the estimated fair value. As a result of the tests, there was no

goodwill impairment recorded during the fourth quarter of fiscal 2022. Refer to Note 5, "Goodwill and Other Intangible Assets," of the notes to the consolidated financial statements for additional information.

Adient reviews long-lived assets, including property, plant and equipment and other intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. Adient conducts its long-lived asset impairment analyses in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." ASC 360-10-15 requires Adient to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals. Intangible assets with definite lives continue to be amortized over their estimated useful lives and are subject to impairment testing as part of their asset group if events or changes in circumstances indicate that the asset might be impaired. A considerable amount of management judgment and assumptions are required in performing the impairment tests. No triggering events were identified during fiscal 2022 and 2021.

Adient monitors its investments in partially-owned affiliates for indicators of other-than-temporary declines in value on an ongoing basis. If Adient determines that an other-than-temporary decline in value has occurred, it recognizes an impairment loss, which is measured as the difference between the recorded book value and the fair value of the investment. Fair value is generally determined using an income approach based on discounted cash flows or negotiated transaction values. During the second quarter of fiscal 2022, Adient entered into agreements, whereby Adient would sell its interests in two joint ventures in China held directly by Adient, each of which represented 25% of their total issued and outstanding equity interests, for \$3 million. As a result, Adient concluded that indicators of other-than-temporary impairment were present related to the investments in these joint ventures, and recorded a non-cash impairment charge of \$3 million. Also during the second quarter of fiscal 2022, Adient concluded that indicators of other-than-temporary impairment were present related to a partially-owned affiliate in South Africa as the Company pursued a sale of a portion of its interest in the joint venture and recorded a non-cash impairment charge of \$6 million. Refer to Note 4, "Acquisitions and Divestitures," and Note 23, "Nonconsolidated Partially-Owned Affiliates," of the notes to the consolidated financial statements for additional information.

Employee Benefit Plans

Adient provides a range of pension benefits to its employees and retired employees. These benefits are Adient's direct obligation and have been recorded within Adient's consolidated financial statements. Plan assets and obligations are measured annually, or more frequently if there is a remeasurement event, based on Adient's measurement date utilizing various actuarial assumptions such as discount rates, assumed rates of return, compensation increases, turnover rates and health care cost trend rates as of that date. Adient reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when appropriate.

Adient utilizes a mark-to-market approach for recognizing pension benefit expenses, including measuring the market related value of plan assets at fair value and recognizing actuarial gains and losses in the fourth quarter of each fiscal year or at the date of a remeasurement event.

U.S. GAAP requires that companies recognize in the statement of financial position a liability for defined benefit pension and postretirement plans that are underfunded or unfunded, or an asset for defined benefit pension and postretirement plans that are overfunded. U.S. GAAP also requires that companies measure the benefit obligations and fair value of plan assets that determine a benefit plan's funded status as of the date of the employer's fiscal year end.

Adient considers the expected benefit payments on a plan-by-plan basis when setting assumed discount rates. As a result, Adient uses different discount rates for each plan depending on the plan jurisdiction, the demographics of participants and the expected timing of benefit payments. For the U.S. pension plans, Adient uses a discount rate provided by an independent third party calculated based on an appropriate mix of high quality bonds. For the non-U.S. pension, Adient consistently uses the relevant country specific benchmark indices for determining the various discount rates. Adient's discount rate on U.S. pension plans was 5.51% and 3.06% at September 30, 2022 and 2021, respectively. Adient's weighted average discount rate on non-U.S. plans was 4.98% and 1.71% at September 30, 2022 and 2021, respectively.

In estimating the expected return on plan assets, Adient considers the historical returns on plan assets, adjusted for forward-looking considerations, inflation assumptions and the impact of the active management of the plans' invested assets. Reflecting the relatively long-term nature of the plans' obligations, approximately 70% of the plans' assets are invested in fixed income securities and 10% in equity securities, with the remainder primarily invested in alternative investments. For fiscal years 2022 and 2021, Adient's expected long-term return on U.S. pension plan assets used to determine net periodic benefit cost was 5.75%

and 5.75% respectively. The actual rate of return on U.S. pension plans was below 5.75% in fiscal 2022 and was below 5.75% in fiscal 2021. For fiscal years 2022 and 2021, Adient's weighted average expected long-term return on non-U.S. pension plan assets was 3.20% and 3.68%, respectively. The actual rate of return on non-U.S. pension plans was below 3.20% in fiscal 2022 and was above 3.68% in fiscal 2021.

For fiscal 2023, Adient estimates the long-term rate of return will approximate 6.75% and 4.53% for U.S. pension and non-U.S. pension plans, respectively. Any differences between actual investment results and the expected long-term asset returns will be reflected in net periodic benefit costs in the fourth quarter of each fiscal year. If Adient's actual returns on plan assets are less than Adient's expectations, additional contributions may be required.

In fiscal 2022, total Adient contributions to the defined benefit pension plans were \$16 million. Adient expects to contribute at least \$14 million in cash to its defined benefit pension plans in fiscal 2023.

Based on information provided by its independent actuaries and other relevant sources, Adient believes that the assumptions used are reasonable; however, changes in these assumptions could impact Adient's financial position, results of operations or cash flows.

The following table illustrates estimated increases (decreases) in projected benefit obligation (PBO) and net periodic benefit cost excluding changes in mark-to-market adjustments (NPBC) as of September 30, 2022 and for fiscal 2022 assuming a decrease of 100 basis points in the discount rate and expected return on plan assets.

(in millions)	Pension Benefits			
	U.S. Plans		Non-U.S. Plans	
	Change in PBO	Change in NPBC	Change in PBO	Change in NPBC
100 basis point decrease in discount rate	\$ 1	\$ —	\$ 46	\$ (4)
100 basis point decrease in expected return on plan assets	N/A	—	N/A	4

Refer to Note 19, "Retirement Plans," of the notes to consolidated financial statements for more information on Adient's pension plans.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Adient records a valuation allowance that primarily represents operating and other loss carryforwards for which realization is uncertain. Management judgment is required in determining Adient's provision for income taxes, deferred tax assets and liabilities, and the valuation allowance recorded against Adient's net deferred tax assets.

Adient reviews the realizability of its deferred tax assets on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or combined group recording the net deferred tax asset are considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to Adient's valuation allowances may be necessary.

Adient is subject to income taxes in Ireland, the U.S. and other non-U.S. jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of Adient's business, there are many transactions and calculations where the ultimate tax determination is uncertain. Adient's income tax returns for various fiscal years remain under audit by the respective tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

Adient does not generally provide for additional income taxes which would become payable upon repatriation of undistributed earnings of wholly owned foreign subsidiaries. Adient's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax efficient.

Refer to Note 21, "Income Tax Provision," of the notes to consolidated financial statements for Adient's income tax disclosures.

Restructuring Costs

Adient accrues costs in connection with its restructuring actions. These accruals include estimates primarily related to employee headcount, local statutory benefits, and other employee termination costs. Actual costs may vary from these estimates. These accruals are reviewed on a quarterly basis and changes to restructuring actions are appropriately recognized when identified. Refer to Note 20, "Restructuring and Impairment Costs," of the notes to consolidated financial statements for more information.

During fiscal 2022, Adient committed to a restructuring plan ("2022 Plan") of \$25 million that was offset by \$10 million of prior year underspend. The restructuring actions relate to cost reduction initiatives and consist primarily of workforce reductions in EMEA and Americas. The restructuring actions are expected to be substantially completed by fiscal 2024.

During fiscal 2021, Adient committed to a restructuring plan ("2021 Plan") of \$27 million that was offset by \$16 million of prior year underspend. Of the restructuring costs recorded, \$23 million related to the EMEA segment, \$3 million related to the Americas segment, and \$1 million related to the Asia segment. The restructuring actions relate to cost reduction initiatives and consist primarily of workforce reductions and lease contract terminations. The restructuring actions are expected to be substantially completed in fiscal 2023.

3. Revenue Recognition

Adient generates revenue through the sale of automotive seating solutions, including complete seating systems and the components of complete seating systems. Adient provides production and service parts to its customers under awarded multi-year programs. The duration of a program is generally consistent with the life cycle of a vehicle, however, the program can be canceled at any time without cause by the customer. Programs awarded to Adient to supply parts to its customers do not contain a firm commitment by the customer for volume or price and do not reach the level of a performance obligation until Adient receives either a purchase order and/or a materials release from the customer for a specific number of parts at a specified price, at which point an enforceable contract exists. Sales revenue is generally recognized at the point in time when parts are shipped and control has transferred to the customer, at which point an enforceable right to payment exists. Contracts may provide for annual price reductions over the production life of the awarded program, and prices are adjusted on an ongoing basis to reflect changes in product content/cost and other commercial factors. The amount of revenue recognized reflects the consideration that Adient expects to be entitled to in exchange for such products based on purchase orders, annual price reductions and ongoing price adjustments (some of which are accounted for as variable consideration and subject to being constrained), net of the impact, if any, of consideration paid to the customer.

In a typical arrangement with the customer, purchase orders are issued for pre-production activities which consist of engineering, design and development, tooling and prototypes for the manufacture and delivery of component parts. Adient has concluded that these activities are not in the scope of ASC 606, "Revenue from Contracts with Customers," and for that reason, there have been no changes to how Adient accounts for reimbursable pre-production costs.

Adient includes shipping and handling fees billed to customers in revenue, while including costs of shipping and handling in cost of sales. Taxes collected from customers are excluded from revenue and credited directly to obligations to the appropriate government agencies. Payment terms with customers are established based on customary industry and regional practices. Adient has evaluated the terms of its arrangements and determined that they do not contain significant financing components.

Contract assets primarily relate to the right to consideration for work completed, but not billed at the reporting date on contracts with customers. The contract assets are transferred to receivables when the rights become unconditional. Contract liabilities primarily relate to contracts where advance payments or deposits have been received, but performance obligations have not yet been satisfied and revenue has not been recognized. No significant contract assets or liabilities exist at September 30, 2022. As described above, the issuance of a purchase order and/or a materials release by the customer represents the point at which an enforceable contract with the customer exists. Therefore, Adient has elected to apply the practical expedient in ASC 606, paragraph 606-10-50-14 and does not disclose information about the remaining performance obligations that have an original expected duration of one year or less. Refer to Note 22, "Segment Information," of the notes to consolidated financial statements for disaggregated revenue by geographical market.

4. Acquisitions and Divestitures

2021 Yanfeng Transaction

On March 12, 2021, Adient, Yanfeng Automotive Trim Systems Company Ltd. (“Yanfeng”), Yanfeng Adient Seating Co., Ltd. (“YFAS”), a joint venture owned, directly or indirectly, by Yanfeng (50.01%) and Adient (49.99%), and KEIPER Seating Mechanisms Co., Ltd. (f/k/a Adient Yanfeng Seating Mechanisms Co., Ltd. (“AYM” or “KEIPER”), a joint venture owned, directly or indirectly, by Yanfeng (50%) and Adient (50%), entered into a Master Agreement (the “2021 Agreement”), pursuant to which the parties agreed to, among other things, transactions that resulted in the sale of Adient’s 49.99% interest in YFAS to Yanfeng, the sale of Adient’s ownership interests in 3 other related joint ventures (ranging from 10% to 25%) to YFAS/KEIPER, and the purchase of YFAS’s 50% interest in Chongqing Adient Automotive Components Co., Ltd. (“CQADNT”) and YFAS’s 100% interest in Adient (Langfang) Seating Co., Ltd. (“LFADNT”) (collectively, the “2021 Yanfeng Transaction”). The 2021 Yanfeng Transaction closed on September 30, 2021 (“Closing Date”).

As a result of the 2021 Yanfeng Transaction, Adient received net cash proceeds of \$1,141 million (\$489 million in September 2021 and \$652 million in December 2021) for the sale of Adient’s 49.99% interest in YFAS to Yanfeng, \$100 million as the final cash dividend from YFAS, \$59 million for the sale of Adient’s ownership interests in the 3 other related joint ventures, \$54 million for granting a license of intellectual property to Yanfeng for use on a non-exclusive and perpetual basis, and a business consulting fee of \$13 million. Adient also made a net payment of \$211 million to Yanfeng related to the purchase CQADNT and LFADNT (the purchase price of \$271 million, less \$60 million cash acquired) on the Closing Date.

In conjunction with the 2021 Yanfeng Transaction, Adient provided Chongqing Boxun Industrial Co., Ltd. (“Boxun”), which owned 25% of CQADNT, an option to sell its interest in CQADNT. This option was reflected as \$194 million of redeemable noncontrolling interest on Adient’s statement of financial position as of September 30, 2021. Boxun exercised its option in October 2021, and Adient acquired Boxun’s 25% interest effective January 2022. The total payment to Boxun from Adient was approximately \$200 million, of which \$15 million of historical dividends were paid in December 2021, and \$185 million, including \$32 million of historical dividends, was paid later in fiscal 2022. With the acquisitions of Boxun’s 25% and YFAS’s 50% interest of CQADNT, Adient owns 100% of CQADNT effective January 2022.

As a result of the 2021 Agreement, Adient received \$41 million during fiscal 2022 representing the remaining balance of proceeds from the sale of its interest in Yanfeng Global Automotive Interior Systems Co. (“YFAI”), a joint venture previously owned, directly or indirectly, by Yanfeng (70%) and Adient (30%), which was part of the 2020 Yanfeng Transaction (as defined and described in Adient’s Annual Report for the fiscal year ended September 30, 2021).

The acquisition of CQADNT and LFADNT was accounted for using the acquisition method, and the operating results and cash flows of CQADNT and LFADNT have been included in Adient’s consolidated financial statements since October 1, 2021. The acquisitions are expected to provide substantial synergies through vertical integration, purchasing and logistics improvements. The acquisitions also provide for an immediate controlled manufacturing presence in strategic locations in China.

Adient recorded a purchase price allocation for the assets acquired and liabilities assumed based on their estimated fair values as of the September 30, 2021 acquisition date. The purchase price adjustments and allocation is as follows:

(in millions)	Fair value allocation	
	CQADNT	LFADNT
Cash	\$ 55	\$ 5
Accounts receivable	296	2
Inventory	37	5
Property, plant and equipment	86	8
Other assets	39	2
Goodwill	181	8
Intangible assets	234	6
Accounts payable	(252)	(19)
Other liabilities	(121)	(4)
Subtotal	555	13
Less: Interest already owned	103	—
Less: Redeemable noncontrolling interest	194	—
Total purchase consideration	258	13
Less: cash acquired	55	5
Net cash paid	\$ 203	\$ 8

The values allocated to CQADNT and LFADNT's intangible assets of \$234 million and \$6 million, respectively, primarily consisted of customer relationships and patented technologies which are being amortized on a straight line basis over estimated useful lives of 3 to 12 years. The assets were valued using a combination of an income approach and a relief from royalty approach. These values were considered level 3 measurements under the U.S. GAAP fair value hierarchy. Key assumptions used in the valuation of customer relationships included a rate of return of 13.5% and the life of the relationship of approximately 12 years. Key assumptions used in the valuation of patented technologies included a rate of return of 13.5% and the life of the technologies of approximately 3 years. The allocation of the purchase price to goodwill and intangible assets was based on the valuations performed to determine the fair value of the net assets as of the acquisition date.

