ADIENT PLC

Annual Report

For the Year Ended September 30, 2020

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ADIENT PLC
DIRECTORS' REPORT
For the Financial Year Ended September 30, 2020

The directors present their report and the audited consolidated financial statements for the financial year ended September 30, 2020, which are set out on pages 52 to 105, and audited parent company financial statements for the financial year ended September 30, 2020, which are set out on pages 106 to 114.

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 2020 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;
- 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 2020 and 2019 are to Adient's financial years ending September 30, 2020 (fiscal 2020) and 2019 (fiscal 2019), 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 in 202 wholly- and majority-owned manufacturing or assembly facilities, with operations in 32 countries. Additionally, Adient has partially-owned affiliates in China, Asia, Europe and North America. Through its global footprint, vertical integration and partnerships in China, 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 77,000 employees operating in 202 manufacturing and assembly plants in 32 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 19 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 and Slovakia.

Development Centers	
Plymouth (USA)	Trencin (Slovakia)
Burscheid (Germany)	Yokohama (Japan)
Solingen (Germany)	Shanghai (China)
Kaiserslautern (Germany)	Changchun (China)
Ansan (South Korea)	Pune (India)

Leadership Position in China Adient has an advantaged position in China established through strategic partnerships it developed as an early market entrant. Adient is a leading supplier of "just-in-time" seating in China. It operates through 18 joint ventures with 86 manufacturing locations in 38 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 through its joint ventures in 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, 2020 and 2019 were $370 million and $454 million, respectively. A portion of these costs associated with these activities are reimbursed by customers and, for the fiscal years ended September 30, 2020 and 2019 were $223 million and $291 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, Daimler AG, Fiat Chrysler Automobiles, Ford Motor Company, General Motors Company, Honda Motor Company, Hyundai Motor Company, Jaguar Land Rover, Kia Motor Company, Mazda Motor Company, Mitsubishi Motors, Nissan Motor Company, PSA Peugeot Citroen, Renault, Suzuki, Toyota Motor Corporation, Volkswagen AG and Volvo. Adient also supplies most of the growing regional OEMs such as Ashok Leyland, BAIC Motor Co., Ltd., Brilliance Auto Group, Changan Automobile (Group) Co., Ltd., FAW Group Corporation, NIO, SAIC Motor Corporation Limited, Tata Motors Limited and Zhejiang Geely Holding Group Co., Ltd. and newer auto manufacturers such as Tesla Motors, Inc. Additionally, Adient has more than 18 joint venture partnerships with key OEMs, including SAIC Motor Corporation Limited, Beijing Automobile Works Co., Ltd. and FAW Group Corporation. Further details regarding Adient's customers are 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 have emerged over the past five years:

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 pattern developments.

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.

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.

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, Faurecia SA 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, including steel, aluminum, polyurethane chemicals, fabrics, leather, vinyl and polypropylene, were available during fiscal 2020, and Adient expects such availability to continue. During fiscal 2021, commodity prices could fluctuate throughout the year and significantly affect Adient's results of operations.

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, certain of which are material to its business, are registered or otherwise legally protected in the United States and many non-U.S. countries where products and services of Adient are sold. Adient, from time to time, becomes involved in trademark licensing transactions.

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, Health, Safety and Legal Matters

Adient is involved in various lawsuits, claims and proceedings incident to the operation of its businesses, including those pertaining to product liability, environmental, safety and health, intellectual property, employment, commercial and contractual matters, and various other matters. Although the outcome of such lawsuits, claims and proceedings 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. Further details regarding Adient's commitments and contingencies is provided in Note 24, "Commitments and Contingencies," of the notes to consolidated financial statements.

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. Adient's Chief Human Resources Officer (CHRO), reporting directly to Chief Executive Officer (CEO), oversees its global talent processes to attract, develop and retain the most valuable asset – its employees. Adient has approximately 77,000 employees worldwide who represent a wide variety of backgrounds. Forty-three percent work in the Americas, 51% work in EMEA and 6% work in our Asia-Pacific region. Forty percent of the total workforce is female. 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, open-door policy, and ethics Integrity Helpline so that employees can hear directly from Adient leadership and have the opportunity to ask questions, make suggestions, and provide input. Because retention of the employee base is significant to its business strategy, executive management provides frequent updates on turnover metrics to the board of directors.

Occupational Health and Safety

Adient continuously works to improve its "Total Safety Culture" that ensures the well-being of Adient's people. 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 OHSAS 18001 or ISO 45001 standard; 64% of the locations are certified to this standard, with cyclical auditing to compliance by a third party. In fiscal 2020, the injury rate was 0.49 (per 100 employees) and the loss time injury rate (per 100 employees, U.S. only) was 0.71. Adient provides monthly updates on health and safety to the board of directors, which during fiscal 2020, included regular updates on the return to work health and safety protocols in various geographies as a result of COVID-19.

Diversity 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 color, race, gender, sexual orientation and gender identity, age, pregnancy, caste, disability, union membership, ethnicity, national origin or religious beliefs. Its CEO signed the "CEO Action for Diversity & Inclusion" pledge promulgated by the CEO Action for Diversity & Inclusion, and Adient is a member of the Center for Automotive Diversity, Inclusion & Advancement. Adient develops and tracks annual diversity and inclusion goals and its CHRO provides quarterly updates to the executive team and board of directors. Additionally, Adient supports a strong Women's Resource Network (WRN), which is an employee-led, volunteer group open to all employees with the goal to improve attraction, retention, inclusion, and engagement of a diverse and global workforce. Business Resource Groups at Adient, like the WRN, are organized by employees, undergo an official chartering process and must develop programming and initiatives focused in four areas: Career, Commerce, Culture and Community. Adient is working to expand the number of Resource Groups to include other under-represented groups.

Succession and Talent Development

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 annual 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. 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 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, the impact of tax reform legislation through the Tax Cuts and Jobs Act and/ or under a new U.S. presidential administration, uncertainties in U.S. administrative policy regarding trade agreements, tariffs and other international trade relations including as may be impacted by the change in U.S. presidential administration, the ability of Adient to execute its turnaround plan, the ability of Adient to effectively launch new business at forecast and profitable levels, the ability of Adient to identify, recruit and retain key leadership, the ability of Adient to meet debt service requirements, the terms of financing, general economic and business conditions, the strength of the U.S. or other economies, automotive vehicle production levels, mix and schedules, energy and commodity prices, the availability of raw materials and component products, currency exchange rates and cancellation of or changes to commercial arrangements. 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

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

The global outbreak of COVID-19 has caused 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. Adient has implemented numerous measures attempting to manage and mitigate the effects of the virus. While the Company 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. Additionally, beginning in late March 2020, the Company experienced a temporary shutdown of effectively all of its facilities in the Americas and European regions coinciding with the shutdown of its customer facilities in these regions. Further, certain government orders related to COVID-19 mitigation efforts may restrict Adient's ability to operate its business and may impact the 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.

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 the business, financial condition and results of operations. In addition, Adient has modified its business practices (including employee travel, employee work locations, and cancellation of 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.

The Company's management of the impact of COVID-19 has and will continue to require significant investment of time from its management and employees, as well as resources across the global enterprise. The focus on managing and mitigating the impacts of COVID-19 on the business may cause the Company to divert or delay the application of its resources toward other or new initiatives or investments, which may cause a material adverse impact on the results of operations.

Adient may also experience impacts from market downturns and changes in consumer behavior related to pandemic fears and impacts on its workforce as a result of COVID-19. The Company experienced significant decline in demand from its customers over certain periods of fiscal 2020 as a result of the impact of efforts to contain the spread of COVID-19. In addition, customers may choose to delay or abandon projects on which the Company provides products and/or services in response to the adverse impact of COVID-19 and the measures to contain its spread have had on the global economy.

Further, the impacts of COVID-19 have caused significant uncertainty and volatility in the credit markets. Adient relies on the credit markets to provide it with liquidity to operate and grow its businesses beyond the liquidity that operating cash flows provide. If the Company's access to capital were to become significantly constrained, or if costs of capital increased significantly due to the impact of COVID-19 including, volatility in the capital markets, a reduction in Adient's credit ratings or other factors, then the financial condition, results of operations and cash flows could be materially adversely affected.

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 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 and indebtedness.

The COVID-19 pandemic 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.

Adient also issued $600 million of senior secured notes due 2025 on April 20, 2020 to provide additional liquidity during the current COVID-19 pandemic. These notes will bear interest at 9% per annum and will result in higher levels of net financing charges over the term of these notes.

As a result of the impacts of the COVID-19 pandemic, 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.

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

Adient's financial performance will depend, in part, on conditions in the automotive industry. Moreover, 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, 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.

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 the Company's ability to complete its financial statements in a timely 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.

General economic, credit, capital market and 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 affect Adient's business. As discussed in greater detail below, any future financial 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 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.