Adient expensed \$14 million of acquisition costs related to the 2021 Yanfeng Transaction during the year ended September 30, 2021. If the acquisitions of CQADNT and LFADNT had occurred on October 1, 2019, Adient's net sales and net income attributable to Adient for fiscal 2021 would have been \$14,529 million and \$1,142 million, respectively. This unaudited pro forma information includes actual results of the entities and adjustments to amortization expense that would have been recognized due to acquired intangible assets, and related income tax effects. The unaudited pro forma financial information is not indicative of the operational results that would have been obtained had the transactions actually occurred as of that date, nor is it necessarily indicative of Adient's future operational results.

In fiscal 2022, Adient entered into an agreement whereby Adient would purchase all of the issued and outstanding equity interest in Nantong Yanfeng Adient Seating Trim Co., Ltd. ("YFAT") held by KEIPER for ¥150 million (\$24 million). Adient made an initial deposit of ¥75 million (\$12 million) in fiscal 2022, which represents 50% of the estimated purchase price (reflected within other current assets as of September 30, 2022). The transaction is subject to a public bidding process and other customary regulatory approvals, and is expected to be completed during the first half of fiscal 2023. The remaining 50% of the estimated purchase price will be paid at the time of completion of the transaction.

Also in fiscal 2022, Adient has entered into agreements whereby Adient would transfer all of the issued and outstanding equity interests in two joint ventures in China held directly by Adient, each of which represents 25% of their total issued and outstanding equity interests, to Yanfeng for \$3 million. As a result, Adient concluded that indicators of other-than-temporary impairment were present related to the investments in these joint ventures, and recorded a non-cash impairment charge of \$3 million during the second quarter of fiscal 2022. The transactions are expected to be completed during the first half of fiscal 2023.

Russia/Ukraine conflict

Following Russia's invasion of Ukraine in February 2022, Adient determined to withdraw from the Russian market. Adient recorded a charge of \$5 million during fiscal 2022 in conjunction with completion of the withdrawal from and sale of its Russian operations for one ruble.

SJA

On March 31, 2021, Adient sold its 50% equity interest in Shenyang Jinbei Adient Automotive Components Co., Ltd. ("SJA") to the joint venture partner for \$58 million, which resulted in a \$33 million one-time gain recognized during the second quarter of fiscal 2021.

2020 Yanfeng Transaction

On January 31, 2020 (as amended on June 24, 2020), Adient, Yanfeng, KEIPER, YFAS and YFAI entered into a Master Agreement (the "2020 Agreement", collectively referred to as "2020 Yanfeng Transaction"), pursuant to which the parties have agreed, among other things, that Adient would transfer all of the issued and outstanding equity interest in YFAI held, directly or indirectly, by Adient, which represents 30% of YFAI's total issued and outstanding equity interest, to Yanfeng for \$369 million, of which \$309 million was paid in fiscal 2020, \$19 million in fiscal 2021, and \$41 million in fiscal 2022. Upon the closing of the transaction, an intangible asset of \$92 million was recorded associated with the YFAS joint venture extension to be amortized over the 18-year term of the extension. The intangible asset was subsequently written off in fiscal 2021 as a result of the 2021 Yanfeng Transaction.

All of the acquisitions and divestiture transactions described above align with Adient's strategy of focusing on its core, high-volume seating business.

Assets held for sale

During fiscal 2022, Adient committed to sell certain assets in EMEA. As a result, these assets were classified as assets held for sale and were required to be adjusted to the lower of fair value less cost to sell or carrying value. This resulted in an impairment charge of \$6 million. The impairment was measured using third party sales pricing to determine fair values of the assets. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement."

During fiscal 2021, Adient committed to sell certain assets in France and Turkey. As a result, these assets were classified as assets held for sale (including an allocation of \$11 million of goodwill) and were required to be adjusted to the lower of fair value less cost to sell or carrying value. This resulted in Adient recording an impairment charge of \$9 million within restructuring and impairment costs on the consolidated statement of income (loss) related to the assets in France. The impairment was measured using third party sales pricing to determine fair values of the assets. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement." The sale of the assets in France was completed in fiscal 2021 for minimal proceeds while the sale of the assets in Turkey was completed in fiscal 2022 for total proceeds of \$46 million, of which \$36 million was collected at closing, and \$10 million was collected later in fiscal 2022.

5. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill are as follows:

(in millions)	Americas	EMEA	Asia	Total
Balance at September 30, 2021	\$ 607	\$ 354	\$ 1,251	\$ 2,212
Currency translation and other	—	(59)	(96)	(155)
Balance at September 30, 2022	<u>\$ 607</u>	<u>\$ 295</u>	<u>\$ 1,155</u>	<u>\$ 2,057</u>

Refer to Note 4, "Acquisitions and Divestitures," of the notes to consolidated financial statements for additional information.

Adient performed its annual goodwill impairment test during the fourth quarter of fiscal 2022 using a fair value method based on management's judgments and assumptions regarding future cash flows. These calculations contain uncertainties as they require management to make assumptions about market comparables, future cash flows, and the appropriate discount rates (based on weighted average cost of capital ranging from 17.5% to 21.0%) to reflect the risk inherent in the future cash flows and to derive a reasonable enterprise value and related premium. The estimated future cash flows reflect management's latest

assumptions of the financial projections based on current and anticipated competitive landscape, including estimates of revenue based on production volumes over the foreseeable future and long-term growth rates, and operating margins based on historical trends and future cost containment activities. The financial projections considered the impact that the COVID-19 pandemic, supply-chain disruptions, higher commodity, shipping and energy costs, and the Russia/Ukraine conflict are having on Adient's current and future operations as well as the impact to new vehicle sales in future years. As a result of the test, there was no goodwill impairment recorded for fiscal year 2022. Changes in these estimates and assumptions, as it relates to the extent of the COVID-19 pandemic's, supply-chain disruptions' impacts on vehicle production volumes within the automotive industry, the impact of commodity, shipping and energy costs, the impact of the Russia/Ukraine conflict as well as the demand for new vehicle sales once the current operational disruptions are over, could impact the fair values of Adient's reporting units, which could have a further impact on its results of operations.

Adient performed its annual goodwill test during the fourth quarter of fiscal 2021 using similar methods and assumptions as described above (based on weighted average cost of capital ranging from 15.0% to 17.5%). As a result of the tests, there was no goodwill impairment recorded in fiscal 2021.

Adient's other intangible assets, primarily from business acquisitions valued based on independent appraisals, consisted of:

(in millions)	September 30, 2022			September 30, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets						
Patented technology	\$ 80	\$ (25)	\$ 55	\$ 86	\$ (19)	\$ 67
Customer relationships	560	(163)	397	649	(178)	471
Trademarks	19	(17)	2	26	(21)	5
Miscellaneous	25	(12)	13	24	(12)	12
Total intangible assets	<u>\$ 684</u>	<u>\$ (217)</u>	<u>\$ 467</u>	<u>\$ 785</u>	<u>\$ (230)</u>	<u>\$ 555</u>

On September 30, 2021, Adient acquired CQADNT and LFADNT as part of the 2021 Yanfeng Transaction and recorded \$176 million of customer relationships and \$60 million of patented technology intangibles. The values of the intangible assets were determined based on independent appraisals. Adient evaluates its other intangible assets for impairment as facts and circumstances warrant. As part of the 2020 Yanfeng Transaction, Adient recorded an intangible asset of \$92 million associated with the YFAS joint venture extension to 2038 (reflected in the Miscellaneous line in the table above), to be amortized over the 18-year term of the extension. During fiscal 2021, Adient wrote off the remaining balance of the intangible asset (\$86 million) as a result of the 2021 Yanfeng Transaction. Refer to Note 4, "Acquisitions and Divestitures," of the notes to the consolidated financial statements for additional information.

Amortization of other intangible assets for the fiscal years ended September 30, 2022 and 2021 was \$52 million and \$45 million, respectively. Adient anticipates amortization for fiscal 2023, 2024, 2025, 2026 and 2027 will be approximately \$48 million, \$47 million, \$46 million, \$44 million and \$41 million, respectively.

6. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

(in millions)	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Land	Total Tangible Assets
Cost:					
At September 30, 2021	\$ 1,167	\$ 3,087	\$ 162	\$ 100	\$ 4,516
Capital expenditures	—	—	227	—	227
Business acquisitions	2	—	—	—	2
Disposals and other	(87)	(171)	(1)	(4)	(263)
Impairment	(5)	—	—	—	(5)
Held for sale reclassifications	(21)	(2)	—	(1)	(24)
Transfers	36	189	(225)	—	—
Currency translation	(39)	(214)	(17)	(13)	(283)
At September 30, 2022	<u>\$ 1,053</u>	<u>\$ 2,889</u>	<u>\$ 146</u>	<u>\$ 82</u>	<u>\$ 4,170</u>
Accumulated depreciation:					
At September 30, 2021	\$ (649)	\$ (2,260)	\$ —	\$ —	\$ (2,909)
Depreciation expense	(40)	(258)	—	—	(298)
Disposals and other	85	168	—	—	253
Held for sale reclassifications	11	2	—	—	13
Currency translation	(4)	152	—	—	148
At September 30, 2022	<u>\$ (597)</u>	<u>\$ (2,196)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2,793)</u>
Net book value:					
At September 30, 2021	\$ 518	\$ 827	\$ 162	\$ 100	\$ 1,607
At September 30, 2022	\$ 456	\$ 693	\$ 146	\$ 82	\$ 1,377

There were no material finance leases included in net property, plant and equipment at September 30, 2022 and 2021.

As of September 30, 2022, Adient is the lessor of properties included in gross building and improvements for \$12 million and accumulated depreciation of \$8 million. As of September 30, 2021, Adient is the lessor of properties included in gross building and improvements for \$15 million and accumulated depreciation of \$9 million.

A correction of approximately \$1.4 billion to reduce the carrying value of buildings and improvements, machinery and equipment and accumulated depreciation as of September 30, 2021 was recorded related to previously disposed assets.

7. Other Financial Assets

As of September 30, 2022 and 2021, other current assets were comprised of:

(in millions)	September 30	
	2022	2021
Customer tooling	\$ 74	\$ 77
VAT receivable	145	158
Capitalized engineering	73	66
Prepaid expenses	52	73
Divestiture related receivables from Yanfeng, net of tax	—	683
All other	67	57
Other current assets	<u>\$ 411</u>	<u>\$ 1,114</u>

Refer to Note 4, "Acquisitions and Divestitures," of the notes to consolidated financial statements for additional information on divestiture related receivables from Yanfeng related to the 2021 Yanfeng Transaction.

As of September 30, 2022 and 2021, other noncurrent assets were comprised of:

(in millions)	September 30	
	2022	2021
Deferred tax asset	\$ 111	\$ 134
Capitalized engineering	166	212
Customer tooling	15	8
Operating lease right-of-use assets	266	335
All other	239	269
Other noncurrent assets	<u>\$ 797</u>	<u>\$ 958</u>

Refer to Note 10, "Leases," of the notes to consolidated financial statements for additional information related operating lease right-of-use assets.

8. Inventories

Inventories consisted of the following:

(in millions)	September 30,	
	2022	2021
Raw materials and supplies	\$ 755	\$ 750
Work-in-process	26	29
Finished goods	172	197
Inventories	<u>\$ 953</u>	<u>\$ 976</u>

The employee costs capitalized in finished goods balances are \$30 million and \$37 million as of September 30, 2022 and 2021, respectively. Refer to Note 27, "Employees," of the notes to consolidated financial statements for additional information related to employee related costs.

9. Product Warranties

Adient offers warranties to its customers depending upon the specific product and terms of the customer purchase agreement. A typical warranty program requires that Adient replace defective products within a specified time period from the date of sale. Adient records an estimate for future warranty-related costs based on actual historical return rates and other known factors. Based on analysis of return rates and other factors, Adient's warranty provisions are adjusted as necessary. Adient monitors its warranty activity and adjusts its reserve estimates when it is probable that future warranty costs will be different than those estimates. Adient's product warranty liability is recorded in the consolidated statements of financial position in other current liabilities.

The changes in Adient's total product warranty liability are as follows:

(in millions)	September 30,	
	2022	2021
Balance at beginning of period	\$ 23	\$ 24
Accruals for warranties issued during the period	8	9
Changes in accruals related to pre-existing warranties (including changes in estimates)	—	(2)
Changes in accruals related to business acquisitions	—	1
Changes in accruals related to business divestitures	—	(1)
Settlements made (in cash or in kind) during the period	(9)	(8)
Currency translation	(1)	—
Balance at end of period	<u>\$ 21</u>	<u>\$ 23</u>

10. Leases

Adient's lease portfolio consists of operating leases for real estate including production facilities, warehouses and administrative offices, equipment such as forklifts and computer servers and laptops, and fleet vehicles. The Company has elected not to record leases with an initial term of 12 months or less on its consolidated statement of financial position.

A lease liability and corresponding ROU asset are recognized based on the present value of lease payments. To determine the present value of lease payments, the Company uses its incremental borrowing rate as of lease commencement. The incremental borrowing rate (IBR) is defined as the rate Adient would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Adient primarily derives its IBR from its debt portfolio, adjusted for collateralization, lease term and jurisdictional factors.

The components of lease costs for the years ended September 30, 2022 and 2021 were as follows:

(in millions)	Year Ended September 30,	
	2022	2021
Operating lease cost	\$ 117	\$ 125
Short-term lease cost	20	20
Total lease cost	<u>\$ 137</u>	<u>\$ 145</u>

Operating lease right-of-use assets and lease liabilities included in the consolidated statement of financial position were as follows:

(in millions)		September 30,	
		2022	2021
Operating leases:			
Operating lease right-of-use assets	Other noncurrent assets	\$ 266	\$ 335
Operating lease liabilities - current	Other current liabilities	\$ 81	\$ 89
Operating lease liabilities - noncurrent	Other noncurrent liabilities	186	246
		<u>\$ 267</u>	<u>\$ 335</u>
Weighted average remaining lease term:			
Operating leases		6 years	6 years
Weighted average discount rate:			
Operating leases		5.6 %	5.2 %

Maturities of operating lease liabilities and minimum payments for operating leases having initial or remaining non-cancelable terms in excess of one year as of September 30, 2022 were as follows:

Fiscal years (in millions)	Operating Leases
2023	\$ 90
2024	67
2025	46
2026	29
2027	23
Thereafter	55
Total lease payments	310
Less: imputed interest	(43)
Present value of lease liabilities	<u>\$ 267</u>

Supplemental cash flow information related to leases was as follows:

(in millions)		Year Ended September 30,	
		2022	2021
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases (non-cash activity)		<u>\$ 52</u>	<u>\$ 109</u>
Operating cash flows:			
Cash paid for amounts included in the measurement of lease liabilities		<u>\$ 116</u>	<u>\$ 126</u>

Adient's finance leases were not significant to the consolidated financial statements during fiscal 2022 and 2021. Refer to Note 11, "Debt and Financing Arrangements," of the notes to consolidated financial statements for additional information.

11. Debt and Financing Arrangements

Long-term and short-term debt consisted of the following:

(in millions)	September 30,	
	2022	2021
<i>Long-term debt:</i>		
Term Loan B - LIBOR plus 3.25% due in 2028	\$ 988	\$ 998
4.875% Notes due in 2026	795	795
3.50% Notes due in 2024	809	1,161
9.00% Notes due in 2025	—	600
European Investment Bank Loan - EURIBOR plus 1.58% due in 2022	—	156
Finance lease obligation	1	1
Less: debt issuance costs	(18)	(32)
Gross long-term debt	2,575	3,679
Less: current portion	11	167
Net long-term debt	<u>\$ 2,564</u>	<u>\$ 3,512</u>
<i>Short-term debt:</i>		
Other bank borrowings ⁽¹⁾	\$ 3	\$ 17
Total short-term debt	<u>\$ 3</u>	<u>\$ 17</u>

⁽¹⁾ The weighted average interest rates on short-term debts, based on levels of debt maintained in various jurisdictions, were 6.0% and 3.8% at September 30, 2022 and 2021, respectively.

Adient US LLC ("Adient US"), a wholly owned subsidiary of Adient, together with certain of Adient's other subsidiaries, maintains an asset-based revolving credit facility (the "ABL Credit Facility"), which provides for a revolving line of credit up to \$1,250 million, including a North American subfacility of up to \$950 million and a European subfacility of up to \$300 million, subject to borrowing base capacity and certain other restrictions, including a minimum fixed charge coverage ratio. The ABL Credit Facility was set to mature on May 6, 2024, subject to a springing maturity date 91 days earlier if certain amounts remain outstanding at that time under the Term Loan B Agreement (defined below). Adient will pay a commitment fee of 0.25% to 0.375% on the unused portion of the commitments under the asset-based revolving credit facility based on average global availability. Letters of credit are limited to the lesser of (x) \$150 million and (y) the aggregate unused amount of commitments under the ABL Credit Facility then in effect. Subject to certain conditions, the ABL Credit Facility may be expanded by up to \$250 million in additional commitments. Loans under the ABL Credit Facility may be denominated, at the option of Adient, in U.S. dollars, Euros, Pounds Sterling or Swedish Kroner. The ABL Credit Agreement is secured on a first-priority lien on all accounts receivable, inventory and bank accounts (and funds on deposit therein) and a second-priority lien on all of the tangible and intangible assets of certain Adient subsidiaries. On November 24, 2021, Adient entered into an amendment to its ABL Credit Facility (the "2021 ABL Amendment") to amend certain terms and provisions, including to (i) change the interest rate benchmark rates applicable under the ABL Credit Facility for borrowings denominated in euro, Swedish krona and pounds sterling to EURIBOR, STIBOR, and SONIA, in each case subject to certain adjustments, and (ii) update the provisions in our ABL Credit Facility by which U.S. dollar LIBOR will eventually be replaced with SOFR or another interest rate benchmark, in each case, to reflect the most recent standards and practices used in the industry. Interest is payable on the ABL Credit Facility at a fluctuating rate of interest determined by reference to LIBOR, in the case of amounts outstanding in dollars, EURIBOR, in the case of amounts outstanding in euros, STIBOR, in the case of amounts outstanding in Swedish krona and SONIA, in the case of amounts outstanding in pounds sterling, in each case, plus an applicable margin of 1.50% to 2.00%. On November 2, 2022, Adient entered into an amendment to its ABL Credit Facility (the "2022 ABL Amendment") to amend certain terms and provisions, including to (i) extend its maturity date to November 2, 2027 (subject to certain springing maturity provisions), (ii) replace LIBOR with Term SOFR as the benchmark rate of interest for U.S. dollar borrowings thereunder and (iii) provide flexibility for future amendments to the ABL Credit Facility to incorporate certain sustainability-based pricing provisions. Other key terms and conditions of the facility remain unchanged. As of September 30, 2022, Adient had not drawn down on the ABL Credit Facility and had availability under this facility of \$899 million (net of \$13 million of letters of credit).

In addition, Adient US and Adient Global Holdings S.à r.l., a wholly-owned subsidiary of Adient, maintain a term loan credit agreement, as amended in fiscal 2021, (the "Term Loan B Agreement") that provides for a \$1.0 billion senior secured term loan facility. The Term Loan B Agreement amortizes in equal quarterly installments at a rate of 1.00% per annum of the original principal amount thereof, with the remaining balance due at final maturity on April 8, 2028. Interest on the Term Loan B Agreement accrues at the Eurodollar rate plus an applicable margin equal to 3.25%. The Term Loan B Agreement also permits

Adient to incur incremental term loans in an aggregate amount not to exceed the greater of \$750 million and an unlimited amount subject to a pro forma first lien secured net leverage ratio of not greater than 1.75 to 1.00 and certain other conditions. Adient paid \$7 million related to the fiscal 2021 amendment along with expensing \$8 million of previously deferred financing costs to net financing charges.

Adient US was also a party to an indenture relating to the issuance of \$800 million aggregate principal amount of Senior First Lien Notes. The notes were set to mature on May 15, 2026 and bore interest at a rate of 7.00% per annum. Interest on these notes was payable semi-annually in arrears on November 15 and May 15 of each year. During fiscal 2021, Adient repurchased the full amount of the outstanding balance of the Senior First Lien Notes at a premium of \$50 million plus \$21 million of accrued and unpaid interest. As a result, \$12 million of previously deferred financing costs were expensed to net financing charges.

The ABL Credit Facility and Term Loan B Agreement contain covenants that are usual and customary for facilities and debt instruments of this type and that, among other things, restrict the ability of Adient and its restricted subsidiaries to: create certain liens and enter into sale and lease-back transactions; create, assume, incur or guarantee certain indebtedness; pay dividends or make other distributions on, or repurchase or redeem, Adient's capital stock or certain other debt; make other restricted payments; and consolidate or merge with, or convey, transfer or lease all or substantially all of Adient's and its restricted subsidiaries' assets, to another person. These covenants are subject to a number of other limitations and exceptions set forth in the agreements. The agreements also provide for customary events of default, including, but not limited to, cross-default clauses with other debt arrangements, failure to pay principal and interest, failure to comply with covenants, agreements or conditions, and certain events of bankruptcy or insolvency involving Adient and its significant subsidiaries.

Adient Global Holdings Ltd. ("AGH"), a wholly-owned subsidiary of Adient, previously maintained \$900 million aggregate principal amount of 4.875% USD-denominated unsecured notes due 2026. During fiscal 2020, Adient redeemed \$103 million of face value of these notes. Adient further redeemed \$2 million of the notes during fiscal 2021, resulting in a remaining balance of \$795 million as of September 30, 2022 and 2021. AGH also previously maintained €1.0 billion aggregate principal amount of 3.50% unsecured notes due 2024. In fiscal 2022, Adient repurchased €177 million (\$198 million) of the 3.50% unsecured notes due 2024 at a premium of €3 million (\$4 million) plus €3 million (\$3 million) of accrued and unpaid interest, and expensed €1 million (\$1 million) of previously deferred financing costs to net financing charges. As of September 30, 2022, the remaining balance of this debt was €823 million (\$809 million).

Adient Germany Ltd. & Co. KG, a wholly owned subsidiary of Adient, previously maintained €135 million (\$156 million) in an unsecured term loan from the European Investment Bank ("EIB") due in 2022. The loan bore interest at the 6-month EURIBOR rate plus 158 basis points. During fiscal 2021, Adient repaid \$36 million of the EIB loan, triggered in part by the redemption of debt and the sale of the fabrics business in the prior year. Adient fully repaid the remaining balance of the EIB loan in May 2022 upon its maturity.

On April 20, 2020, Adient US issued \$600 million (net proceeds of \$591 million) aggregate principal amount of 9.00% Senior First Lien Notes due 2025. These notes were set to mature on April 15, 2025, provided that if AGH has not refinanced (or otherwise redeemed) in whole its outstanding 3.50% unsecured notes due 2024 or any refinancing indebtedness thereof that matures earlier than 91 days prior to the maturity date of the Senior First Lien Notes due 2025 on or prior to May 15, 2024, these notes will mature on May 15, 2024. Interest on these notes was due on April 15 and October 15 each year, beginning on October 15, 2020. These notes contained covenants that were usual and customary, similar to the covenants as described above. In fiscal 2022, Adient repurchased the full \$600 million of 9.00% Senior First Lien Notes due 2025 at a premium of \$34 million plus \$19 million of accrued and unpaid interest, and expensed \$7 million of previously deferred financing costs to net financing charges.

Principal payments required on long-term debt during the next five years are as follows:

(in millions)	Year Ended September 30,				
	2023	2024	2025	2026	2027
Principal payments	\$ 11	\$ 819	\$ 10	\$ 805	\$ 10

Net Financing Charges

Adient's net financing charges in the consolidated statements of income (loss) contained the following components:

(in millions)	Year Ended September 30,	
	2022	2021
Interest expense, net of capitalized interest costs	\$ 161	\$ 207
Banking fees and debt issuance cost amortization	22	32
Interest income	(9)	(7)
Premium paid on repurchase of debt	38	49
Derivative loss on Yanfeng transaction	3	30
(Gain) on extinguishment of debt	—	—
Net financing charges	<u>\$ 215</u>	<u>\$ 311</u>

Banking fees in fiscal 2022 and 2021 includes \$8 million and \$20 million, respectively, of one-time accelerated-deferred financing fee charges associated with voluntary repayments of debt and the amendment and extension of Adient's Term Loan B agreement. Total interest paid on both short and long-term debt for the fiscal years ended September 30, 2022 and 2021 was \$192 million and \$229 million, respectively.

12. Accounts Payable

Accounts payable consisted of the following:

(in millions)	September 30,	
	2022	2021
Trade accounts payable	\$ 1,800	\$ 1,589
Accrued payables	678	541
Accounts payable	<u>\$ 2,478</u>	<u>\$ 2,130</u>

Amounts are payable at various dates within a year after the end of the fiscal year in accordance with usual and customary credit terms.

13. Other Liabilities

As of September 30, 2022 and 2021, other current liabilities were comprised of:

(in millions)	Year ended September 30	
	2022	2021
Customer tooling	\$ 128	\$ 114
VAT liability	146	160
Accrued income tax	22	23
Operating lease liabilities	81	89
All other	175	239
Other current liabilities	<u>\$ 552</u>	<u>\$ 625</u>

As of September 30, 2022 and 2021, other noncurrent liabilities were comprised of:

(in millions)	Year ended September 30	
	2022	2021
Accrued income tax	\$ 101	\$ 113
Operating lease liabilities	186	246
All other	72	69
Other noncurrent liabilities	<u>\$ 359</u>	<u>\$ 428</u>

Accrued income taxes are payable in the time frame set forth in the relevant legislation.

Refer to Note 10, "Leases," of the notes to consolidated financial statements for additional information related to operating lease liabilities.

14. Provisions

Irish law defines provisions as amounts that are uncertain in respect of the amount or the date they will be settled. Adient splits provisions between amounts expected to be settled within 12 months of the balance sheet date (current) and amounts expected to be settled later (noncurrent). As of September 30, 2022 and 2021, certain provisions within the consolidated statement of financial position are shown below:

	September 30, 2021	Charges	Utilization	Other	September 30, 2022
Current					
Warranty accrual	\$ 23	\$ 8	\$ (9)	\$ (1)	\$ 21
Environmental	4	—	(2)	—	2
Insurance	21	11	(10)	—	22
Legal	4	7	—	1	12
Restructuring liabilities	115	25	(57)	(23)	60
Provisions - current	<u>\$ 167</u>	<u>\$ 51</u>	<u>\$ (78)</u>	<u>\$ (23)</u>	<u>\$ 117</u>
Noncurrent					
Environmental	\$ 4	\$ —	\$ —	\$ —	\$ 4
Insurance	25	5	(3)	(3)	24
Deferred tax liability	212	10	(8)	(16)	198
Pension and benefits	128	18	(15)	(43)	88
Provisions - noncurrent	<u>\$ 369</u>	<u>\$ 33</u>	<u>\$ (26)</u>	<u>\$ (62)</u>	<u>\$ 314</u>

The provisions as of September 30, 2022 are based on the latest estimates. Actual amounts payable upon settlement may differ from the amounts provided, and the timing of payments may also differ from the estimates.

Refer to Note 20, "Restructuring and Impairment Costs" of the notes to consolidated financial statements for further disclosure related to Adient's restructuring provisions. Refer to Note 19, "Retirement Plans" of the notes to consolidated financial statements for further disclosure related to Adient's pension and postretirement provisions.

15. Derivative Instruments and Hedging Activities

Adient selectively uses derivative instruments to reduce Adient's market risk associated with changes in foreign currency. Under Adient's policy, the use of derivatives is restricted to those intended for hedging purposes; the use of any derivative instrument for speculative purposes is strictly prohibited. A description of each type of derivative utilized to manage Adient's risk is included in the following paragraphs. In addition, refer to Note 16, "Fair Value Measurements," of the notes to consolidated financial statements for information related to the fair value measurements and valuation methods utilized by Adient for each derivative type.

Adient has global operations and participates in the foreign exchange markets to minimize its risk of loss from fluctuations in foreign currency exchange rates. Adient primarily uses foreign currency exchange contracts to hedge certain foreign exchange rate exposures. Adient hedges 70% to 90% of the nominal amount of each of its known foreign exchange transactional exposures. Gains and losses on derivative contracts offset gains and losses on underlying foreign currency exposures. These contracts have been designated as cash flow hedges under ASC 815, "Derivatives and Hedging," and the hedge gains or losses due to changes in fair value are initially recorded as a component of accumulated other comprehensive income (AOCI) and are subsequently reclassified into earnings when the hedged transactions occur and affect earnings. All contracts were highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates at September 30, 2022 and 2021, respectively.

As of September 30, 2022, the €823 million (\$809 million) aggregate principal amount of 3.50% euro-denominated unsecured notes due 2024 was designated as a net investment hedge to selectively hedge portions of Adient's net investment in Europe. The currency effects of Adient's euro-denominated bonds are reflected in the AOCI account within shareholders' equity attributable to Adient where they offset gains and losses recorded on Adient's net investment in Europe.

Adient entered into a cross-currency interest rate swap during fiscal 2019 to selectively hedge portions of its net investment in Japan. The currency effects of the cross-currency interest rate swap was reflected in the AOCI account within shareholders' equity attributable to Adient, where they offset gains and losses recorded on Adient's net investment in Japan. The contract matured during fiscal 2021. There was no outstanding Japanese yen denominated cross-currency interest rate swap outstanding as of September 30, 2022.

Adient purchased interest rate caps during fiscal 2019 to selectively limit the impact of USD LIBOR increases on its interest payments related to Adient's Term Loan B Agreement. The interest rate caps are designated as cash flow hedges under ASC 815. During fiscal 2021, in conjunction with the Term Loan B Amendment as discussed in Note 11, "Debt and Financing Arrangements," Adient de-designated these contracts, the impact of which was not material. The contracts matured in fiscal 2022. As of September 30, 2022, Adient had no outstanding interest rate caps.