On June 23, 2016, the U.K. voted in a national referendum to withdraw from the European Union and in March 2017 the U.K. invoked Article 50 of the Treaty on European Union, which began the U.K.'s withdrawal from the European Union. The U.K. formally left the European Union on January 31, 2020 and entered into a transition period which ended on December 31, 2020.

On December 30, 2020, the U.K. and the European Union entered into an agreement regarding their future relationship, the Trade and Cooperation Agreement, which provisionally applies until February 28, 2021, by which date it is intended to be fully ratified by the parties and enter into full force (subject to any extensions to that date that may be agreed between the parties). However, significant political and 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. The consequences of the withdrawal by the U.K. from the European Union and the impact on markets, as well as the impact on Adient's operations, remain highly uncertain.

This market volatility may lead to an increase in Adient's cost of borrowing or the availability of credit, which may adversely impact Adient's financial performance. The U.K.'s withdrawal from the European Union may also have a detrimental effect on Adient's customers and suppliers, which would, in turn, adversely affect Adient's revenues and financial condition. In addition, the U.K.'s withdrawal from the European Union may also result in legal uncertainty and potentially divergent national laws and regulations as new legal relationships between the U.K. and the European Union are established.

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 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.

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; 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; violence, civil and labor unrest; and possible terrorist attacks.

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 primarily through 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 above, 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, continue joint venture relationships, 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 currently significant 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. The U.S. presidential administration under President Trump called for substantial changes to U.S. foreign trade policy with respect to China and other countries, including the possibility of imposing greater restrictions on international trade and significant increases in tariffs on goods imported into the U.S. While the results of the U.S. presidential election could lead to different approaches in U.S. foreign trade policy with China as well as other countries, there remains much uncertainty. 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

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 under "Principal Activities" at pages 5 through 10 of this Report. 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.

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 what occurred during the General Motors labor strike occurring in fall 2019 and/ or customer stoppages as a result of COVID-related governmental shutdowns 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. 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, 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 and other similar disruptions. Any system failure, accident or security breach could result in disruptions to Adient's operations. A material network breach in the security of Adient's IT systems could include 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, 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.

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

Raw material, energy and commodity costs can be volatile. Although Adient has developed and implemented strategies to mitigate the impact of higher raw material, energy and commodity costs, these strategies, together with commercial negotiations with Adient's customers and suppliers, typically offset only 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 and product components fluctuates from time to time due to factors outside of Adient's control. If the costs of raw materials, energy, commodities and product components increase or the availability thereof is restricted, it could adversely affect Adient's financial condition, operating results and cash flows.

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.

There is a growing consensus that greenhouse gas emissions are linked to global climate changes. Climate changes, 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.

Further, 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 relating to certain climate-related matters such as greenhouse gas emissions. 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 may result in the loss of business, diluted market valuation, an inability to attract customers or an inability to attract and retain top talent.

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 significant mark-to-market adjustments on the revaluation of its pension obligations that have negatively 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.

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

As of September 30, 2020, Adient's total consolidated indebtedness approximated $4.3 billion. This significant amount of debt could potentially have important 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.

In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. Although the impact is uncertain at this time, the elimination of LIBOR could have an adverse impact on our business, results of operations, or financial condition. Specifically, the use of an alternative reference rate could result in increased borrowing costs in the future. At this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR and Adient is unable to predict the effect of any such alternatives on our business, results of operations or financial condition.

Adient's business success depends on attracting and retaining qualified personnel.

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.

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, 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. 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 previously disclosed that it does not have plans to pay dividends on its ordinary shares following the dividend paid in the first quarter of fiscal 2019. 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; 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, such authorization for a maximum period of five years, each as specified in the articles of association or relevant shareholder resolution. This authorization would need to be renewed by Adient's shareholders upon its expiration (i.e., at least every five years). The Adient articles of association authorize the allotment of shares (which will be subject to the limits provided for in the NYSE Listed Company Manual) for a period of five years from the date of their adoption, which authorization will need to be renewed by ordinary resolution, being a resolution passed by a simple majority of votes cast, upon expiration but may be sought more frequently for additional five-year terms (or any shorter period). Our current authorization is due to expire in October 2021 and we anticipate seeking a new authorization at our 2021 Annual General Meeting and in subsequent years. 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 the Adient articles of association, or shareholders in general meeting, to exclude preemptive rights. Such an exclusion of preemptive rights may be for a maximum period of up to five years from the date of adoption of the articles of association, if the exclusion is contained in the articles of association, or from the date of the shareholder resolution, if the exclusion is by shareholder resolution; in either case, this exclusion would need to be renewed by Adient's shareholders upon its expiration (i.e., at least every five years). The Adient articles of association exclude preemptive rights for a period of five years from the date of adoption of the Adient articles of association, which exclusion will need to be renewed by special resolution, being a resolution passed by not less than 75% of votes cast, upon expiration but may be sought more frequently for additional five-year terms (or any shorter period). Our current authorization is due to expire in October 2021 and we anticipate seeking a new authorization at our 2021 Annual General Meeting and in subsequent years. Should this authorization not be approved, our ability to issue equity could be limited which could adversely affect our securities holders.

Adient’s Articles of Association permit Adient by ordinary resolution of the shareholders to declare dividends, provided that the directors have made a recommendation as to its amount. The dividend may not exceed the amount recommended by the directors. The directors may also decide to continue to pay interim dividends if it appears to them that the profits available for distribution justify the payment. When recommending or declaring the payment of a dividend, the directors will be required under Irish law to comply with their duties, including considering Adient's future financial requirements.

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 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," 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.

In particular, the U.S. Tax Cuts and Jobs Act (the "Act"), enacted on December 22, 2017, contained significant changes to corporate taxation. Changes include, but are not limited to, a newly created tax on "base erosion" payments, a newly created minimum tax on certain earnings of foreign subsidiaries and additional limitations on the deductibility of interest expense. The guidance on these provisions (and other provisions of the Act) remains limited. Consequently, it is possible that the application of these provisions (and other provisions of the Act), could adversely impact Adient's effective tax rate.

Further, the results of the U.S. presidential election could lead to changes in tax laws that could negatively impact the Company's effective tax rate. Prior to the U.S. presidential election, President-elect Biden proposed an increase in the U.S. corporate income tax rate from 21% to 28%, doubling the rate of tax on certain earnings of foreign subsidiaries, the creation of a 10% penalty on certain imports and a 15% minimum tax on worldwide book income. 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.

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, including in such a way as could cause Adient and/or its affiliates to 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. This includes recently proposed legislation to limit the ability of certain "inverted domestic corporations" to avail themselves of certain benefits under the CARES Act. 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. In such case, the Adient group would 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, retrospective effectiveness is tested on a monthly basis using a cumulative dollar offset test. 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," of the notes to consolidated financial statements, and further disclosure relating to derivatives and hedging activities is included in Note 14, "Derivative Instruments and Hedging Activities," and Note 15, "Fair Value Measurements."

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 Company's Term Loan B Agreement. The interest rate caps are designated as cash flow hedges under ASC 815. As of September 30, 2020, Adient had two interest rate caps outstanding totaling approximately $200 million.

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 10, "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 2020, 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, respectively. 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.

At September 30, 2020 and 2019, 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 $6 million and $32 million, respectively.

Commodity Risk

Adient's exposures to market risk from changes in the price of production material are managed primarily through negotiations with suppliers and customers, although there can be no assurance that Adient will recover all such costs. Adient continues to evaluate 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.

KEY PERFORMANCE INDICATORS

Adient is a global leader in the automotive seating supply industry with relationships with the largest global auto manufacturers. 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. Adient is an independent seat supplier with global scale and 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 in 202 wholly- and majority-owned manufacturing or assembly facilities, with operations in 32 countries. Additionally, Adient has partially-owned affiliates in China, Asia, Europe and North America. Through its global footprint, vertical integration and partnerships in China, 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.

Recent Developments Regarding COVID-19

The impact of the novel strain of the coronavirus identified in late 2019 (“COVID-19”) continues to be present throughout the world, including in all global and regional markets served by Adient. Governmental authorities have implemented numerous measures attempting to contain and mitigate the effects of COVID-19, including travel bans and restrictions, quarantines, social distancing orders, shelter in place orders and shutdowns of non-essential activities. Adient's manufacturing facilities are located in areas that have been affected by the pandemic. Adient's China facilities (including both consolidated and non-consolidated joint ventures) were effectively shut down during the lunar New Year festival (at the end of January) and did not return to operations until the end of March 2020. Currently, all of Adient's plants in China are operating and all of its customer plants in China have re-opened.