In conjunction with the 2021 Yanfeng Transaction as described in Note 4, "Acquisitions and Divestitures," Adient entered into two forward foreign currency exchange contracts in April 2021 with total notional amount of approximately ¥7,482 million (\$1,123 million) in order to economically hedge the expected proceeds. One contract matured at the end of fiscal 2021 which resulted in a net cash payment of \$14 million, and the other contract matured in fiscal 2022. These contracts were treated as freestanding financial instruments with fair value changes recorded in earnings. These contracts resulted in realized and unrealized losses of \$14 million and \$16 million, respectively, during fiscal 2021, and realized losses of \$3 million during fiscal 2022. Refer to Note 11, "Debt and Financing Arrangements," of the notes to consolidated financial statements for more information.

Adient entered into a ¥150 million (\$23 million) foreign exchange forward contract during the second quarter of fiscal 2022 to selectively hedge portions of its net investment in China. The currency effects of the forward contract are reflected in the AOCI account within shareholder's equity attributable to Adient, where they offset gains and losses recorded on Adient's net investment in China. The forward contract matured in early fiscal 2023.

The following table presents the location and fair values of derivative instruments and other amounts used in hedging activities included in Adient's consolidated statements of financial position:

	Derivatives and Hedging Activities Designated as Hedging Instruments under ASC 815		Derivatives and Hedging Activities Not Designated as Hedging Instruments under ASC 815	
	September 30,			
(in millions)	2022	2021	2022	2021
Other current assets				
Foreign currency exchange derivatives	\$ 17	\$ 8	\$ 3	\$ —
Other noncurrent assets				
Foreign currency exchange derivatives	—	—	—	1
Total assets	<u>\$ 17</u>	<u>\$ 8</u>	<u>\$ 3</u>	<u>\$ 1</u>
Other current liabilities				
Foreign currency exchange derivatives	\$ 20	\$ 11	\$ —	\$ 13
Other noncurrent liabilities				
Foreign currency exchange derivatives	2	4	1	—
Long-term debt				
Foreign currency denominated debt	809	1,161	—	—
Total liabilities	<u>\$ 831</u>	<u>\$ 1,176</u>	<u>\$ 1</u>	<u>\$ 13</u>

Adient enters into International Swaps and Derivatives Associations (ISDA) master netting agreements with counterparties that permit the net settlement of amounts owed under the derivative contracts. The master netting agreements generally provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event. Adient has not elected to offset the fair value positions of the derivative contracts recorded in the consolidated statements of financial position. Collateral is generally not required of Adient or the counterparties under the master netting agreements. As of September 30, 2022 and 2021, no cash collateral was received or pledged under the master netting agreements.

The gross and net amounts of derivative instruments and other amounts used in hedging activities are as follows:

	Assets		Liabilities	
	September 30,			
(in millions)	2022	2021	2022	2021
Gross amount recognized	\$ 20	\$ 9	\$ 832	\$ 1,189
Gross amount eligible for offsetting	(19)	(9)	(19)	(9)
Net amount	\$ 1	\$ —	\$ 813	\$ 1,180

The following table presents the effective portion of pretax gains (losses) recorded in other comprehensive income related to cash flow hedges:

(in millions)	Year Ended September 30,	
	2022	2021
Foreign currency exchange derivatives	\$ 8	\$ 29

The following table presents the location and amount of the effective portion of pretax gains (losses) on cash flow hedges reclassified from AOCI into Adient's consolidated statements of income:

(in millions)		Year Ended September 30,	
		2022	2021
Foreign currency exchange derivatives	Cost of sales	\$ 6	\$ 2

The following table presents the location and amount of pretax gains (losses) on derivatives not designated as hedging instruments recognized in Adient's consolidated statements of income (loss):

(in millions)		Year Ended September 30,	
		2022	2021
Foreign currency exchange derivatives	Cost of sales	\$ —	\$ (4)
Foreign currency exchange derivatives	Net financing charges	(33)	(30)
Total		<u>\$ (33)</u>	<u>\$ (34)</u>

The effective portion of pretax gains (losses) recorded in currency translation adjustment (CTA) within other comprehensive income (loss) related to net investment hedges was \$151 million and \$17 million for the fiscal years ended September 30, 2022 and 2021, respectively. For the years ended September 30, 2022 and 2021, respectively, no gains or losses were reclassified from CTA into income for Adient's outstanding net investment hedges. For the years ended September 30, 2022 and 2021, no gains or losses were recognized in income for the ineffective portion of cash flow hedges.

16. Fair Value Measurements

ASC 820, "Fair Value Measurement," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability 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 where there is little or no market data, which requires the reporting entity to develop its own assumptions.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Recurring Fair Value Measurements

The following tables present Adient's fair value hierarchy for those assets and liabilities measured at fair value. Refer to Note 19, "Retirement Plans," of the notes to consolidated financial statements for fair value tables of pension assets.

(in millions)	Fair Value Measurements Using:			
	Total as of September 30, 2022	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives	\$ 20	\$ —	\$ 20	\$ —
Total assets	<u>\$ 20</u>	<u>\$ —</u>	<u>\$ 20</u>	<u>\$ —</u>
Other current liabilities				
Foreign currency exchange derivatives	\$ 20	\$ —	\$ 20	\$ —
Other noncurrent liabilities				
Foreign currency exchange derivatives	3	—	3	—
Total liabilities	<u>\$ 23</u>	<u>\$ —</u>	<u>\$ 23</u>	<u>\$ —</u>

(in millions)	Fair Value Measurements Using:			
	Total as of September 30, 2021	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives	\$ 8	\$ —	\$ 8	\$ —
Other noncurrent assets				
Foreign currency exchange derivatives	1	—	1	—
Total assets	<u>\$ 9</u>	<u>\$ —</u>	<u>\$ 9</u>	<u>\$ —</u>
Other current liabilities				
Foreign currency exchange derivatives	\$ 24	\$ —	\$ 24	\$ —
Other noncurrent liabilities				
Foreign currency exchange derivatives	4	—	4	—
Total liabilities	<u>\$ 28</u>	<u>\$ —</u>	<u>\$ 28</u>	<u>\$ —</u>

Valuation Methods

Foreign currency exchange derivatives Adient selectively hedges anticipated transactions and net investments that are subject to foreign exchange rate risk primarily using foreign currency exchange hedge contracts. The foreign currency exchange derivatives are valued under a market approach using publicized spot and forward prices. Changes in fair value on foreign exchange derivatives accounted for as hedging instruments under ASC 815 are initially recorded as a component of AOCI and are subsequently reclassified into earnings when the hedged transactions occur and affect earnings. These contracts were highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates at September 30, 2022 and 2021, respectively. The changes in fair value of foreign currency exchange derivatives not designated as hedging instruments under ASC 815 are recorded in the consolidated statements of income.

Cross-currency interest rate swaps Adient determines the fair value of a cross-currency interest rate swap contract using a market approach which is based on quoted market price for similar instruments in markets. All significant inputs are corroborated by observable market data for the term of such a contract. Adient selectively uses cross-currency interest rate swaps to hedge portions of its net investments.

Interest rate caps Adient determines the fair value of an interest rate cap contract using a market approach which is based on quoted market price for identical or similar instruments in markets. All significant inputs are corroborated by observable market data for the term of such a contract. Adient selectively used interest rate caps to limit the impact of floating rate interest payment increases on its Term Loan B Agreement. The interest rate caps were designated as cash flow hedges under ASC 815. As of September 30, 2022, Adient had no interest rate caps outstanding.

The fair value of cash and cash equivalents, accounts receivable, short-term debt and accounts payable approximate their carrying values. The fair value of long-term debt, which was \$2.4 billion and \$3.8 billion at September 30, 2022 and 2021, respectively, was determined primarily using market quotes classified as Level 1 inputs within the ASC 820 fair value hierarchy.

17. Stock-Based Compensation

Adient provides certain key employees equity awards in the form of restricted stock units (RSU) and performance share units (PSUs) under the Adient plc 2016 Omnibus Incentive Plan and the Adient plc 2021 Omnibus Incentive Plan (collectively, the “Plan”). Adient also provides directors with share awards under the Adient plc 2016 Director Share Plan and the Adient plc 2021 Omnibus Incentive Plan. These 2016 plans were adopted in conjunction with the separation. The 2021 plan was adopted in March 2021.

Total stock-based compensation cost included in the consolidated statements of income was \$29 million and \$36 million for the fiscal years ended September 30, 2022 and 2021, respectively. No material income tax benefits were recognized in the

consolidated statements of income for the share-based compensation arrangements in any of these years due to tax valuation allowances in those years.

In conjunction with the separation, previously outstanding stock-based compensation awards granted under the former Parent's equity compensation programs prior to the separation and held by certain executives and employees of Adient were adjusted and converted into new Adient equity awards using a formula designated to preserve the intrinsic value of the awards. Upon the separation on October 31, 2016, holders of former Parent stock options, RSUs, and SARs generally received one ordinary share of Adient for every ten ordinary shares of the former parent held at the close of business on October 19, 2016, the record date of the distribution, and cash in lieu of fractional shares (if any) of Adient. Accordingly, certain executives and employees of Adient hold converted awards in both the former Parent and Adient shares subsequent to the separation. Converted awards retained the vesting schedule and expiration date of the original awards. Outstanding stock awards related to the former Parent stock are not included in Adient's dilutive share calculation.

The following tables present activity related to the granting of awards during the year ended September 30, 2022 along with the composition of outstanding and exercisable awards at September 30, 2022 for remaining former Parent and Adient awards.

Restricted Stock

The Plan provides for the award of restricted stock or restricted stock units to certain employees. These awards are typically share settled except for certain non-U.S. employees or those who elected to defer past awards settlement until retirement at which point the award would be settled in cash. Cash settled awards are recorded in Adient's consolidated statements of financial position as a liability and adjusted each reporting period for changes in share value until the settlement of the award. Restricted stock awards typically vest over a three year period following the grant date. The Plan allows for different vesting terms on specific grants with approval by Adient's board of directors.

A summary of the status of nonvested restricted stock awards at September 30, 2022, and changes for the fiscal year then ended, is presented below:

	Weighted Average Price	Restricted Shares/Units
Nonvested, September 30, 2021	\$ 26.01	1,148,888
Granted	\$ 46.18	354,148
Vested	\$ 27.57	(547,123)
Forfeited	\$ 28.91	(83,496)
Nonvested, September 30, 2022	\$ 32.94	<u>872,417</u>

At September 30, 2022, Adient had approximately \$15 million of total unrecognized compensation cost related to nonvested restricted stock arrangements granted. That cost is expected to be recognized over a weighted-average period of 1.7 years.

Performance Share Awards

The Plan permits the grant of PSU awards. The number of PSUs granted is equal to the PSU award value divided by the closing price of a Adient ordinary share at the grant date. The PSUs are generally contingent on the achievement of predetermined performance goals over a three-year performance period as well as on the award holder's continuous employment until the vesting date. Each PSU that is earned will be settled with an ordinary share of Adient following the completion of the performance period except for certain non-U.S. employees or those who elected to defer a portion or all of past awards until retirement, which would then be settled in cash. Cash settled awards are recorded in Adient's consolidated statements of financial position as a liability and adjusted each reporting period for changes in share value until the settlement of the award.

A summary of the status of Adient's nonvested PSUs at September 30, 2022, and changes for the fiscal year then ended is presented below:

	Weighted Average Price	Performance Shares/Units
Nonvested, September 30, 2021	\$ 24.40	1,223,180
Granted	\$ 46.79	263,573
Vested	\$ 29.18	(252,149)
Forfeited	\$ 19.78	(165,890)
Nonvested, September 30, 2022	\$ 29.51	<u>1,068,714</u>

At September 30, 2022, Adient had approximately \$18 million of total unrecognized compensation cost related to nonvested performance share units granted. That cost is expected to be recognized over a weighted-average period of 1.8 years.

Stock Options

No new stock options have been granted under the Plan. Stock options were previously granted to eligible employees prior to the separation from the former Parent. Stock option awards typically vest between two and three years after the grant date and expire ten years from the grant date. The fair value of each option was estimated on the date of grant using a Black-Scholes option valuation model.

A summary of stock option activity at September 30, 2022, and changes for the year then ended, is presented below:

	Weighted Average Option Price	Shares Subject to Option	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Outstanding, September 30, 2021	\$ 32.77	93,790		
Exercised	\$ 26.36	(40,571)		
Forfeited or expired	\$ 27.53	(3,280)		
Outstanding, September 30, 2022	\$ 38.32	<u>49,939</u>	1.2	\$ —
Exercisable, September 30, 2022	\$ 38.32	49,939	1.2	\$ —
Former Parent outstanding and exercisable, September 30, 2022	\$ 25.67	20,971	0	\$ —
Adient outstanding and exercisable, September 30, 2022	\$ 47.48	<u>28,968</u>	2.1	\$ —
Total outstanding and exercisable, September 30, 2022	\$ 38.32	<u>49,939</u>	1.2	\$ —

There were no stock options granted in fiscal years 2022 and 2021, respectively. The total intrinsic value of options exercised by Adient employees during the fiscal years ended September 30, 2022 and 2021 was approximately \$1 million and \$7 million, respectively, primarily consisting of former Parent awards.

Stock Appreciation Rights

No new SARs have been granted under the Plan. SARs vest under the same terms and conditions as stock option awards; however, they are settled in cash for the difference between the market price on the date of exercise and the exercise price. As a result, SARs are recorded in Adient's consolidated statements of financial position as a liability until the date of exercise.

The fair value of each SAR award is estimated using a similar method described for stock options. The fair value of each SAR award is recalculated at the end of each reporting period and the liability and expense are adjusted based on the new fair value.

A summary of SAR activity at September 30, 2022, and changes for the year then ended, is presented below:

	Weighted Average SAR Price	Shares Subject to SAR	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Outstanding, September 30, 2021	\$ 33.29	103,884		
Exercised	\$ 25.84	(56,457)		
Forfeited or expired	\$ 27.50	(4,973)		
Outstanding, September 30, 2022	\$ 43.87	<u>42,454</u>	2.0	\$ —
Exercisable, September 30, 2022	\$ 43.87	42,454	2.0	\$ —
Former Parent outstanding and exercisable, September 30, 2022	\$ 43.94	37,705	2.0	\$ —
Adient outstanding and exercisable, September 30, 2022	\$ 43.25	<u>4,749</u>	1.6	\$ —
Total outstanding and exercisable, September 30, 2022	\$ 43.87	<u>42,454</u>	2.0	\$ —

In conjunction with the exercise of SARs, Adient made payments of \$2 million and \$2 million during the fiscal years ended September 30, 2022 and 2021, respectively.

18. Equity and Noncontrolling Interests

The following table presents changes in AOCI attributable to Adient:

(in millions)	Year Ended September 30,	
	2022	2021
Foreign currency translation adjustments		
Balance at beginning of period	\$ (617)	\$ (634)
Aggregate adjustment for the period, net of tax	(219)	17
Balance at end of period	<u>(836)</u>	<u>(617)</u>
Realized and unrealized gains (losses) on derivatives		
Balance at beginning of period	(8)	(28)
Current period changes in fair value, net of tax	6	22
Reclassification to income, net of tax	(6)	(2)
Balance at end of period	<u>(8)</u>	<u>(8)</u>
Pension plans		
Balance at beginning of period	(2)	(3)
Net reclassifications to AOCI	1	1
Balance at end of period	<u>(1)</u>	<u>(2)</u>
Accumulated other comprehensive income (loss), end of period	<u>\$ (845)</u>	<u>\$ (627)</u>

Adient consolidates certain subsidiaries in which the noncontrolling interest party has within their control the right to require Adient to redeem all or a portion of its interest in the subsidiary. These redeemable noncontrolling interests are reported at their estimated redemption value. Any adjustment to the redemption value impacts retained earnings but does not impact net income. Redeemable noncontrolling interests which are redeemable only upon future events, the occurrence of which is not currently probable, are recorded at carrying value. The following table presents changes in the redeemable noncontrolling interests:

(in millions)	Year Ended September 30,	
	2022	2021
Beginning balance	\$ 240	\$ 43
Net income	35	25
Dividends	(66)	(14)
Business acquisition	—	194
Change in noncontrolling interest share	(153)	—
Foreign currency translation adjustments	(11)	(8)
Ending balance	<u>\$ 45</u>	<u>\$ 240</u>

Refer to Note 4, "Acquisitions and Divestitures," of the notes to the consolidated financial statements for more information on the business acquisition addition of redeemable noncontrolling interest and change in noncontrolling interest share.

19. Retirement Plans

Pension Benefits

Adient maintains non-contributory defined benefit pension plans covering primarily non-U.S. employees and a limited number of U.S. employees. The benefits provided are primarily based on years of service and average compensation or a monthly retirement benefit amount. Funding for non-U.S. plans observes the local legal and regulatory limits. Funding for U.S. pension plans equals or exceeds the minimum requirements of the Employee Retirement Income Security Act of 1974.

For pension plans with accumulated benefit obligations (ABO) that exceed plan assets, the projected benefit obligation (PBO), ABO and fair value of plan assets of those plans were \$129 million, \$112 million and \$37 million, respectively, as of September 30, 2022, and \$204 million, \$182 million and \$72 million, respectively, as of September 30, 2021.

For pension plans with PBO that exceed plan assets, PBO, ABO and fair value of plan assets of those plans were \$129 million, \$112 million and \$37 million, respectively, as of September 30, 2022 and \$204 million, \$182 million and \$72 million, respectively, as of September 30, 2021.

In fiscal 2022, Adient paid contributions to the defined benefit pension plans of \$16 million. Contributions of at least \$14 million in cash to its defined benefit pension plans are expected in fiscal 2023. Projected benefit payments from the plans as of September 30, 2022 are estimated as follows (in millions):

2023	\$ 21
2024	19
2025	21
2026	23
2027	25
2028-2032	155

Savings and Investment Plans

Adient sponsors various defined contribution savings plans that allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with plan specified guidelines. Under specified conditions, Adient will contribute to certain savings plans based on the employees' eligible pay and/or will match a percentage of the employee contributions up to certain limits. Matching contributions expense in connection with these plans amounted to \$23 million and \$44 million for fiscal years 2022 and 2021, respectively.

Plan Assets

Adient's investment policies employ an approach whereby a mix of equities, fixed income and alternative investments are used to maximize the long-term return of plan assets for a prudent level of risk. The investment portfolio primarily contains a

diversified blend of equity and fixed income investments. Equity investments are diversified across domestic and non-domestic stocks, as well as growth, value and small to large capitalizations. Fixed income investments include corporate and government issues, with short-, mid- and long-term maturities, with a focus on investment grade when purchased and a target duration close to that of the plan liability. Investment and market risks are measured and monitored on an ongoing basis through regular investment portfolio reviews, annual liability measurements and periodic asset/liability studies. The majority of the real estate component of the portfolio is invested in a diversified portfolio of high-quality, operating properties with cash yields greater than the targeted appreciation. Investments in other alternative asset classes, including hedge funds and commodities, diversify the expected investment returns relative to the equity and fixed income investments. As a result of Adient's diversification strategies, there are no significant concentrations of risk within the portfolio of investments.

Adient's actual asset allocations are in line with target allocations. Adient rebalances asset allocations as appropriate, in order to stay within a range of allocation for each asset category.

The expected return on plan assets is based on Adient's expectation of the long-term average rate of return of the capital markets in which the plans invest. The average market returns are adjusted, where appropriate, for active asset management returns. The expected return reflects the investment policy target asset mix and considers the historical returns earned for each asset category. Adient's plan assets by asset category, are as follows:

(in millions)	Fair Value Measurements Using:				Net Asset Value (NAV)
	Total as of September 30, 2022	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Pension					
Cash	\$ 2	\$ 2	\$ —	\$ —	\$ —
Equity Securities					
Domestic	1	1	—	—	—
International - Developed	18	14	—	—	4
International - Emerging	1	—	—	—	1
Fixed Income Securities					
Government	125	33	67	—	25
Corporate/Other	76	22	43	—	11
Hedge Fund	38	—	38	—	—
Real Estate	22	—	—	7	15
Total	<u>\$ 283</u>	<u>\$ 72</u>	<u>\$ 148</u>	<u>\$ 7</u>	<u>\$ 56</u>

(in millions)	Fair Value Measurements Using:				Net Asset Value (NAV)
	Total as of September 30, 2021	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Pension					
Cash	\$ 5	\$ 5	\$ —	\$ —	\$ —
Equity Securities					
Domestic	12	2	2	—	8
International - Developed	44	27	7	—	10
International - Emerging	2	—	2	—	—
Fixed Income Securities					
Government	237	45	168	—	24
Corporate/Other	82	34	38	—	10
Hedge Fund	88	—	88	—	—
Real Estate	23	—	—	7	16
Total	<u>\$ 493</u>	<u>\$ 113</u>	<u>\$ 305</u>	<u>\$ 7</u>	<u>\$ 68</u>

The following is a description of the valuation methodologies used for assets measured at fair value.

Cash: The fair value of cash is valued at cost.

Equity Securities: The fair value of equity securities is determined by direct quoted market prices. The underlying holdings are direct quoted market prices on regulated financial exchanges.

Fixed Income Securities: The fair value of fixed income securities is determined by direct or indirect quoted market prices. If indirect quoted market prices are utilized, the value of assets held in separate accounts is not published, but the investment managers report daily the underlying holdings. The underlying holdings are direct quoted market prices on regulated financial exchanges.

Hedge Funds: The fair value of hedge funds is determined by the custodian. The custodian obtains valuations from underlying managers based on market quotes for the most liquid assets and alternative methods for assets that do not have sufficient trading activity to derive prices. Adient and custodian review the methods used by the underlying managers to value the assets. Adient believes this is an appropriate methodology to obtain the fair value of these assets.

Real Estate: The fair value of certain investments in real estate is deemed Level 3 since these investments do not have a readily determinable fair value and requires the fund managers independently to arrive at fair value by calculating NAV per share. In order to calculate NAV per share, the fund managers value the real estate investments using any one, or a combination of, the following methods: independent third party appraisals, discounted cash flow analysis of net cash flows projected to be generated by the investment and recent sales of comparable investments. Assumptions used to revalue the properties are updated every quarter. Adient believes this is an appropriate methodology to obtain the fair value of these assets.

Investments at NAV: For mutual or collective funds where a NAV is not publicly quoted, the NAV per share is used as a practical expedient and is based on the quoted market prices of the underlying net assets of the fund as reported daily by the fund managers. Funds valued based on NAV per share as a practical expedient are not categorized within the fair value hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Adient believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following sets forth a summary of changes in the fair value of pension assets measured using significant unobservable inputs (Level 3):

(in millions)	Real Estate
Asset value as of September 30, 2021	\$ 7
Redemptions	—
Unrealized gain	—
Asset value as of September 30, 2022	<u>\$ 7</u>

Funded Status

The table that follows contains the ABO and reconciliations of the changes in the PBO, the changes in plan assets and the funded status:

(in millions)	Pension Benefits	
	2022	2021
Accumulated Benefit Obligation	<u>\$ 322</u>	<u>\$ 552</u>
Change in Projected Benefit Obligation:		
Projected benefit obligation at beginning of year	\$ 574	\$ 606
Service cost	7	8
Interest cost	11	9
Actuarial (gain) loss	(169)	(29)
Benefits paid	(20)	(20)
Settlements and curtailments	—	(16)
Divestitures	—	(2)
Currency translation adjustment	(63)	18
Projected benefit obligation at end of year	<u>\$ 340</u>	<u>\$ 574</u>
Change in Plan Assets:		
Fair value of plan assets at beginning of year	\$ 493	\$ 486
Actual return on plan assets	(149)	4
Employer contributions/(distributions)	16	23
Benefits paid	(20)	(20)
Settlements and curtailments	(1)	(16)
Currency translation adjustment	(56)	16
Fair value of plan assets at end of year	<u>\$ 283</u>	<u>\$ 493</u>
Funded status	<u>\$ (57)</u>	<u>\$ (81)</u>
Amounts recognized in the statement of financial position consist of:		
Prepaid benefit cost	\$ 35	\$ 51
Accrued benefit liability	(92)	(132)
Net amount recognized	<u>\$ (57)</u>	<u>\$ (81)</u>

	Pension Benefits			
	U.S. Plans		Non-U.S. Plans	
	2022	2021	2022	2021
Weighted Average Assumptions ⁽¹⁾:				
Discount rate ⁽²⁾	5.51 %	3.06 %	4.98 %	1.71 %
Rate of compensation increase	N/A	N/A	4.43 %	3.06 %

- (1) Plan assets and obligations are determined based on a September 30 measurement date.
- (2) Adient considers the expected benefit payments on a plan-by-plan basis when setting assumed discount rates. As a result, Adient uses different discount rates for each plan depending on the plan jurisdiction, the demographics of participants and the expected timing of benefit payments. For the U.S. pension plan, Adient uses a discount rate provided by an independent third party calculated based on an appropriate mix of high quality bonds. For the non-U.S. pension plans, Adient consistently uses the relevant country specific benchmark indices for determining the various discount rates.

Accumulated Other Comprehensive Income

The amounts in AOCI on the consolidated statements of financial position, exclusive of tax impacts, that have not yet been recognized as components of net periodic benefit cost at September 30, 2022 and 2021 were \$2 million and \$3 million, respectively, related to pension benefits.

The amounts in AOCI expected to be recognized as components of net periodic benefit cost over the next fiscal year for pension and postretirement benefits are not significant.

Net Periodic Benefit Cost

The tables that follow contain the components and key assumptions of net periodic benefit cost related to Adient's pension plans:

(in millions)	Pension Benefits	
	2022	2021
Components of Net Periodic Benefit Cost (Credit):		
Service cost	\$ 7	\$ 8
Interest cost	10	9
Expected return on plan assets	(14)	(18)
Net actuarial (gain) loss	(7)	(15)
Settlement (gain) loss	1	—
Net periodic benefit cost (credit)	<u>\$ (3)</u>	<u>\$ (16)</u>

	Pension Benefits			
	U.S. Plans		Non-U.S. Plans	
	2022	2021	2022	2021
Expense Assumptions:				
Discount rate	3.06 %	2.91 %	2.14 %	1.70 %
Expected return on plan assets	5.75 %	5.75 %	3.20 %	3.68 %
Rate of compensation increase	N/A	N/A	4.05 %	4.15 %

20. Restructuring and Impairment Costs

To better align its resources with its overall strategies and reduce the cost structure of its global operations to address the softness in certain underlying markets, Adient commits to restructuring plans as necessary.

During fiscal 2022, Adient committed to a restructuring plan ("2022 Plan") of \$25 million that was offset by \$10 million of prior year underspend. The restructuring actions relate to cost reduction initiatives and consist primarily of workforce reductions in EMEA and Americas. The restructuring actions are expected to be substantially completed by fiscal 2024.

(in millions)	Employee Severance and Termination Benefits	Currency Translation	Total
Original reserve	\$ 25	\$ —	\$ 25
Utilized—cash	(6)	—	(6)
Noncash adjustment—other	—	(1)	(1)
Balance at September 30, 2022	<u>\$ 19</u>	<u>\$ (1)</u>	<u>\$ 18</u>

During fiscal 2021, Adient committed to a restructuring plan ("2021 Plan") of \$27 million that was offset by \$16 million of prior year underspend. Of the restructuring costs recorded, \$23 million related to the EMEA segment, \$3 million related to the Americas segment, and \$1 million relates to the Asia segment. The restructuring actions relate to cost reduction initiatives and consist primarily of workforce reductions and lease contract terminations. The restructuring actions are expected to be substantially completed in fiscal 2023.

(in millions)	Employee Severance and Termination Benefits	Currency Translation	Total
Original reserve	\$ 27	\$ —	\$ 27
Utilized—cash	(5)	—	(5)
Balance at September 30, 2021	<u>\$ 22</u>	<u>\$ —</u>	<u>\$ 22</u>
Utilized - cash	(16)	—	(16)
Noncash adjustment - other	(1)	(2)	(3)
Balance at September 30, 2022	<u>\$ 5</u>	<u>\$ (2)</u>	<u>\$ 3</u>

During fiscal 2020, Adient committed to a restructuring plan ("2020 Plan") of \$205 million. Of the restructuring costs recorded, \$20 million relates to the Americas segment, \$175 million relates to the EMEA segment and \$10 million relates to the Asia segment. The restructuring actions relate to cost reduction initiatives and consist primarily of workforce reductions. The restructuring actions are expected to be substantially completed by fiscal 2024. Also recorded in fiscal 2020 is \$20 million of underspend related to prior year plan reserves. The restructuring actions are expected to be substantially completed by fiscal 2024.

The following table summarizes the changes in Adient's 2020 Plan reserve:

(in millions)	Employee Severance and Termination Benefits	Currency Translation	Total
Balance at September 30, 2020	\$ 168	\$ 1	\$ 169
Utilized—cash	(87)	—	(87)
Noncash adjustment—underspend/other	(6)	1	(5)
Balance at September 30, 2021	<u>\$ 75</u>	<u>\$ 2</u>	<u>\$ 77</u>
Utilized - cash	(28)	—	(28)
Noncash adjustment - underspend/other	(7)	(8)	(15)
Balance at September 30, 2022	<u>\$ 40</u>	<u>\$ (6)</u>	<u>\$ 34</u>

During fiscal 2022, there was \$7 million of cash utilized against the 2019, 2018, and 2017 Plan's reserve balances. The majority of the cash utilized during the period was related to the 2019 Plan's reserve balance. The 2019, 2018, and 2017 Plan's reserve balances at September 30, 2022 were \$2 million, \$1 million, and \$2 million, respectively.

Adient's restructuring plans have included workforce reductions of approximately 13,000. Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee or on a lump

sum basis in accordance with individual severance agreements. As of September 30, 2022, approximately 12,000 of the employees have been separated from Adient pursuant to the restructuring plans. In addition, the restructuring plans included twenty-five plant closures. As of September 30, 2022, eighteen of the twenty-five plants have been closed.

Adient's management closely monitors its overall cost structure and continually analyzes each of its businesses for opportunities to consolidate current operations, improve operating efficiencies and locate facilities in low cost countries in close proximity to customers. This ongoing analysis includes a review of its manufacturing, engineering, purchasing and administrative functions, as well as the overall global footprint for all its businesses. Because of the importance of new vehicle sales by major automotive manufacturers to operations, Adient is affected by the general business conditions in the automotive industry. Future adverse developments in the automotive industry, particularly related to the COVID-19 pandemic and supply chain disruptions, could impact Adient's liquidity position, lead to impairment charges and/or require additional restructuring of its operations.