Beginning in late March 2020, Adient experienced the shutdown of effectively all of its facilities in the Americas and European regions coinciding with the shutdown of its customer facilities in those regions. Adient also experienced the shutdown of approximately 50% of its plants in Asia (outside China) during late March and early April. During May and June, production started to resume in all regions concurrent with Adient's customers resuming operations and continued to ramp up through Adient’s fiscal fourth quarter. As of September 30, 2020, virtually all of Adient's plants had resumed production, but with production rates well below pre-pandemic levels.

It is likely that the global automotive industry will experience significantly lower demand for new vehicle sales as a result of the global economic slowdown caused by the COVID-19 pandemic because new vehicle sales are highly dependent on strong consumer confidence and low unemployment. Until consumers regain confidence in the markets and unemployment returns to lower levels, new vehicle sales will likely be significantly lower than historical and previously projected pre-pandemic sales levels.

Adient has been actively monitoring the global outbreak and spread of COVID-19 and taking steps to mitigate the potential risks to the Company posed by its spread and related circumstances and impacts. Adient continues to assess and update its business continuity plans in the context of this pandemic, including analyzing constraints at its suppliers. Adient has taken precautions to help keep its workforce healthy and safe, including establishing a Global Response Team, implementing strict travel restrictions, enforcing rigorous hygiene protocols, increasing sanitization efforts at all facilities, enacting visitor restrictions, social distancing, face covering expectations, and temperature and health screenings and implementing remote working arrangements for the vast majority of Adient's employees who work outside the plants.

Adient took significant measures to reduce its overall cash burn rate (defined as net cash outflow associated with operating the company) during the shutdown, including the furlough of direct/salary plant workers, reductions of salaries in all areas of the globe and retirement benefits for U.S. employees outside the plants, reduced/delayed capex spending to coincide with the resumption of production and effectively eliminating all discretionary spending. The actions to reduce and defer compensation were global initiatives and included 20% salary reductions in the U.S. beginning on March 23, 2020 (with up to 10% incremental reductions and deferrals taking effect on April 13, 2020) and running until June 30, 2020, salary reductions of up to 20% for certain employees in many of the countries outside of the U.S., CEO salary reduction and deferral until July 15, 2020, and a 20% Board fee reduction. Effective July 1, 2020, Adient offered certain employees, including Adient's executive officers, restricted stock unit (RSU) awards in lieu of 10-30% of salary and other compensatory benefits that are being foregone by each recipient from the time period beginning July 1, 2020 through June 30, 2021. The RSU awards will vest in two tranches, with one half of the awards vesting six months from the grant date, and the remaining half vesting one year from the grant date.

In addition to the significant measures taken to reduce and contain costs, Adient took actions to provide additional liquidity, primarily including the draw down on its ABL revolving credit facility of $825 million at the end of March 2020 and the issuance of $600 million of senior secured notes due 2025 on April 20, 2020. Adient's ability to borrow against the ABL revolving credit facility is limited to its borrowing base, which consists primarily of accounts receivable, inventory and certain cash account balances at certain Adient subsidiaries. Such working capital account balances decreased, as expected, during the third quarter of fiscal 2020 as a result of the production shutdown but subsequently increased, as expected, during the fourth quarter of fiscal 2020 as a result of the resumption of production. Adient repaid $825 million of the ABL revolving credit facility during the third and fourth quarters of fiscal 2020 and maintains $787 million of availability under the ABL revolving credit facility as of September 30, 2020.

The recent automotive production shutdown across most of the world has also significantly impacted Adient's daily working capital. During the third quarter of fiscal 2020, Adient experienced significantly lower trade working capital balances (accounts receivable, inventory and accounts payable) due to the shutdown of production in the early part of the third quarter and resumption of production only toward the latter part of the quarter. Trade working capital was favorably impacted during the early part of the third quarter but was more than offset by the unfavorable impact to trade working capital during the latter part of the quarter. The resumption of production in the fourth quarter of fiscal 2020 had a favorable impact to trade working capital as Adient returned to a more stabilized production run rate.

Adient closed on the sale of its YFAI joint venture investment (as part of the broader Yanfeng transaction announced on January 31, 2020 and as modified on June 24, 2020), providing additional liquidity of approximately $329 million. Adient also closed on the sale of its fabrics business, providing additional liquidity of approximately $170 million.

Adient has also pursued, wherever it qualifies, governmental assistance during this time. For example, Adient has been deferring the employer portion of FICA until fiscal 2021 or beyond and deferring VAT payments. Adient is seeking to take advantage of all such assistance to either defer payments to government authorities or to receive cash to help defray operating costs. Adient cannot guarantee that it will continue to qualify for, or receive any of, the assistance that it is pursuing.

Finally, Adient's Chinese joint ventures paid dividends to Adient during the fiscal year ending September 30, 2020 of approximately $273 million. Adient, however, cannot guarantee the collection of annual cash dividends from its non-consolidated joint ventures.

The spread of COVID-19 and the measures taken to restrain the spread of the virus have had, and will continue to have, a material negative impact on Adient's financial results and liquidity, and such negative impact may continue well beyond the containment of such outbreak. Adient cannot assure that the assumptions used to estimate its liquidity requirements will be correct because it has never previously experienced such a widespread cessation of its operations as it experienced in the third quarter of fiscal 2020. In addition, the magnitude, duration, speed and potential resurgence of the global pandemic is uncertain. Consequently, the impact on Adient's business, financial condition or longer-term financial or operational results are uncertain. Based on the actions it has taken and the assumptions regarding the impact of COVID-19, Adient believes that its current financial resources will be sufficient to fund the company's liquidity requirements for at least the next twelve months.

Consolidated Results of Operations

(in millions)	Year Ended September 30, 2020	Change	2019
Net sales	$ 12,670	-23%	$ 16,526
Cost of sales	12,078	-23%	15,725
Gross profit	592	-26%	801
Selling, general and administrative expenses	558	-17%	671
Loss on business divestitures - net	13	n/a	—
Restructuring and impairment costs	238	35%	176
Equity income	22	-92%	275
(Loss) earnings before interest and income taxes	(195)	> -100%	229
Net financing charges	220	21%	182
Other pension expense	14	-69%	45
(Loss) income before income taxes	(429)	> -100%	2
Income tax provision	57	-86%	410
Net loss	(486)	-19%	(408)
Income attributable to noncontrolling interests	61	-27%	83
Net loss attributable to Adient	$ (547)	-11%	$ (491)

Net Sales

(in millions)	Year Ended September 30, 2020	Change	2019
Net sales	$ 12,670	-23%	$ 16,526

Net sales decreased by $3,856 million, or 23%, in fiscal 2020 primarily due to the significant operational interruptions related to COVID-19 starting in the second quarter of fiscal 2020 which resulted in lower sales volumes across all regions, unfavorable foreign currency impact ($217 million), and the impact of divestitures primarily related to RECARO ($115 million), partially offset by favorable commercial settlements and net pricing adjustments, including material economics, net of recoveries. Refer to the segment analysis below for a discussion of segment net sales.

Cost of Sales / Gross Profit

(in millions)	Year Ended September 30, 2020	Change	2019
Cost of sales	$ 12,078	-23%	$ 15,725
Gross profit	592	-26%	801
% of sales	4.7 %		4.8 %

Cost of sales decreased by $3,647 million, or 23%, and gross profit decreased by $209 million, or 26%, in fiscal 2020. Cost of sales were lower primarily due to the decrease in sales volumes as a result of the COVID-19 impact along with overall business performance improvements, the favorable impact of foreign currency ($195 million), and the impact of divestitures primarily related to RECARO ($97 million). Gross profit was lower as a result of the negative impact of lower sales volume due to the COVID-19 impact, partially offset by the impact of business performance improvements including lower launch inefficiencies, and reductions in operational waste and freight along with favorable commercial settlements and net pricing adjustments. Refer to the segment analysis below for a discussion of segment profitability.

Selling, General and Administrative Expenses

(in millions)	Year Ended September 30, 2020	Change	2019
Selling, general and administrative expenses	$ 558	-17%	$ 671
% of sales	4.4 %		4.1 %

Selling, general and administrative expenses (SG&A) decreased by $113 million, or 17%, in fiscal 2020 as compared to fiscal 2019. SG&A was favorably impacted by lower overall administrative and engineering spending of $88 million, including lower levels of certain compensation and discretionary spending which are not expected to recur as part of the annual SG&A run rate, prior year Adient Aerospace and RECARO costs of $39 million, lower share based compensation expense of $5 million and the favorable impact of foreign currency ($5 million), partially offset by higher transaction costs in the current year related to the Yanfeng transaction and sale of the fabrics business of $12 million. Refer to the segment analysis below for a discussion of segment profitability.

Restructuring and Impairment Costs

(in millions)	Year Ended September 30, 2020	Change	2019
Restructuring and impairment costs	$ 238	35%	$ 176

Restructuring and impairment charges increased by $62 million in fiscal 2020 due primarily to higher levels of restructuring actions taken in fiscal 2020 after the industry experienced significant volume decreases resulting from the COVID-19 impact, $53 million of one-time non-cash impairment charges of long-lived assets in China and other assets held for sale, partially offset by one-time non-cash impairment charges in the prior year related to the seat structures and mechanisms business ($66 million).