To better align its resources with its overall strategies and reduce the cost structure of its global operations to address the softness in certain underlying markets, Adient commits to restructuring plans as necessary.

21. Income Tax Provision

Consolidated income (loss) before income taxes and noncontrolling interests for the years ended September 30, 2022 and 2021 is as follows:

(in millions)	Year Ended September 30,	
	2022	2021
Ireland	\$ (2)	\$ (1)
United States	(595)	(244)
Other Foreign	651	1,684
Income before income taxes and noncontrolling interests	<u>\$ 54</u>	<u>\$ 1,439</u>

The components of the provision (benefit) for income taxes are as follows:

(in millions)	Year Ended September 30,	
	2022	2021
Current		
Ireland	\$ (1)	\$ 1
US - Federal and State	6	1
Other Foreign	84	207
	<u>89</u>	<u>209</u>
Deferred		
Ireland	1	1
US - Federal and State	(1)	(1)
Other Foreign	5	40
	<u>5</u>	<u>40</u>
Income tax provision	<u>\$ 94</u>	<u>\$ 249</u>

The significant components of Adient's income tax provision are summarized in the following tables. These amounts do not include the impact of income tax expense related to our nonconsolidated partially-owned affiliates, which is netted against equity income on the consolidated statements of income (loss).

The reconciliation between the Irish statutory income tax rate, and Adient's effective tax rate is as follows:

(in millions)	Year Ended September 30,	
	2022	2021
Tax expense at Ireland statutory rate	\$ 7	\$ 180
State and local income taxes, net of federal benefit	(38)	(15)
Foreign tax rate differential	(1)	(6)
Notional interest deduction	(6)	(10)
Credits and incentives	(15)	(11)
Repatriation of foreign earnings	24	18
Foreign exchange	(2)	—
Impact of tax rate changes	(3)	(26)
Audit settlements and change in uncertain tax positions	(2)	24
Change in valuation allowance	94	(85)
Impairment of subsidiaries	—	35
Tax impact of corporate equity and business restructuring transactions	30	133
Other	6	12
Income tax provision	<u>\$ 94</u>	<u>\$ 249</u>

The income tax expense was higher than the Irish statutory rate of 12.5% for fiscal 2022 primarily due to the inability to recognize a tax benefit for losses in jurisdictions with valuation allowances, the establishment of valuation allowances in certain jurisdictions, and the repatriation of foreign earnings, partially offset by tax benefits related to the release of valuation allowances in certain jurisdictions. No items included in the other category are individually, or when appropriately aggregated, significant.

The income tax expense was higher than the Irish statutory rate of 12.5% for fiscal 2021 primarily due to the inability to recognize a tax benefit for losses in jurisdictions with valuation allowances, the establishment of valuation allowances in certain jurisdictions, and the repatriation of foreign earnings, partially offset by tax benefits from audit settlements, the write-off of deferred tax liabilities related to withholding taxes, and withholding taxes on the 2021 Yanfeng Transaction at a rate lower than the Irish statutory rate of 12.5%. No items included in the other category are individually, or when appropriately aggregated, significant.

The foreign tax rate differential benefits for fiscal 2021 through fiscal 2022 are primarily driven by losses earned in jurisdictions where the statutory rate is greater than 12.5% and by the pretax book income of nonconsolidated partially-owned affiliates whose corresponding income tax expense is netted against equity income on the consolidated statements of income.

Deferred taxes are classified in the consolidated statements of financial position as follows:

(in millions)	September 30,	
	2022	2021
Other noncurrent assets	\$ 111	\$ 134
Other noncurrent liabilities	(198)	(212)
Net deferred tax asset/(liability)	<u>\$ (87)</u>	<u>\$ (78)</u>

Temporary differences and carryforwards which gave rise to deferred tax assets and liabilities included:

(in millions)	September 30,	
	2022	2021
Deferred tax assets:		
Accrued expenses and reserves	\$ 87	\$ 126
Employee and retiree benefits	38	52
Net operating loss and other credit carryforwards	1,226	1,056
Property, plant and equipment	113	159
Intangible assets	150	181
Operating lease liabilities	61	79
Research and development	27	23
Other	2	12
	<u>1,704</u>	<u>1,688</u>
Valuation allowances	<u>(1,662)</u>	<u>(1,637)</u>
	<u>42</u>	<u>51</u>
Deferred tax liabilities:		
Unremitted earnings of foreign subsidiaries	35	32
Indirect tax credits	25	18
Foreign currency adjustments	8	—
Operating lease right-of-use assets	61	79
	<u>129</u>	<u>129</u>
Net deferred tax asset/(liability)	<u>\$ (87)</u>	<u>\$ (78)</u>

At September 30, 2022, Adient had available net operating loss carryforwards of approximately \$4.6 billion which are available to reduce future tax liabilities. Net operating loss carryforwards of \$2.4 billion will expire at various dates between 2023 and 2042, with the remainder having an indefinite carryforward period. Net operating loss carryforwards of \$3.3 billion are offset by a valuation allowance.

Adient reviews the realizability of its deferred tax assets on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or combined group recording the net deferred tax asset are considered, along with any other positive or negative evidence. All of the factors that Adient considers in evaluating whether and when to establish or release all or a portion of the deferred tax asset valuation allowance involve significant judgment. Since future financial results may differ from previous estimates, periodic adjustments to Adient's valuation allowances may be necessary.

As a result of Adient's fiscal 2022 analysis of the realizability of its worldwide deferred tax assets, and after considering tax planning initiatives and other positive and negative evidence, Adient determined it was more likely than not that certain deferred tax assets in Canada, Japan, and other jurisdictions would not be realized and recorded income tax expense of \$12 million, \$3 million and \$3 million, respectively, to establish valuation allowances. In addition, Adient determined it was more likely than not that certain deferred tax assets acquired as part of the 2021 Yanfeng Transaction would not be realized and recorded a net adjustment to goodwill of \$7 million, primarily to establish valuation allowances. Additionally, Adient determined it was more likely than not that deferred tax assets in the Czech Republic and other jurisdictions would be realizable and recorded income tax benefit of \$11 million and \$2 million, respectively, to release valuation allowances. Adient continues to record valuation allowances on certain deferred tax assets in Germany, Hungary, Luxembourg, Mexico, Poland, Spain, the United Kingdom, the U.S. and other jurisdictions as it remains more likely than not that they will not be realized.

As a result of Adient's fiscal 2021 analysis of the realizability of its worldwide deferred tax assets, and after considering tax planning initiatives and other positive and negative evidence, Adient determined it was more likely than not that certain deferred tax assets in the Czech Republic, Korea, Mexico, and other jurisdictions would not be realized and recorded income tax expense of \$5 million, \$5 million, \$8 million, and \$4 million, respectively, to establish valuation allowances.

Adient is subject to income taxes in Ireland, the U.S. and other foreign jurisdictions. With few exceptions, Adient is no longer subject to income tax examination by U.S. federal, state or local tax authorities or by non-U.S. tax authorities for years before 2014.

Adient regularly assesses the likelihood of an adverse outcome resulting from examinations to determine the adequacy of its tax reserves. For the year ended September 30, 2022, Adient believes that it is more likely than not that the tax positions it has taken will be sustained upon the resolution of its audits resulting in no material impact on its consolidated financial statements. However, the final determination with respect to tax audits and any related litigation could be materially different from Adient's estimates.

For the years ended September 30, 2022 and 2021, Adient had gross tax effected unrecognized tax benefits of \$499 million and \$499 million, respectively. If recognized, \$115 million of Adient's unrecognized tax benefits would impact the effective tax rate. Total net accrued interest for the years ended September 30, 2022 and 2021, was approximately \$22 million and \$18 million, respectively (net of tax benefit). Adient recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in millions)	Year Ended September 30,	
	2022	2021
Beginning balance	\$ 499	\$ 483
Additions for tax positions related to the current year	62	29
Additions for tax positions of prior years	2	11
Reductions for tax positions of prior years	(52)	(9)
Settlements with taxing authorities	(3)	(12)
Statute closings	(9)	(3)
Ending balance	<u>\$ 499</u>	<u>\$ 499</u>

During the next twelve months, it is likely that tax audit resolutions or applicable statute of limitation lapses could result in a significant change in the balance of gross unrecognized tax benefits. Given the number of years, jurisdictions and positions subject to examination, Adient is unable to estimate the full range of possible adjustments to the balance of unrecognized tax benefits.

Adient has recorded a deferred tax liability of approximately \$35 million as of September 30, 2022 on the undistributed earnings of certain consolidated and unconsolidated foreign affiliates for which Adient does not have an indefinite reinvestment assertion. Adient has not provided for deferred taxes on the remainder of undistributed earnings from consolidated foreign affiliates because such earnings should not give rise to additional tax liabilities upon repatriation or are considered to be indefinitely reinvested. It is not practicable to determine the unrecognized deferred tax liability on these earnings because the actual tax liability, if any, is dependent on circumstances existing when remittance occurs.

Income taxes paid for the fiscal year ended September 30, 2022 were \$77 million. Income taxes paid for the fiscal year ended September 30, 2021 were \$78 million excluding \$134 million of withholding taxes on the 2021 Yanfeng Transaction.

Impacts of Tax Legislation and Change in Statutory Tax Rates

On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 into law. Adient does not expect the provisions of the legislation to have a significant impact on the effective tax rate or the income tax payable and deferred income tax positions of the Company.

During fiscal years 2022 and 2021, other tax legislation was adopted in various jurisdictions. These law changes did not have a material impact on the consolidated financial statements.

Tax Impact of One-Time Items

During fiscal 2022, Adient recognized a one-time gain of \$32 million associated with the retrospective recovery of indirect tax credits in Brazil resulting from the Company's prioritization of those credits, resulting in net tax expense of \$4 million.

During fiscal 2021, Adient recognized \$134 million of withholding tax expense associated with the 2021 Yanfeng Transaction. Adient also recognized tax benefits of \$13 million related to the write-off of deferred tax liabilities associated with Chinese joint ventures' distributions of unremitted earnings that were reinvested in a wholly-owned Chinese subsidiary. In addition, Adient recognized an additional \$38 million pre-tax gain related to Brazil indirect tax credits as a result of a favorable supreme court ruling resulting in tax expense of \$13 million.

22. Segment Information

Adient manages its business on a geographic basis and operates in the following three reportable segments for financial reporting purposes: 1) Americas, which is inclusive of North America and South America; 2) Europe, Middle East, and Africa ("EMEA") and 3) Asia Pacific/China ("Asia").

Adient evaluates the performance of its reportable segments using an adjusted EBITDA metric defined as income before income taxes and noncontrolling interests, excluding net financing charges, restructuring and impairment costs, restructuring related-costs, net mark-to-market adjustments on pension and postretirement plans, transaction gains/losses, purchase accounting amortization, depreciation, stock-based compensation and other non-recurring items ("Adjusted EBITDA"). Also, certain corporate-related costs are not allocated to the segments. The reportable segments are consistent with how management views the markets served by Adient and reflect the financial information that is reviewed by its chief operating decision maker.

(in millions)	Year Ended September 30,	
	2022	2021
Net Sales		
Americas	\$ 6,557	\$ 6,164
EMEA	4,764	5,564
Asia	2,926	2,123
Eliminations	(126)	(171)
Total net sales	<u>\$ 14,121</u>	<u>\$ 13,680</u>

(in millions)	Year Ended September 30,	
	2022	2021
Adjusted EBITDA		
Americas	\$ 242	\$ 232
EMEA	138	277
Asia	383	486
Corporate-related costs ⁽¹⁾	(88)	(78)
Restructuring and impairment costs ⁽²⁾	(25)	(21)
Purchase accounting amortization ⁽³⁾	(54)	(50)
Restructuring related charges ⁽⁴⁾	(6)	(9)
Gain (loss) on business divestitures - net ⁽⁵⁾	—	(26)
Gain on sale / (impairment) of nonconsolidated partially-owned affiliates ⁽⁶⁾	(10)	1,214
Depreciation	(298)	(285)
Stock based compensation	(29)	(36)
Other items ⁽⁷⁾	6	22
Earnings (loss) before interest and income taxes	259	1,726
Net financing charges	(215)	(311)
Other pension income (expense)	10	24
Income (loss) before income taxes	\$ 54	\$ 1,439

Notes:

(1) Corporate-related costs not allocated to the segments include executive office, communications, corporate development, legal and corporate finance.

(2) Reflects restructuring charges for costs that are directly attributable to restructuring activities and meet the definition of restructuring under ASC 420 and non-recurring impairment charges. During fiscal 2022, an impairment charge of \$4 million related to the withdrawal from and sale of its operations in Russia, and a held-for-sale impairment charge of \$6 million were recorded in EMEA. Included in restructuring charges in fiscal 2021 is \$10 million of held for sale and other non-cash impairment charges in EMEA. Refer to Note 15, "Restructuring and Impairment Costs," of the notes to the consolidated financial statements for more information.

(3) Reflects amortization of intangible assets including those related to partially owned affiliates recorded within equity income.

(4) Reflects restructuring related charges for costs that are directly attributable to restructuring activities, but do not meet the definition of restructuring under ASC 420 along with restructuring costs at partially owned affiliates recorded within equity income.

(5) Fiscal 2021 includes a \$21 million loss associated with certain aspects of the 2021 Yanfeng Transaction and a \$5 million loss on sale of non-core assets in Asia.

(6) Fiscal 2022 includes \$3 million and \$7 million of non-cash impairments of certain of Adient's investments in nonconsolidated partially-owned affiliates in Asia and EMEA, respectively. Fiscal 2021 includes a gain associated with the 2021 Yanfeng Transaction of \$1,181 million and a gain of \$33 million on the sale of Adient's interest in SJA.

(7) Fiscal 2022 reflects \$8 million of transaction costs, a one-time gain of \$32 million associated with the retrospective recovery of indirect tax credits in Brazil, a \$14 million charge related to a non-recurring contract related settlement, \$1 million of allowance for doubtful accounts resulting from the withdrawal from and sale of operations in Russia, and \$2 million of loss on finalization of asset sale in Turkey. Fiscal 2021 reflects a one-time gain of \$38 million associated with the retrospective recovery of indirect tax credits in Brazil (of which \$36 million relates to recoveries covering the past 20 years and is adjusted out of Americas' segment results), a \$5 million gain on previously held interest at YFAS in an affiliate, and \$19 million of transaction costs.

Additional Segment Information

(in millions)	Year Ended September 30, 2022				
	Reportable Segments			Reconciling Items ⁽¹⁾	Consolidated
	Americas	EMEA	Asia		
Net Sales	\$ 6,557	\$ 4,764	\$ 2,926	\$ (126)	\$ 14,121
Equity Income	—	12	76	(13)	75
Total Assets	3,073	2,166	2,959	960	9,158
Depreciation	130	116	52	—	298
Amortization	12	4	36	—	52
Capital Expenditures	104	73	50	—	227

(1) Reconciling items include the elimination of intercompany transactions, corporate-related assets and other amounts to reconcile to consolidated totals. Specific reconciling items for equity income represents \$10 million of non-cash impairments of Adient's investments in partially-owned affiliates, \$1 million of restructuring related charges, \$2 million of purchase accounting amortization, \$7 million of a non-recurring customer termination charge at an affiliate in Asia, partially offset by a \$7 million non-recurring gain on sale of land use rights at an affiliate in China. Corporate-related assets primarily include cash and deferred income tax assets.

(in millions)	Year Ended September 30, 2021				
	Reportable Segments			Reconciling Items ⁽¹⁾	Consolidated
	Americas	EMEA	Asia		
Net Sales	\$ 6,164	\$ 5,564	\$ 2,123	\$ (171)	\$ 13,680
Equity Income	(1)	7	265	1,213	1,484
Total Assets	2,888	2,473	3,187	2,230	10,778
Depreciation	121	132	32	—	285
Amortization	13	14	18	—	45
Capital Expenditures	131	104	25	—	260

(1) Reconciling items include the elimination of intercompany transactions, corporate-related assets and other amounts to reconcile to consolidated totals. Specific reconciling items for equity income represents a gain associated with the 2021 Yanfeng Transaction of \$1,181 million, a gain of \$33 million on the sale of Adient's interest in SJA, a \$5 million gain on previously held interest at YFAS, offset by \$5 million of purchase accounting amortization and \$1 million of restructuring related charges. Corporate-related assets primarily include cash, deferred income tax assets, and receivables related to the 2021 Yanfeng Transaction.

Geographic Information

Financial information relating to Adient's operations by geographic area is as follows:

Net Sales

(in millions)	Year Ended September 30,	
	2022	2021
Americas		
United States	\$ 5,876	\$ 5,500
Mexico	2,427	2,298
Other Americas	377	312
Regional Elimination	(2,123)	(1,946)
	<u>6,557</u>	<u>6,164</u>
EMEA		
Germany	862	1,101
Czech Republic	962	1,155
Other EMEA	4,232	4,761
Regional Elimination	(1,292)	(1,453)
	<u>4,764</u>	<u>5,564</u>
Asia		
China	1,374	642
Thailand	508	469
Japan	264	331
Other Asia	804	705
Regional Elimination	(24)	(24)
	<u>2,926</u>	<u>2,123</u>
Inter-segment elimination	(126)	(171)
Total	<u>\$ 14,121</u>	<u>\$ 13,680</u>

Adient started consolidating CQADNT in China after completing the acquisition on September 30, 2021. Refer to Note 4, "Acquisitions and Divestitures," of the notes to the consolidated financial statements for additional information.

Long-Lived Assets (consisting of net property, plant and equipment)

(in millions)	Year Ended September 30,	
	2022	2021
Americas		
United States	\$ 460	\$ 467
Mexico	164	173
Other Americas	19	22
	<u>643</u>	<u>662</u>
EMEA		
Germany	126	180
Poland	118	145
Czech Republic	29	41
Other EMEA	223	310
	<u>496</u>	<u>676</u>
Asia		
China	111	125
Thailand	41	38
Japan	47	58
Other Asia	39	48
	<u>238</u>	<u>269</u>
Total	<u>\$ 1,377</u>	<u>\$ 1,607</u>

23. Nonconsolidated Partially-Owned Affiliates

Investments in the net assets of nonconsolidated partially-owned affiliates are reported in the "Investments in partially-owned affiliates" line in the consolidated statements of financial position. Equity in the net income of nonconsolidated partially-owned affiliates are reported in the "Equity income" line in the consolidated statements of income (loss). Adient maintains total investments in partially-owned affiliates of \$286 million and \$335 million at September 30, 2022 and 2021, respectively. Operating information for nonconsolidated partially-owned affiliates is as follows:

Name of key partially-owned affiliate	% ownership at September 30,	
	2022	2021
KEIPER Seating Mechanisms Co., Ltd. (KEIPER)	50.0%	50.0%
Changchun FAWAY Adient Automotive Systems Co. Ltd. (CFAA)	49.0%	49.0%

(in millions)	Year Ended September 30,	
	2022	2021
Income statement data:		
Net sales	\$ 4,039	\$ 8,809
Gross profit	\$ 374	\$ 1,008
Net income	\$ 189	\$ 733
Net income attributable to the entity	\$ 187	\$ 682

(in millions)	September 30,	
	2022	2021
Balance sheet data:		
Current assets	\$ 1,784	\$ 1,792
Noncurrent assets	\$ 826	\$ 874
Current liabilities	\$ 1,843	\$ 1,841
Noncurrent liabilities	\$ 159	\$ 145
Noncontrolling interests	\$ 6	\$ —

On March 31, 2021, Adient sold its 50% equity interest in SJA to the joint venture partner for \$58 million. The income statement data above includes SJA's results for the first six months of fiscal 2021. On September 30, 2021, Adient sold all of the issued and outstanding equity interest in YFAS held, directly or indirectly, by Adient, which represented 49.99% of YFAS's total issued and outstanding equity interest to Yanfeng, the joint venture partner, for ¥8,064 million (\$1,257 million) as part of the 2021 Yanfeng Transaction. As a result, the balance sheet data as of September 30, 2021 above excludes those of SJA and YFAS. It also excludes that of CQADNT as Adient started consolidating CQADNT after completing the acquisition of additional interest on September 30, 2021. Refer to Note 4, "Acquisitions and Divestitures," of the notes to the consolidated financial statements for additional information.

During the fourth quarter of fiscal 2022, Adient and KEIPER modified an existing supply agreement, resulting in reductions in Adient's purchase prices on certain products. Such modifications resulted in reductions of \$14 million and \$17 million in Adient's cost of sales and equity income, respectively, during fiscal 2022.

24. Commitments and Contingencies

Adient is involved in various lawsuits, claims and proceedings incident to the operation of its businesses, including those pertaining to product liability, casualty, environmental, safety and health, intellectual property, employment, trade compliance, commercial and contractual matters, and various other matters. Although the outcome of any such lawsuit, claim or proceeding cannot be predicted with certainty and some may be disposed of unfavorably to Adient, it is management's opinion that none of these will have a material adverse effect on Adient's financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

Adient accrues for potential environmental liabilities when it is probable a liability has been incurred and the amount of the liability is reasonably estimable. Reserves for environmental liabilities totaled \$6 million and \$8 million at September 30, 2022 and 2021, respectively. Adient reviews the status of its environmental sites on a quarterly basis and adjusts its reserves accordingly. Such potential liabilities accrued by Adient do not take into consideration possible recoveries of future insurance proceeds. They do, however, take into account the likely share other parties will bear at remediation sites. It is difficult to estimate Adient's ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, the often quite lengthy periods over which eventual remediation may occur, and changing environmental laws. Nevertheless, Adient does not currently believe that any claims, penalties or costs in connection with known environmental matters will have a material adverse effect on Adient's financial position, results of operations or cash flows.

25. Directors' Remuneration

The amounts below include compensation for Douglas G. Del Grosso, who became President and CEO on October 1, 2018 (referred to as "Managerial Services") as well as compensation for all non-employee directors in their capacities as such (referred to as "Director Services"):

(in millions)	Year ended September 30	
	2022	2021
Managerial services ⁽¹⁾	\$ 14	\$ 14
Director services ⁽²⁾	2	2
	<u>\$ 16</u>	<u>\$ 16</u>

- (1) This calculation was made in accordance with the requirements of the Companies Act 2014 and includes the following during fiscal 2022 and 2021, respectively: base compensation earned of \$1 million and \$1 million; incentive and performance-based compensation earned of \$2 million and \$2 million, stock awards granted of \$11 million and \$11 million calculated based on the grant date fair value in accordance with the U.S. GAAP, and non-qualified defined benefit plan distribution of \$0 million and \$0 million.
- (2) This calculation was made in accordance with the requirements of the Companies Act 2014.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and include the directors as well as key executive members of Adient who are not directors. The compensation provided to key management personnel during fiscal 2022 was \$29 million (fiscal 2021: \$28 million). This includes the costs disclosed in the table above as well as employer social insurance, national insurance contributions and costs relating to long term incentive plans.

26. Auditors' Remuneration

Auditors' remuneration paid to PricewaterhouseCoopers Ireland included \$0.3 million and \$0.3 million of audit fees for fiscal 2022 and 2021, respectively.

Auditors' remuneration to affiliates of PricewaterhouseCoopers Ireland for fiscal years 2022 and 2021 are presented in the table below.

(in millions)	Year ended September 30	
	2022	2021
Audit fees ⁽¹⁾	\$ 8	\$ 8
Audit related fees ⁽²⁾	—	—
Tax fees ⁽³⁾	—	—
All other fees ⁽⁴⁾	—	—
	<u>\$ 8</u>	<u>\$ 8</u>

- (1) In 2022 and 2021, PricewaterhouseCoopers LLP billed Adient for professional services rendered for the audit of Adient's annual financial statements, the audits of Adient's internal controls over financial reporting, statutory and subsidiary audits, and the review of documents filed with the SEC in connection with the audits.
- (2) Audit related fees include auditing procedures and services related to special reports including those performed under specified attestation standards.
- (3) Tax fees consist principally of professional services rendered by PricewaterhouseCoopers LLP for tax compliance and tax planning and advice, including assistance with tax audits and appeals, and transfer pricing planning, defense and documentation matters.
- (4) All other fees primarily represent fees associated with subscriptions to PwC technical resources, and generic knowledge sharing, survey participation and training seminars related to accounting, reporting, auditing and general business matters.

27. Employees

The average number of persons employed by Adient during the years ended September 30, 2022 and 2021 was 75,000 and 75,000, respectively.

Total employee costs consist of the following:

(in millions)	Year Ended September 30	
	2022	2021
Wages and salaries	\$ 2,229	\$ 2,283
Social insurance costs	484	525
Stock based compensation	29	36
Retirement benefit costs	12	33
Other compensation costs	11	1
	<u>\$ 2,765</u>	<u>\$ 2,878</u>

Of the total employee costs, \$2,304 million and \$2,403 million have been capitalized into inventory during fiscal 2022 and 2021, respectively.

28. Related Party Transactions

In the ordinary course of business, Adient enters into transactions with related parties, such as equity affiliates. Such transactions consist of the sale or purchase of goods and other arrangements. Subsequent to the separation, transactions with the former Parent and its businesses represent third-party transactions.

The following table sets forth the location and amounts of net sales to and purchases from related parties included in Adient's consolidated statements of income (loss):

(in millions)		Year Ended September 30,	
		2022	2021
Net sales to related parties	Net sales	\$ 247	\$ 273
Purchases from related parties	Cost of sales	434	558

The following table sets forth the location and amount of accounts receivable due from and payable to related parties in Adient's consolidated statements of financial position:

(in millions)		September 30,	
		2022	2021
Accounts receivable due from related parties	Accounts receivable	\$ 34	\$ 30
Accounts payable due to related parties	Accounts payable	95	41

Average receivable and payable balances with related parties remained consistent with the period end balances shown above.

29. Significant Subsidiaries

Adient's principal subsidiaries, being those subsidiaries whose assets, liabilities, financial position or profit or loss, in the opinion of the directors, principally affected the consolidated financial statements, were as follows:

Name	Nature of Business	Group Ordinary Share	Registered Office and Country of Incorporation
Adient & Summit Corporation Ltd.	Seating	68.0%	Thailand
Adient (Thailand) Co., Ltd.	Seating	68.0%	Thailand
Adient Asia Holdings Co., Limited	Seating	100.0%	Hong Kong
Adient Automotive Argentina S.R.L.	Seating	100.0%	Argentina
Adient Automotive Components GmbH	Seating	100.0%	Germany
Adient Automotive Interior Investment Co., Limited	Seating	100.0%	Hong Kong
Adient Automotive Romania S.R.L.	Seating	100.0%	Romania
Adient Automotive Seating (M) Sdn. Bhd.	Seating	87.0%	Malaysia
Adient Automotive SLU	Seating	100.0%	Spain
Adient Belgium BV	Seating	100.0%	Belgium
Adient Beteiligungs GmbH	Seating	100.0%	Germany
Adient Czech Republic s.r.o.	Seating	100.0%	Czech Republic
Adient Clanton Inc.	Seating	100.0%	US
Adient Components Ltd. & Co. KG	Seating	100.0%	Germany
Adient do Brasil Bancos Automotivos Ltda.	Seating	100.0%	Brazil
Adient DongSung Inc	Seating	60.0%	Korea
Adient Eldon Inc.	Seating	100.0%	US
Adient Engineering and IP GmbH	Seating	100.0%	Germany
Adient Financial Luxembourg S.a r.l.	Seating	100.0%	Luxembourg
Adient France SAS	Seating	100.0%	France
Adient Germany Ltd. & Co. KG.	Seating	100.0%	Germany
Adient GK	Seating	100.0%	Japan
Adient Global Holdings Ltd	Seating	100.0%	Jersey
Adient Global Holdings S.à r.l.	Seating	100.0%	Luxembourg
Adient Seating Holding Spain SLU	Seating	100.0%	Spain
Adient Hungary Kft.	Seating	100.0%	Hungary
Adient India Private Limited	Seating	100.0%	India
Adient Interior Hong Kong Limited	Seating	100.0%	Hong Kong
Adient Interiors Ltd. & Co. KG	Seating	100.0%	Germany
Adient Korea Inc	Seating	100.0%	Korea
Adient Ltd. & Co. KG	Seating	100.0%	Germany
Adient Luxembourg Asia Holding S.a.r.l.	Seating	100.0%	Luxembourg
Adient Metal Forming Technologies GmbH	Seating	100.0%	Germany
Adient Mexico Automotriz S. de R.L. de C.V.	Seating	100.0%	Mexico
Adient Mezölak Kft.	Seating	100.0%	Hungary
Adient Novo mesto, proizvodnja avtomobilskih sedežev, d.o.o.	Seating	100.0%	Slovenia
Adient Poland Sp. z o.o.	Seating	100.0%	Poland
Adient Properties UK Ltd	Seating	100.0%	UK
Adient Saarlouis Ltd. & Co. KG	Seating	100.0%	Germany
Adient Seating Canada LP	Seating	100.0%	Canada
Adient Seating d.o.o.	Seating	100.0%	Serbia
Adient Seating Spain SLU	Seating	100.0%	Spain

Name	Nature of Business	Group Ordinary Share	Registered Office and Country of Incorporation
Adient Seating Poland Spółka z ograniczona odpowiedzialnoscia	Seating	100.0%	Poland
Adient Seating UK Ltd	Seating	100.0%	UK
Adient Slovenj Gradec, proizvodnja sestavnih delov za avtomobilske sedeze, d.o.o.	Seating	100.0%	Slovenia
Adient South Africa (Pty) Ltd.	Seating	100.0%	South Africa
Adient Strasbourg	Seating	100.0%	France
Adient Sweden AB	Seating	100.0%	Sweden
Adient US LLC	Seating	100.0%	US
Adient Verwaltungs GmbH & Co. KG	Seating	100.0%	Germany
Adient Zwickau GmbH	Seating	100.0%	Germany
Avanzar Interior Technologies, Ltd.	Seating	49.0%	US
Beijing Adient Automotive Components Co., Ltd.	Seating	51.0%	China
Bridgewater Interiors, LLC	Seating	49.0%	US
Chongqing Adient Automotive Components Co., Ltd.	Seating	100.0%	China
Chongqing Adient Fengao Automotive Components Co., Ltd.	Seating	100.0%	China
Chengdu Adient Automotive Components Co., Ltd.	Seating	100.0%	China
Daqing Adient Automotive Components Co., Ltd.	Seating	100.0%	China
Ensamble de Interiores Automotrices Mexico, S. de R.L. de C.V.	Seating	100.0%	Mexico
Guangzhou Adient Automotive Seating Co. Ltd.	Seating	52.0%	China
PT Adient Automotive Indonesia	Seating	100.0%	Indonesia
TechnoTrim de Mexico, S. de R.L. de C.V.	Seating	51.0%	Mexico
TechnoTrim, Inc.	Seating	51.0%	US
Trim Leader, a.s	Seating	51.0%	Slovakia

ADIENT PLC

Company Financial Statements

For the Year Ended September 30, 2022

ADIENT PLC
COMPANY BALANCE SHEET

(in millions)	Note	September 30, 2022	September 30, 2021
Fixed assets			
Financial assets (investment in subsidiaries)	4	\$ 2,481	\$ 2,459
Other assets			
Debtors (amounts falling due after one year)	7	—	—
Current liabilities			
Creditors	8	26	24
Net assets		<u>\$ 2,455</u>	<u>\$ 2,435</u>
Capital and reserves			
Called-up share capital presented as equity	9	\$ —	\$ —
Share premium account		500	500
Other reserves		94	72
Profit and loss account		1,861	1,863
Shareholders' equity		<u>\$ 2,455</u>	<u>\$ 2,435</u>

Adient's profit (loss) for the years ended September 30, 2022 and 2021 as determined in accordance with FRS 102 was \$(2) million and \$(1) million, respectively.