Refer to Note 3, "Acquisitions and Divestitures," Note 19, "Restructuring and Impairment Costs," and Note 20, "Impairment of Long-Lived Assets" of the notes to consolidated financial statements for information related to Adient's restructuring plans.

Equity Income

(in millions)	Year Ended September 30, 2020	Change	2019
Equity income (loss)	$ 22	-92%	$ 275

Equity income was $22 million for fiscal 2020, compared to $275 million for fiscal 2019. The decrease during fiscal 2020 was due primarily to the $231 million non-cash impairment charge recorded in fiscal 2020 of the YFAI investment as part of the Yanfeng transaction, and the impact from the planned divestiture of YFAI of $26 million, partially offset by higher income at certain China seating affiliates that included $10 million of benefits from tax credits at various China affiliates that are not expected to recur. Refer to Note 23, "Nonconsolidated Partially-Owned Affiliates," of the notes to consolidated financial statements for further disclosure related to Adient's nonconsolidated partially-owned affiliates.

Net Financing Charges

(in millions)	Year Ended September 30, 2020	Change	2019
Net financing charges	$ 220	21%	$ 182

Net financing charges increased in fiscal 2020 as a result of higher levels of outstanding debt and to higher average interest rates in the current year, partially offset by $3 million of net gain resulting from the partial extinguishment of debt.

Other Pension Expense

(in millions)	Year Ended September 30, 2020	Change	2019
Other pension expense	$ 14	-69%	$ 45

Other pension expense consists of mark-to-market adjustments of Adient's retirement plans and non-service components of Adient's net periodic pension costs. The decrease in pension expense in fiscal 2020 is due to the lower level of pension mark-to-market impact (a $22 million charge in fiscal 2020 compared to a $49 million charge in fiscal 2019), partially offset by a $2 million pension settlement expense related to the settlement of two plans in the United States.

Income Tax Provision

(in millions)	Year Ended September 30, 2020	Change	2019
Income tax provision	$ 57	-86%	$ 410

The fiscal 2020 income tax provision of $57 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 repatriation of foreign earnings, and changes in uncertain tax positions, partially offset by the tax benefits related to the impairment and sale of Adient’s YFAI investment, sale of Adient’s automotive fabrics manufacturing business, and impairment charges recorded in the Asia segment.

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 2020 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 deferred tax assets in certain jurisdictions would not be realized. These valuation allowances did not have a material impact on the consolidated financial statements. 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 2019 income tax provision of $410 million was higher than the Irish statutory rate of 12.5% primarily due to the recognition of valuation allowances in Luxembourg, Poland, and the United Kingdom, repatriation of foreign earnings, changes in uncertain tax positions, and the impact of recognizing no tax benefit for losses in jurisdictions with valuation allowances.

As a result of Adient's fiscal 2019 analysis of the realizability of its worldwide deferred tax assets, and after considering tax planning initiatives and other positive and negative evidence (including the external debt refinancing, the related incremental net financing costs, and the restructuring of the internal financing which occurred in the third quarter of fiscal 2019 and including the long-lived asset impairment recorded in the second quarter of fiscal 2019), Adient determined it was more likely than not that deferred tax assets in Luxembourg (Q3), the United Kingdom (Q3) and certain Poland entities (Q2) would not be realized and recorded income tax expense of $229 million, $25 million and $43 million, respectively, to establish valuation allowances.

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

Income Attributable to Noncontrolling Interests

	Year Ended September 30,		
(in millions)	**2020**	**Change**	**2019**
Income attributable to noncontrolling interests	$ 61	-27%	$ 83

The decrease in income attributable to noncontrolling interests for fiscal 2020 is primarily attributable to lower income resulting from lower volumes, as a result of the COVID-19 impact at certain Seating affiliates in varying jurisdictions during fiscal 2020 as compared to fiscal 2019.

Net Loss Attributable to Adient

	Year Ended September 30,		
(in millions)	**2020**	**Change**	**2019**
Net loss attributable to Adient	$ (547)	-11%	$ (491)

Net loss attributable to Adient was $547 million for fiscal 2020, compared to a loss of $491 million for fiscal 2019. The increased net loss attributable to Adient is primarily due to the impact of having significantly lower volumes due to COVID-19 along with a one-time non-cash impairment charge of $231 million on Adient's YFAI investment, a $25 million loss on the sale of the RECARO business and deconsolidation of Adient Aerospace, higher restructuring costs, and overall higher net financing costs, partially offset by operating improvements and lower administrative costs and one-time charges in the prior year related to impairment in the seat structures and mechanism business of $66 million and income tax charges to establish valuation allowances of $297 million.

Comprehensive Loss Attributable to Adient

	Year Ended September 30,		
(in millions)	**2020**	**Change**	**2019**
Comprehensive loss attributable to Adient	$ (643)	-22%	$ (529)

Comprehensive loss attributable to Adient was $643 million for fiscal 2020 compared to comprehensive loss attributable to Adient for fiscal 2019 of $529 million. This increased level of comprehensive loss attributable to Adient in fiscal 2020 is primarily due to the unfavorable impact of higher levels of net loss ($56 million), the unfavorable impact in foreign currency transaction adjustments resulting from overall weakening of emerging market currencies, partially offset by the strengthening of the Chinese yuan ($34 million), and the unfavorable impact in realized and unrealized losses on derivatives ($19 million), partially offset by the decrease in comprehensive income attributable to noncontrolling interests ($15 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.

	Year Ended September 30,	
(in millions)	**2020**	**2019**
Net Sales		
Americas	$ 5,889	$ 7,785
EMEA	5,148	6,675
Asia	1,822	2,337
Eliminations	(189)	(271)
Total net sales	$ 12,670	$ 16,526

	Year Ended September 30,	
(in millions)	**2020**	**2019**
Adjusted EBITDA		
Americas	$ 228	$ 210
EMEA	101	161
Asia	424	513
Corporate-related costs (1)	(80)	(97)
Becoming Adient costs (2)	—	—
Restructuring and impairment costs (3)	(238)	(176)
Purchase accounting amortization (4)	(40)	(44)
Restructuring related charges (5)	(20)	(31)
Loss on business divestitures - net (6)	(13)	—
Impairment of nonconsolidated partially owned affiliate (7)	(231)	—
Depreciation	(295)	(278)
Stock based compensation	(15)	(20)
Other items (8)	(16)	(9)
(Loss) earnings before interest and income taxes	(195)	229
Net financing charges	(220)	(182)
Other pension expense	(14)	(45)
(Loss) income before income taxes	$ (429)	$ 2

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

(2) Reflects incremental expenses associated with becoming an independent company.

(3) 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. Included in restructuring charges in fiscal 2020 is a non-cash pre-tax impairment related to China intangible assets of $24 million, held for sale asset impairments of $21 million, and $8 million of other long-lived asset impairments. Included in restructuring charges in fiscal 2019 is a $66 million non-cash pre-tax impairment charge related to long-lived assets ($11 million in the Americas and $55 million in EMEA) and an $18 million non-cash impairment charge related to assets held for sale ($6 million in the Americas and $12 million in Asia).

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

(5) 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.

(6) Reflects $21 million loss of sale of RECARO and $4 million loss on deconsolidation of Aerospace, partially offset by a $12 million gain on completion of the Yanfeng transaction.

(7) Reflects non-cash impairment charges related to Adient's YFAI investment balance, which has been recorded within the equity income line in the consolidated statements of income, which was recorded in conjunction with the Yanfeng transaction.

(8) The year ended September 30, 2020 primarily includes $15 million of transaction costs and $1 million of tax adjustments at YFAI. The year ended September 30, 2019 primarily includes $4 million of integration costs associated with the acquisition of Futuris, $3 million of transaction costs and $2 million of tax adjustments at YFAI.

Americas

	Year Ended September 30,		
(in millions)	**2020**	**Change**	**2019**
Net sales	$ 5,889	-24%	$ 7,785
Adjusted EBITDA	$ 228	9%	$ 210

Net sales decreased during fiscal 2020 by $1,896 million due to lower production volumes ($1,787 million) resulting primarily from the operational shutdowns during fiscal 2020 as a result of the COVID-19 pandemic as well as $55 million attributable to the GM labor strike during the first quarter of fiscal 2020 and the impact of Adient specific launches, along with the unfavorable impact of foreign currency ($75 million), the unfavorable impact of material economics ($21 million), and the unfavorable impact of the RECARO divestiture ($39 million), partially offset by the favorable impact of commercial settlements and net pricing adjustments ($26 million).