Approved by the board of directors on February 7, 2023 and signed on its behalf by:

/s/ Douglas G. Del Grosso

Douglas G. Del Grosso

President and Chief Executive Officer and Director

/s/ Richard Goodman

Richard Goodman

Director

February 7, 2023

ADIENT PLC
COMPANY STATEMENT OF CHANGES IN EQUITY

(dollars in millions)	Called-up Share Capital				Share Premium	Profit and Loss Account	Other Reserves	Total
	Ordinary Shares		Deferred Shares					
	Number	Amount	Number	Amount				
Balance as of September 30, 2020	93,893,569	\$ —	—	\$ —	\$ 500	\$ 1,864	\$ 55	\$ 2,419
Total comprehensive loss for the year	—	\$ —	—	\$ —	\$ —	\$ (1)	\$ —	\$ (1)
Share based compensation	484,435	—	—	—	—	—	17	17
Balance as of September 30, 2021	94,378,004	\$ —	—	\$ —	\$ 500	\$ 1,863	\$ 72	\$ 2,435
Total comprehensive loss for the year		\$ —	—	\$ —	\$ —	\$ (2)	\$ —	\$ (2)
Share based compensation	480,152	—	—	—	—	—	22	22
Balance as of September 30, 2022	94,858,156	\$ —	—	\$ —	\$ 500	\$ 1,861	\$ 94	\$ 2,455

1. Basis of Presentation

Adient was incorporated on June 24, 2016 as a private limited company incorporated in Ireland (registered number 584907) and was re-registered as a public limited company on October 3, 2016.

The principal activity of Adient is investment holding. Its registered office is located at 3 Dublin Landings, North Wall Quay, Dublin 1, Ireland.

The Company Financial Statements (the “Financial Statements”) have been prepared in accordance with Generally Accepted Accounting Practice in Ireland (applicable accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and the 2014 Act). The Financial Statements comply with Financial Reporting Standard 102, ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (FRS 102).

The Financial Statements present the Parent Company Balance Sheet (the “Balance Sheet”) and the Parent Company Statement of Changes in Equity (the “Statement of Changes in Equity”) on a stand-alone basis, including related party transactions.

The Parent Company (“Adient plc”) is a qualifying entity for the purposes of FRS 102. As a qualifying entity, the Company has availed of a number of exemptions from the disclosure requirements of FRS 102 in the preparation of the Financial Statements.

The accompanying financial statements have been prepared in United States dollars and reflect the operations of Adient (“we,” “us,” or “our”).

Exemptions

Disclosure Exemptions for Qualifying Entities under FRS 102 - FRS 102 allows a qualifying entity to avail of certain disclosure exemptions. The Company has taken advantage of the below exemptions for qualifying entities. These exemptions are:

- i. the requirement to prepare a statement of cash flows. [Section 7 of FRS 102 and paragraph 3 17(d)]
- ii. certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the Group in which the entity is consolidated. [FRS 102 paragraph 11.39-11 48A, 12.26 - 12.29]
- iii. certain disclosure requirements of Section 26 in respect of share based payments provided that (a) for a subsidiary, the share based payment concerns equity instruments of another group entity; or (b) for an ultimate parent, the share based payment concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group; and in both cases, the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. [FRS 102 paragraph 26.18(b), 26.19 - 26.21, 26.23]
- iv. related party disclosures related to key management services provided by a separate management entity. [paragraph 18A of ISA24]

2. Summary of Significant Accounting Policies

Statement of compliance

The entity financial statements have been prepared on a going concern basis and in accordance with accounting standards issued by the UK Financial Reporting Council and the Companies Act 2014. The entity financial statements comply with Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS102).

Going concern

As Adient plc’s operational existence relies on the activities of Adient plc and its subsidiaries as a group (collectively, “Adient”) a going concern assessment performed during the approval of the consolidated financial statements is deemed relevant to support the Adient plc’s ability to continue as a going concern. Adient's board of directors has formed a judgment at the time of approving the financial statements that there is a reasonable expectation that Adient have adequate resources to continue in operational existence for at least the next twelve-month period extending from the time of approving the financial statements.

The board of directors has considered uncertainties driven by on-going supply chain disruptions, the impact of the Russia/Ukraine conflict, and the impact of localized COVID-19 lockdowns in China. These uncertainties include, but are not limited to, customer demand, temporary closure of production facilities, disruptions or delays in the supply chain and customers’ and suppliers’ financial condition. The extent to which such uncertainties continue to impact Adient’s results of operations, financial condition, liquidity position and availability of financing sources will depend on future developments that are highly uncertain and difficult to predict.

In assessing the potential impact of these uncertainties on its liquidity, Adient prepared cash flow forecasts covering a period of at least twelve months from the date of these financial statements. This assessment included consideration of the forecasted business performance, the cash and financial facilities available to Adient, the potential impact of continued supply chain disruptions and a more severe COVID-19 resurgence. Adient continues to expect that existing cash at bank and in hand, the cash generated by our operations, our available credit facility, as well as our expected ability to access the capital and debt markets will be sufficient to fund Adient's operating and capital needs for at least the next twelve months and thereafter for the foreseeable future. To its knowledge, the board of directors reasonably believes that these uncertainties would not have a material impact on our ability to continue as a going concern as of the financial statements' approval date.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Functional and presentation currency

The currency of the primary economic environment in which the Company operates is the US dollar (\$). These financial statements are presented in US dollars.

Foreign currencies

Transactions denominated in foreign currencies are translated into US dollars at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Investments in subsidiaries

Adient's investments in its subsidiaries are stated at cost less provision for any impairment in value. Cost represents the fair value on October 31, 2016, the date of the spin-off, based on the Company's market capitalisation at that time plus subsequent capital contributions and acquisitions.

The Company reviews investments for impairment if events or changes in circumstances indicate that the carrying value may be impaired. The Company assesses whether such indicators exist at each reporting date. Where the recoverable amount of the investment is less than the carrying amount, an impairment is recognised.

Dividends

Dividend income is recognised when the right to receive the payment is established. Interim dividends on ordinary shares to the Company's external shareholders are recognised in the Financial Statements when they are paid.

Cash flow statement

The Company has not presented a separate cash flow statement as it has availed of the exemption available under FRS 102 Section 1.12 (b). This exemption is available as 100% of the Company's voting rights are controlled within the consolidated group and the consolidated financial statements of Adient (in which the Company is included) are publicly available.

Contingencies

The Company has guaranteed certain liabilities and credit arrangements. The Company reviews the status of these guarantees at each reporting date and considers whether it is required to make a provision for payment on those guarantees based on the probability of the commitment being called. Refer to Note 12, "Guarantees and Contingencies" for further details of the Parent Company's guarantees.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial Assets

Basic financial assets, including cash and cash equivalents and short-term deposits, are initially recognized at transaction price (including transaction costs). Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions

Financial Liabilities

Basic financial liabilities, including amounts due to subsidiary undertakings, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction, the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Amounts due to subsidiary undertakings and financial liabilities from arrangements which constitute financing transactions are subsequently carried at amortized cost, using the effective interest method. Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, canceled or expires.

Cash at bank and in hand

Adient considers all highly liquid investments purchased with maturities of three months or less from the time of purchase to be cash equivalents.

Share Based Compensation Accounting

Adient has applied the requirements of FRS 102 Section 26 Share-Based Payment in accounting for all share based compensation, consequently the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors is based on estimated fair values.

Adient issues equity-settled share-based payments to certain employees of its subsidiaries. Equity-settled share based payments are measured at fair value at the date of grant and recognized over the vesting period, based on Adient's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. These awards are typically share settled unless the employee is a non-US employee or elects to defer settlement until retirement, at which point the award would be settled in cash. The fair value of cash settled awards are recalculated at the end of each reporting period and the liability and expense are adjusted based on the new fair value. All related share-based compensation expense for employees is recharged by Adient to its subsidiaries and shown as a change to the financial asset on the balance sheet.

Share capital presented as equity

Equity shares issued are recognized at the proceeds received or the fair value of services provided. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. Critical Accounting Judgement and Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key risk identified by the directors relates to impairment of the Company's investments in its subsidiaries. Consequently the Company assesses at each reporting date whether there is any indication that an investment in a subsidiary has been impaired. If such an indication exists, the Company is required to undertake a review for impairment and estimate the recoverable amount of the asset.

4. Financial Assets (Investment in Subsidiaries)

Financial assets included on the Company Balance Sheet are as follows:

(in millions)	Financial Assets
As of September 30, 2021	\$ 2,459
Additions	22
As of September 30, 2022	<u>\$ 2,481</u>

The additions during the financial period consisted of net capital contributions in relation to share based compensation.

Adient plc directly owns the following financial investments as of September 30, 2022:

Company	Country	Type	Ownership %	Date of Acquisition
			September 30, 2022	
Adient Global Holdings Sarl	Luxembourg	Holding co.	100 %	April 26, 2017
Adient Holding Ireland Limited	Ireland	Holding co.	100 %	June 20, 2017
Adient International Ltd.	Jersey	Holding co.	6 %	June 18, 2017

5. Directors' Remuneration

Refer to Note 25, "Directors' Remuneration" of the consolidated financial statements for information related to remuneration paid to the directors.

6. Auditors' Remuneration

Adient's auditors received approximately \$0.2 million and \$0.2 million of remuneration during the years ended September 30, 2022 and 2021, respectively, for the audit of the consolidated financial statements. The auditors received \$0.1 million of remuneration for the audit of the Company financial statements for each of the years ended September 30, 2022 and 2021.

7. Debtors (Amounts Falling Due After One Year)

Debtors included on the Company Balance Sheet are as follows:

(in millions)	September 30,	
	2022	2021
<i>Amounts falling due after one year:</i>		
Amounts owed by subsidiary undertakings	\$ —	\$ —

Amounts owed by parent undertakings and fellow subsidiary undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

There is a potential deferred tax asset arising from share based payments, however this has not been recognised as it is not deemed to be recoverable. No deferred tax balances were recognized on the Company's Balance Sheet as of September 30, 2022 and 2021.

8. Creditors

Creditors included on the Company Balance Sheet are as follows:

(in millions)	September 30	
	2022	2021
<i>Amounts falling due within one year:</i>		
Bank borrowings	\$ 26	\$ 20
Amounts owed to subsidiary undertakings	—	4
	<u>\$ 26</u>	<u>\$ 24</u>

9. Capital & Reserves

Share Capital

(dollars in thousands)	September 30, 2022	September 30, 2021
<u>Authorised</u>		
500,000,000 ordinary shares of \$0.001 each	\$ 500	\$ 500
100,000,000 preferred shares of \$0.001 each	100	100
25,000 deferred shares of €1.00 each	—	—
	<u>\$ 600</u>	<u>\$ 600</u>
<u>Allotted and Called-up share capital</u>		
94,858,156 and 94,378,004 ordinary shares, respectively, of \$0.001	\$ 95	\$ 94
0 and 0 deferred shares, respectively, of €1.00 each (€1 = \$1.1184)	—	—
Total called-up share capital	<u>\$ 95</u>	<u>\$ 94</u>

All proceeds from the issuance of shares were used to facilitate the establishment of Adient. Contemporaneously with the issuance by Adient of ordinary shares on October 31, 2016 (as described in Note 1) the 1 ordinary share of \$0.001 and 25,000 euro deferred shares of €1.00 each as of September 30, 2016 were redeemed and canceled.

Share Premium

Share Premium comprises of a premium arising on the issue of shares. (See Note 1 for details on the transfer of share premium to the profit and loss account.) The initial share premium upon the issuance of shares on October 31, 2016 was calculated by reference to the fair value of Adient on that date based on Adient's market capitalization using the closing share price at that date less the par value of shares issued.

Profit and Loss Account

Profit and Loss Account represents accumulated comprehensive income for the financial year and prior year financial years.

Other Reserves

Other Reserves represents the ordinary and deferred shares redeemed and canceled contemporaneously with the issuance by Adient of ordinary shares on October 31, 2016 and also includes share based compensation activity (as described in Note 1). The creation of distributable reserves of Adient was accomplished by transferring a portion of share premium to the profit and loss account in the amount of \$3,763 million, which the Irish High Court approved on December 5, 2016.

Dividends

No dividends were paid during the financial period. Refer to the Dividends section of the consolidated financial statements for additional information.

10. Related Party Transactions

Adient has availed of the exemption provided in FRS 102 Section 33, for disclosure of transactions with subsidiary undertakings, 100% of whose voting rights are controlled within Adient. Consequently, the financial statements do not contain disclosures of transactions with other related entities in Adient. During financial years 2022 and 2021, only transactions with subsidiaries which are fully owned have occurred.

11. Profit / (Loss) Attributable to Adient plc

In accordance with Section 304(2) of the Companies Act of 2014, the Company is availing of the exemption provided from presenting and filing its individual Profit and Loss Account. Adient's profit (loss) for the years ended September 30, 2022 and 2021 as determined in accordance with FRS 102 were \$(2) million and \$(1) million, respectively.

12. Guarantees and Contingencies

As of September 30, 2022, Adient was the guarantor of a \$1.0 billion term loan with interest of LIBOR plus 3.25% due 2028, a revolving facility in the aggregate amount of \$1.25 billion, \$0.8 billion aggregate principal amount of 4.875% dollar-denominated senior unsecured notes due 2026, and €0.8 billion aggregate principal amount of 3.50% euro-denominated senior unsecured notes due 2024. In addition, as of September 30, 2022, Adient was the guarantor of approximately \$187 million of trade related guarantees.

13. Events Since the Balance Sheet Date

The directors are not aware of any other matters or circumstances not otherwise dealt with in the financial statements, that have significantly or may significantly affect the operation of Adient.

14. Approval of the Balance Sheet

The financial statements were approved by the directors on February 7, 2023.