Adjusted EBITDA increased during fiscal 2020 by $18 million due to the impact of operational performance improvements ($104 million), lower administrative and engineering expense ($100 million) including lower levels of certain compensation and discretionary spending which are not expected to recur as part of the annual run rate, the favorable impact of Adient Aerospace deconsolidation and RECARO divestiture ($25 million), the favorable impact of commercial settlements and net pricing adjustments ($55 million) and favorable material economics, net of recoveries ($15 million), partially offset by lower production volumes ($274 million), lower equity income ($2 million), and the unfavorable impact of foreign currency ($5 million).

EMEA

(in millions)	Year Ended September 30, 2020		Change		2019
Net sales	$	5,148	-23%	$	6,675
Adjusted EBITDA	$	101	-37%	$	161

Net sales decreased during fiscal 2020 by $1,527 million due to lower production volumes ($1,353 million) resulting primarily from the operational shutdowns during fiscal 2020 as a result of the COVID-19 pandemic along with the unfavorable impact of foreign currency ($137 million), the unfavorable impact of the RECARO divestiture ($39 million) and the unfavorable impact of material economics ($14 million), partially offset by favorable commercial settlements and net pricing adjustments ($16 million).

Adjusted EBITDA decreased during fiscal 2020 by $60 million due to lower volumes ($243 million), the unfavorable impact of foreign currency ($12 million), unfavorable material economics, net of recovery ($10 million), and lower equity income ($3 million), partially offset by operational performance improvements ($91 million), lower administrative and engineering expense ($56 million) including lower levels of certain compensation and discretionary spending which are not expected to recur as part of the annual run rate, favorable net material and pricing adjustments ($57 million), and the favorable impact of divestitures primarily related to RECARO ($4 million).

Asia

(in millions)	Year Ended September 30, 2020		Change		2019
Net sales	$	1,822	-22%	$	2,337
Adjusted EBITDA	$	424	-17%	$	513

Net sales decreased during the fiscal 2020 by $515 million due to lower production volumes ($474 million) primarily resulting from the operational shutdowns in China and in other Asia countries as a result of the COVID-19 pandemic, the unfavorable impact of the RECARO divestiture ($37 million), the unfavorable impact of foreign currency ($13 million), and the unfavorable impact of material economics ($3 million), partially offset by the favorable impact of commercial settlements and net pricing adjustments ($12 million).

Adjusted EBITDA decreased during fiscal 2020 by $89 million due to the impact of lower production volumes ($73 million), the unfavorable impact of the planned YFAI divestiture ($26 million), unfavorable material economics, net of recoveries ($3 million), the unfavorable impact of foreign currency ($12 million), the unfavorable impact of the RECARO divestiture ($9 million), and higher administrative and engineering costs ($2 million), partially offset by operational performance improvements ($8 million), higher equity income from China seating affiliates that included $10 million of benefits from tax credits at various China affiliates that are not expected to recur ($16 million), and favorable net material and pricing adjustments ($12 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. 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 10, "Debt and Financing Arrangements," of the notes to consolidated financial statements for discussion of financing arrangements.

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. The ABL Credit Facility will 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). Interest is payable on the ABL Credit Facility at a fluctuating rate of interest determined by reference to the Eurodollar rate plus an applicable margin of 1.50% to 2.00%. 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. As of September 30, 2020, Adient had not drawn down on the ABL Credit Facility and had availability under this facility of $787 million (net of $138 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 (the "Term Loan B Agreement") providing for a 5-year $800 million senior secured term loan facility that was fully drawn on closing. 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 May 6, 2024. Interest on the Term Loan B Agreement accrues at the Eurodollar rate plus an applicable margin equal to 4.25% (with one 0.25% step down based on achievement of a specific secured net leverage level starting with the fiscal quarter ending December 31, 2019). 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 US is also a party to an indenture relating to the issuance of $800 million aggregate principal amount of Senior First Lien Notes. The notes mature on May 15, 2026 and bear interest at a rate of 7.00% per annum. Interest on these notes is payable semi-annually in arrears on November 15 and May 15 of each year, commencing on November 15, 2019.

The ABL Credit Facility, Term Loan B Agreement and the Senior First Lien Notes due 2026 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 maintains $900 million aggregate principal amount of 4.875% USD-denominated unsecured notes due 2026. During the fourth quarter of fiscal 2020, Adient redeemed $103 million of face value of these notes at face value, resulting in a remaining balance of $797 million as of September 30, 2020. Adient recorded a gain of $3 million associated with this partial redemption. AGH also maintains €1.0 billion aggregate principal amount of 3.50% unsecured notes due 2024.

Adient Germany Ltd. & Co. KG, a wholly owned subsidiary of Adient, maintains €165 million in an unsecured term loan from the European Investment Bank ("EIB") due in 2022. The loan bears interest at the 6-month EURIBOR rate plus 158 basis points. Adient amended the EIB loan agreement as of June 30, 2020 to increase the net leverage ratio to 6.75x from 5.25x at June 30, 2020. The net leverage ratio requirements of 5.25x at September 30, 2020 and future step downs to 4.50x by the second quarter of fiscal 2021 were not adjusted. Adient is compliant with the net leverage ratio at September 30, 2020. However, due to the rise in COVID-19 infections across Europe and the Americas and the potential disruption to vehicle production that might occur at its customers, there is uncertainty whether compliance with this net leverage ratio over the next 12 months is achievable, which could require Adient to either obtain another amendment or waiver or to pay down the EIB loan. As a result, Adient has classified this debt as short term debt at September 30, 2020.

On April 20, 2020, Adient US offered $600 million (net proceeds of $591 million) aggregate principal amount of 9.00% Senior First Lien Notes due 2025. These notes will mature on April 15, 2025, provided that if Adient Global Holdings Ltd ("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 will be paid on April 15 and October 15 each year, beginning on October 15, 2020. These notes contain covenants that are usual and customary, similar to the covenants on the Senior First Lien Notes due 2026 as described above. Adient incurred $10 million of debt issuance cost associated with this new debt in fiscal 2020.

Sources of Cash Flows

	Year Ended September 30,	
(in millions)	**2020**	**2019**
Cash provided (used) by operating activities	$ 246	$ 308
Cash provided (used) by investing activities	166	(383)
Cash provided (used) by financing activities	393	303
Capital expenditures	(326)	(468)

Cash flows from operating activities

The decrease in operating cash flows is due primarily to lower levels of operating profits, partially offset by lower levels of trade working capital, specifically lower levels of accounts receivable, inventory and accounts payable. See the working capital section below for further information on changes in working capital.

Cash flows from investing activities

The increase in cash provided by investing activities is primarily due to lower levels of capital expenditures in the current year as well as $329 million of proceeds from the Yanfeng transaction and $170 million of net proceeds from the sale of the fabrics business, partially offset by lower proceeds from the sale of assets as compared to the prior year and a $37 million cash outflow as a result of the deconsolidation of the Adient Aerospace joint venture.

Cash flows from financing activities

The increase in cash from financing activities is primarily attributable to the issuance of $600 million of debt in fiscal 2020 along with lower repayments of long-term debt.

Capital expenditures

The decrease in capital expenditures was primarily related to decreased year over year spending based on timing of program spend on product launches and tightening controls around overall spending.

Working capital

(in millions)	**September 30, 2020**	**September 30, 2019**
Current assets	$ 4,482	$ 4,116
Current liabilities	3,819	3,835
Working capital	$ 663	$ 281

The increase in working capital of $382 million is primarily attributable to higher levels of cash on hand, partially offset by lower levels of trade working capital accounts including lower levels of accounts receivable, inventory and accounts payable. Adient also maintains a higher level of accrued restructuring and current lease liabilities at September 30, 2020 offsetting the impact to working capital of higher levels of cash on hand.

Off-Balance Sheet Arrangements and Contractual Obligations

Adient enters into supply chain financing programs in certain foreign jurisdictions to sell accounts receivable without recourse to third-party financial institutions. Sales 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, 2020, $168 million has been funded under these programs.

A summary of Adient's significant contractual obligations as of September 30, 2020:

(in millions)	Total	2021	2022-2023	2024-2025	Beyond 2026
Long-term debt	$ 4,160	$ 8	$ 16	$ 2,539	$ 1,597
Interest on long-term debt	1,142	225	449	373	95
Operating leases	408	112	147	84	65
Purchase obligations	211	211	—	—	—
Pension contributions	137	17	21	23	76
Total contractual cash obligations	$ 6,058	$ 573	$ 633	$ 3,019	$ 1,833

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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 2, "Revenue Recognition," of the notes to the consolidated financial statements for more information regarding Adient's adoption of ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)."

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 16.0% – 18.5% at September 30, 2020) 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. 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 of September 30, 2020, the fair value of each reporting unit exceeded 20% of its respective carrying value. To the extent discount rates increase, long-term growth rates are not achieved and/or actual cash flows in the future are lower than the forecasted cash flows, the goodwill allocated to the reporting units could be determined to be impaired which could have a material impact on Adient’s results of operations. Due to the COVID-19 pandemic and the significant interruption it has caused to Adient’s operations, Adient tested goodwill for impairment for each of its reporting units for the quarter ended March 31, 2020 and also performed its annual goodwill test during the fourth quarter of fiscal 2020 using a fair value method based on management's judgments and assumptions regarding future cash flows. 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. Adient estimated the fair value of each of its reporting units using an income approach, which utilized Level 3 unobservable inputs. 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 15.0% to 17.5% as of March 31, 2020 and 16.0% to 18.5% as of September 30, 2020) 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 COVID-19 is 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 tests, there was no goodwill impairment recorded during the quarter ended March 31, 2020 or during the fourth quarter of fiscal 2020. Refer to Note 4, "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. During the fourth quarter of fiscal 2020, Adient concluded it had a triggering event requiring assessment of an impairment within a separate China entity and as a result recorded a $5 million pre-tax non-cash impairment in the Asia segment related to long-lived assets due to an overall decline in the forecasted operations within that business. During the third quarter of fiscal 2020, Adient concluded it had a triggering event requiring assessment of impairment within the Futuris China business and as a result recorded a pre-tax non-cash impairment of $27 million in the Asia segment, which consisted of customer relationship intangible assets of $24 million and other long-lived assets of $3 million, due to an overall decline in forecasted operations within that business. In the second quarter of fiscal 2019, Adient concluded it had triggering events requiring assessment of impairment of long-lived assets in the seat structure and mechanism operations. As a result, Adient reviewed the long-lived assets for impairment and recorded a $66 million impairment charge within restructuring and impairment costs on the consolidated statements of income (loss). The impairment charge related to long-lived assets in North America and Europe asset groups as of March 31, 2019 in support of current programs. No other long-lived asset impairments were identified in fiscal 2019. These impairments were measured, depending on the asset, either under an income approach utilizing forecasted discounted cash flows or a market approach utilizing appraisal techniques to determine fair values of the impaired assets. These methods are consistent with the methods Adient employed in prior periods to value other long-lived 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" and primarily consist of expected future operating margins and cash flows, estimated production volumes, weighted average cost of capital rates (13.0%), estimated salable values and third-party appraisal techniques such as market comparables. To the extent that profitability on current or future programs decline as compared to forecasted profitability or if adverse changes occur to key assumptions or other fair value measurement inputs, further impairment of long-lived assets could occur in the future. Refer to Note 20, "Impairment of Long-Lived Assets," of the notes to the consolidated financial statements for additional information.

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 fiscal 2020, Adient entered into an agreement to, among other things, transfer all of the issued and outstanding equity interest in YFAI held, directly or indirectly, by Adient, which represented 30% of YFAI’s total issued and outstanding equity interest, to Yanfeng Automotive Trim Systems Company Ltd. for $369 million, of which $309 million was paid at closing and $60 million is to be paid on a deferred basis. This transaction closed during the fourth quarter of fiscal 2020. Adient concluded that indicators of other-than-temporary impairment were present in certain quarters during fiscal 2020 related to the investment in YFAI and recorded a total of $231 million non-cash impairment of Adient’s YFAI investment within equity income. The impairments were determined based on combining the fair value of consideration received for all transactions contemplated within the Master Agreement, including an estimated fair value of the YFAS joint venture extension, and allocating the total consideration received to the individual transactions based on relative fair values. Adient estimated the fair value of the individual transactions using both an income approach and market approach. The inputs utilized in the fair value analyses of the transactions are classified as level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement" and primarily consisted of expected future operating margins and cash flows of YFAI, estimated production volumes, estimated dividend payments from YFAS over the extension period, estimated terminal values of YFAS, market comparables, weighted-average costs of capital (YFAI - 15.0%, YFAS - 10.5%), and noncontrolling interest discounts. Refer to Note 3, "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 2.91% and 3.22% at September 30, 2020 and 2019, respectively. Adient's weighted average discount rate on non-U.S. plans was 1.87% and 1.85% at September 30, 2020 and 2019, 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 60% of the plans' assets are invested in fixed income securities and 15% in equity securities, with the remainder primarily invested in alternative investments. For fiscal years 2020 and 2019, Adient's expected long-term return on U.S. pension plan assets used to determine net periodic benefit cost was 5.00% and 5.00% respectively. The actual rate of return on U.S. pension plans was below 5.00% in fiscal 2020 and below 5.00% in fiscal 2019. For fiscal years 2020 and 2019, Adient's weighted average expected long-term return on non-U.S. pension plan assets was 4.01% and 4.08%, respectively. The actual rate of return on non-U.S. pension plans was above 4.01% in fiscal 2020 and was above 4.08% in fiscal 2019.

For fiscal 2021, Adient estimates the long-term rate of return will approximate 5.75% and 3.68% 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 2020, total Adient contributions to the defined benefit pension plans were $19 million. Adient expects to contribute at least $17 million in cash to its defined benefit pension plans in fiscal 2021. In fiscal 2020, total Adient contributions to the postretirement plans were not significant.

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.

Refer to Note 18, "Retirement Plans," of the notes to consolidated financial statements for 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.

On December 22, 2017, the Act was signed and enacted into law, and is effective for tax years beginning on or after January 1, 2018, with the exception of certain provisions. The Act includes a provision to tax global intangible low-taxed income ("GILTI") of foreign subsidiaries, which was effective for Adient beginning in fiscal year 2019. Adient has made a policy election to treat taxes due under the GILTI provision as a current period expense in the reporting period in which the tax is incurred.

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 19, “Restructuring and Impairment Costs,” of the notes to consolidated financial statements for more information.

During fiscal 2020, Adient committed to a restructuring plan ("2020 Plan") of $205 million that was offset by $20 million of prior year underspend. 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. Adient currently estimates that upon completion of the restructuring actions, the fiscal 2020 restructuring plan will reduce annual operating costs by approximately $180 million, which is primarily the result of lower costs of sales and selling, general and administrative expenses due to reduced employee-related costs, of which approximately 35%-40% will result in net savings. The restructuring actions are expected to be substantially completed by fiscal 2024.

During fiscal 2019, Adient committed to a restructuring plan ("2019 Plan") of $105 million. Of the restructuring costs recorded, $81 million relates to the EMEA segment, $16 million relates to the Americas segment and $8 million relates to the Asia segment. The restructuring actions relate to cost reduction initiatives and consist primarily of workforce reductions. Also recorded in fiscal 2019 was $16 million of prior year underspend, a $9 million increase to a prior year reserve and $6 million of recoveries from a customer related to previous restructuring charges. This is the total amount expected to be incurred for this restructuring plan. 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 2021.

ACQUISITION AND CANCELLATION OF OWN SHARES

No Adient shares were repurchased during fiscal 2020 and 2019. Adient or any of its subsidiary undertakings did not hold any of its shares as of September 30, 2020 and 2019.

DIVIDENDS

After declaring and paying $26 million of dividends in the first quarter of fiscal 2019, Adient has suspended its cash dividends. 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 in 25-28 North Wall Quay, IFSC, 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 at intervals not exceeding six months.

SIGNIFICANT EVENTS SINCE YEAR END

Subsequent events have been evaluated through February 5, 2021, the date this report was approved by the Board of Directors. Refer to Note 29, "Subsequent Events" of notes to consolidated financial statements for additional information.

DIRECTORS

The following table lists directors who have served during fiscal 2020.

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 2020 and fiscal year 2019 were as follows:

	September 30, 2020		September 30, 2019	
Directors	**Ordinary Shares**	**Exercisable Stock Options**	**Ordinary Shares**	**Exercisable Stock Options**
John M. Barth [1]	13,624 [2]	—	13,624	—
Julie L. Bushman	25,737	—	14,786	—
Peter H. Carlin	22,561	—	11,610	—
Raymond L. Conner	28,130	—	17,179	—
José Gutiérrez	21,420	—	10,469	—
Douglas G. Del Grosso	13,696	—	—	—
Richard Goodman	25,056	—	14,105	—
Frederick A. Henderson	51,384	—	34,013	—
Barb J. Samardzich	24,667	—	13,716	—
Corporate Secretary				
Heather M. Tiltmann [3]	1,486	291	1,771	291

(1) John M. Barth retired as a director of Adient on March 12, 2019.

(2) Reflects ownership information based on the Form 4 filed by Mr. Barth with the SEC on March 11, 2019, which was the last Form 4 filed before Mr. Barth's retirement.

(3) Heather M. Tiltmann was appointed Corporate Secretary of Adient effective June 1, 2020.

POLITICAL DONATIONS

No political donations that require disclosure under Irish law were made during fiscal 2020.

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 33 of our 2020 Sustainability Report, as published on our website at https://investors.adient.com/corporate-governance/governance-documents 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 10 of this Report. A description of principal risks facing Adient, including those related to non-financial matters, can be found at pages 11 through 24 of this Report.

SUBSIDIARY COMPANIES AND UNDERTAKINGS

Refer to Note 30, "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 directors have formed a judgment that Adient has adequate resources to continue in operational existence for at least the next 12 months extending from the time of the approval of the financial statements. Accordingly, Adient continues to adopt the going concern basis in preparing the financial statements. Refer to Recent Developments Regarding COVID-19 under Key Performance Indicators for additional information on the impact of the COVID-19 pandemic.

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, 2020.

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	/s/ Richard Goodman
Douglas G. Del Grosso	Richard Goodman
President and Chief Executive Officer and Director	Director
February 5, 2021	February 5, 2021

Independent auditors' report to the members of Adient plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Adient plc's group 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 2020 and of the group's loss and cash flows for the year then ended;

- the group 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 group 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 2020;
- the Company Balance Sheet as at 30 September 2020;
- the Consolidated Statement of Income (Loss) for the year then ended;
- the 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;
- 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

	Materiality ◆ $40 million (2019: $45 million) based on circa 0.3% of net sales - Group financial statements ◆ $27 million (2019:$27 million) based on circa 1% of total assets - Company financial statements
	Audit scope ◆ The group is structured along three reportable segments being Americas (includes North and South America), Middle East and Africa (EMEA) and Asia (Asia Pacific/China). ◆ We conducted work on 27 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 circa 91% of net sales, circa 80% of group total assets and cicra 69% of group total liabilities.
	Key audit matters ◆ Americas and EMEA Reportable Segments 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.

Key audit matter	*How our audit addressed the key audit matter*
Americas and EMEA Reportable Segments Annual Goodwill Impairment Assessment As described in critical accounting estimates and policies on page 37, note 1 *"Basis of Presentation and Summary of Significant Accounting Policies" and* note 4 *"Goodwill and Other Intangible Assets"* to the Group financial statements, the Group had a goodwill balance of $2,057 million, representing 22% of the Group's total assets, as of September 30, 2020. Goodwill and other intangible assets are allocated between 3 segments; Americas, EMEA and Asia with carrying values of $606 million, $368 million and $1,083 million respectively. Management considers the headroom for each segment on a quarterly basis and determined that the Americas and EMEA required further impairment analysis. 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. Due to the COVID-19 pandemic and the significant interruption it has caused to the Company's operations, management tested goodwill for impairment for each of its reporting units as at March 31, 2020 and also as at September 30, 2020. As disclosed in note 4, management determined that as a result of this test it was determined that goodwill associated with the Americas ($606 million) and EMEA ($368 million) was not impaired. Management performs impairment reviews for its reportable segments using a fair value method based on management's judgements and assumptions. The estimated fair value is then compared with the carrying amount of each reportable segment, including recorded goodwill. This method requires management to make assumptions about future cash flows, including estimates of revenue and operating margins, discount rates including a company-specific risk premium to reflect the risk inherent from the uncertainty around the impact of COVID-19. 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 Americas and EMEA reportable segments. We considered the reasonableness of significant assumptions for year-end impairment of goodwill and impairment assessments, including projected revenues, operating margins and the discount rates utilised. When assessing these assumptions used by the Group, we evaluated whether the assumptions used were reasonable considering the current and past performance of the reportable segments, customer contracts and relevant industry data. We considered the appropriateness of the company specific risk premium built into the discount rate to reflect the risk inherent from the uncertainty around the impact of COVID-19. We engaged PwC transaction specialists to assist in the assessment of the reasonableness of management's underlying assumptions, including the company-specific risk premium to reflect the risk inherent from the uncertainty around the impact of COVID-19. 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 one of two principal 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 27 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, or 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 the reporting components where we conducted our work, we obtained coverage of 91% of net sales, circa 80% of group total assets and circa 69% 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. 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:

	Group financial statements	***Company financial statements***
Overall materiality	$40 million (2019: $45 million).	$27 million (2019: $27 million).
How we determined it	circa 0.3% of net sales.	circa 1% of total assets.
Rationale for benchmark applied	As the group's loss before income taxes for 2020 was close to break-even, we deemed net sales to be the most appropriate benchmark to calculate materiality. We also considered the reasonableness of the amount of overall materiality calculated by reference to the amount of materiality used in the prior year and to materiality levels calculated via alternative benchmarks.	As the company is a holding company, it is deemed that total assets are the most appropriate benchmark to calculate materiality. For financial statement line items that do not eliminate on consolidation, they have been audited to the overall group materiality levels.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above circa $3 million (group audit) (2019: $3 million) and circa $2 million (company audit) (2019: $2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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" as defined by that Act on which we are not required to report) for the year ended 30 September 2020 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" as defined by that Act on which we are not required to report).

Responsibilities for the financial statements and the audit

Responsibilities 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.

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
February 5, 2021

CONSOLIDATED STATEMENT OF INCOME (LOSS)

(in millions, except per share data)	Note	Year Ended September 30, 2020	Year Ended September 30, 2019
Net sales	2	$ 12,670	$ 16,526
Cost of sales		12,078	15,725
Gross profit		592	801
Selling, general and administrative expenses		558	671
Loss on business divestitures- net	3	13	—
Restructuring and impairment costs	19	238	176
Equity income	23	22	275
(Loss) earnings before interest and income taxes		(195)	229
Net financing charges	10	220	182
Other pension expense		14	45
(Loss) income before income taxes		(429)	2
Income tax provision	21	57	410
Net loss		(486)	(408)
Income attributable to noncontrolling interests		61	83
Net loss attributable to Adient		$ (547)	$ (491)
Loss per share:			
Basic	1	$ (5.83)	$ (5.25)
Diluted	1	$ (5.83)	$ (5.25)
Shares used in computing loss per share:			
Basic	1	93.8	93.6
Diluted	1	93.8	93.6

ADIENT PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

		Year ended September 30	
(in millions)	Note	2020	2019
Net loss		$ (486)	$ (408)
Other comprehensive loss, net of taxation			
Foreign currency translation adjustments		(69)	(35)
Realized and unrealized losses on derivatives	14	(20)	(1)
Pension and postretirement plans	18	—	(2)
Other comprehensive loss		(89)	(38)
Total comprehensive loss		(575)	(446)
Comprehensive income attributable to noncontrolling interests	17	68	83
Comprehensive loss attributable to Adient		$ (643)	$ (529)

ADIENT PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		September 30,	
(in millions, except share and per share data)	**Note**	**2020**	**2019**
Assets			
Cash and cash equivalents	1	$ 1,692	$ 924
Accounts receivable, less allowance for doubtful accounts of $10 and $14, respectively	1	1,641	1,905
Inventories	7	685	793
Assets held for sale	3	43	—
Other current assets	6	421	494
Current assets		4,482	4,116
Property, plant and equipment - net	5	1,581	1,671
Goodwill	4	2,057	2,150
Other intangible assets - net	4	443	405
Investments in partially-owned affiliates	23	707	1,399
Assets held for sale	3	27	—
Other noncurrent assets	6	964	601
Total assets		$ 10,261	$ 10,342
Liabilities and Shareholders' Equity			
Short-term debt	10	$ 202	$ 22
Current portion of long-term debt	10	8	8
Accounts payable	11	2,179	2,709
Accrued compensation and benefits		374	364
Liabilities held for sale	3	46	—
Provisions - current	13	291	175
Other current liabilities	12	719	557
Current liabilities		3,819	3,835
Long-term debt	10	4,097	3,708
Provisions - noncurrent	13	352	390
Other noncurrent liabilities	12	415	169
Long-term liabilities		4,864	4,267
Commitments and Contingencies	24		
Redeemable noncontrolling interests	17	43	51
Preferred shares issued, par value $0.001; 100,000,000 shares authorized Zero shares issued and outstanding at September 30, 2020		—	—
Ordinary shares issued, par value $0.001; 500,000,000 shares authorized 93,893,569 shares issued and outstanding at September 30, 2020		—	—
Additional paid-in capital		3,974	3,962
Retained earnings		(2,096)	(1,545)
Accumulated other comprehensive (loss)	17	(665)	(569)
Shareholders' equity attributable to Adient		1,213	1,848
Noncontrolling interests		322	341
Total shareholders' equity		1,535	2,189
Total liabilities and shareholders' equity		$ 10,261	$ 10,342

Approved by the Board of Directors on February 5, 2021 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

ADIENT PLC
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in millions)	Ordinary Shares	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity Attributable to Adient	Shareholders' Equity Attributable to Noncontrolling Interests	Total Equity
Balance at October 1, 2018	**$ —**	**$ 3,951**	**$ (1,028)**	**$ (531)**	**$ 2,392**	**$ 325**	**$ 2,717**
Net (loss) income	—	—	(491)	—	**(491)**	53	**(438)**
Foreign currency translation adjustments	—	—	—	(35)	**(35)**	(3)	**(38)**
Realized and unrealized (losses) on derivatives	—	—	—	(1)	**(1)**	—	**(1)**
Employee retirement plans	—	—	—	(2)	**(2)**	—	**(2)**
Dividends declared ($0.275 per share)	—	—	(26)	—	**(26)**	—	**(26)**
Dividends attributable to noncontrolling interests	—	—	—	—	**—**	(61)	**(61)**
Change in noncontrolling interest share	—	—	—	—	**—**	28	**28**
Share based compensation and other	—	11	—	—	**11**	(1)	**10**
Balance at September 30, 2019	**$ —**	**$ 3,962**	**$ (1,545)**	**$ (569)**	**$ 1,848**	**$ 341**	**$ 2,189**
Net (loss) income	—	—	(547)	—	**(547)**	42	**(505)**
Foreign currency translation adjustments	—	—	—	(76)	**(76)**	11	**(65)**
Realized and unrealized (losses) on derivatives	—	—	—	(20)	**(20)**	—	**(20)**
Dividends attributable to noncontrolling interests	—	—	—	—	**—**	(54)	**(54)**
Change in noncontrolling interest share	—	—	—	—	**—**	(18)	**(18)**
Share based compensation and other		12	—	—	**12**	—	**12**
Adjustments from adoption of a new standard	—	—	(4)	—	**(4)**	—	**(4)**
Balance at September 30, 2020	**$ —**	**$ 3,974**	**$ (2,096)**	**$ (665)**	**$ 1,213**	**$ 322**	**$ 1,535**

ADIENT PLC
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended September 30	
(in millions)	2020	2019
Operating Activities		
Profit (loss) on ordinary activities after taxation attributable to Adient ordinary shareholders	$ (547)	$ (491)
Income attributable to noncontrolling interest	61	83
Profit (loss) on ordinary activities after taxation	(486)	(408)
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	295	278
Amortization of intangibles	37	40
Pension and postretirement benefit expense	23	53
Pension and postretirement contributions	(19)	(19)
Equity in earnings of partially-owned affiliates, net of dividends received (includes purchase accounting amortization of $3 and $4, respectively)	24	(55)
Impairment of nonconsolidated partially owned affiliate	231	—
Deferred income taxes	(33)	288
Non-cash restructuring and impairment charges	53	78
Loss on divestitures - net	13	—
Equity-based compensation	15	20
Other	24	23
Changes in assets and liabilities:		
Receivables	190	131
Inventories	78	8
Other assets	140	150
Restructuring reserves	(80)	(108)
Accounts payable and accrued liabilities	(251)	(191)
Accrued income taxes	(8)	20
Cash provided (used) by operating activities	246	308
Investing Activities		
Capital expenditures	(326)	(468)
Sale of property, plant and equipment	15	68
Settlement of cross-currency interest rate swaps	10	10
Business divestitures	499	—
Changes in long-term investments	(37)	3
Other	5	4
Cash provided (used) by investing activities	166	(383)
Financing Activities		
Increase (decrease) in short-term debt	(16)	17
Increase in long-term debt	600	1,600
Repayment of long-term debt	(108)	(1,204)
Debt financing costs	(10)	(47)
Cash dividends	—	(26)
Dividends paid to noncontrolling interests	(71)	(62)
Formation of consolidated joint venture	—	28
Other	(2)	(3)
Cash provided (used) by financing activities	393	303
Effect of exchange rate changes on cash and cash equivalents	(34)	9
Increase in cash and cash equivalents, including cash classified within current assets held for sale	771	237
Less: cash classified within current assets held for sale	(3)	—
Increase in cash and cash equivalents	768	237
Cash and cash equivalents at beginning of period	924	687
Cash and cash equivalents at end of period	$ 1,692	$ 924

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: 25-28 North Wall Quay, IFSC, Dublin 1.

Adient is a global leader in the automotive seating supplier industry. Adient has a leading market position in the Americas, Europe and China, and has longstanding relationships with the largest global original equipment manufacturers, or OEMs, in the automotive space. 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 an independent seat supplier with global scale and the capability to design, develop, engineer, manufacture, and deliver complete seat systems and components in every major automotive producing region in the world.

During fiscal 2020, Adient faced an unprecedented situation with the COVID-19 pandemic and the related significant interruption it had on Adient's operations. Adient's China facilities (including both consolidated and non-consolidated joint ventures) were effectively shut down during the lunar New Year festival (at the end of January 2020) and did not return to operations until the end of March 2020. All of Adient's plants in China are currently operating and all of its customer plants in China have re-opened. Beginning in late March 2020, Adient experienced the shutdown of effectively all of its facilities in the Americas and European regions coinciding with the shutdown of its customer facilities in those regions. Adient also experienced the shutdown of approximately 50% of its plants in Asia (outside China) during late March and early April. During May and June 2020, production started to resume in the Americas, European and Asia (outside China) regions concurrent with Adient's customers resuming operations and production continued to ramp up throughout Adient’s fiscal fourth quarter in all regions in line with customer production. As of September 30, 2020, virtually all of Adient's plants have resumed production, although production rates are well below pre-pandemic levels.

Basis of Presentation

The consolidated financial statements include the consolidated statement of financial position of Adient plc and its subsidiaries as of September 30, 2020 and 2019, 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 September 30, 2020 and 2019. 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 13, "Provisions," of the notes to consolidated financial statements for those liabilities which meet the provision classification requirements under Irish Company Law.

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 30, "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, 2020 and 2019, 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 statement of financial position for the consolidated VIEs are as follows:

	September 30,	
(in millions)	**2020**	**2019**
Current assets	$ 217	$ 236
Noncurrent assets	74	40
Total assets	$ 291	$ 276
Current liabilities	$ 204	$ 235
Noncurrent liabilities	10	—
Total liabilities	$ 214	$ 235

Adient did not have a significant variable interest in any other combined VIEs for the presented reporting periods.

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 14, "Derivative Instruments and Hedging Activities," and Note 15, "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 foreign jurisdictions to sell accounts receivable without recourse to third-party financial institutions. Sales of accounts receivable are reflected as a reduction of accounts receivable on the consolidated statement of financial position and the proceeds are included in cash flows from operating activities in the consolidated statement of cash flows.

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, 2020 and 2019, Adient recorded within the consolidated statements of financial position $293 million and $303 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, 2020, Adient had $85 million and $208 million of reimbursable costs recorded in current and noncurrent assets, respectively. At September 30, 2019, Adient had $117 million and $186 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, 2020 and 2019, approximately $51 million and $60 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, 2020, Adient recorded within the consolidated statements of financial position in other current and noncurrent assets $78 million and $6 million, respectively, of costs for molds, dies and other tools for which customer reimbursement is contractually assured. At September 30, 2019, Adient recorded within the consolidated statements of financial position in other current and noncurrent assets $101 million and $28 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

On October 1, 2019, Adient adopted Accounting Standards Codification Topic 842, "*Leases*" (ASC 842) using the modified retrospective transition approach and electing the package of practical expedients. This resulted in the recognition of right-of-use (ROU) assets of $380 million and corresponding operating lease liabilities of $384 million. The adoption date ROU asset balance was adjusted by $4 million, reflecting impairment of ROU assets for certain real estate leases (within the North America and Europe asset groups) of which the Company determined the carrying value of the initial operating lease ROU asset exceeded its fair value. The adjustment was recorded as an increase to the opening accumulated deficits. The adoption of ASC 842 did not have any significant impact on the consolidated statement of income or cash flows.

Operating lease 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 9, "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. Refer to Note 20, "Impairment of Long-Lived Assets," of the notes to consolidated financial statements for information regarding the results of Adient's impairment analysis.

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," for information regarding the results of Adient's impairment analysis.

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 2, "Revenue Recognition" 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 Fiat Chrysler Automobiles N.V. and Volkswagen Group which comprised 10% and 10% of consolidated net sales, respectively, in fiscal 2020, Fiat Chrysler Automobiles N.V. and Volkswagen Group which comprised 11% and 9% of consolidated net sales, respectively, in fiscal 2019.

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, 2020 and 2019 were $370 million and $454 million, respectively. A portion of these costs associated with these activities are reimbursed by customers and, for the fiscal years ended September 30, 2020 and 2019 were $223 million and $291 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 loss. The aggregate transaction (losses) included in net loss for the years ended September 30, 2020 and 2019 were $(25) million and $(12) million, respectively.

Derivative Financial Instruments

The fair values of all derivatives are recorded in the consolidated statement of financial position. The change in a derivative's fair value is recorded each period in current earnings or accumulated other comprehensive income (AOCI), depending on whether the derivative is designated as part of a hedge transaction and if so, the type of hedge transaction. Refer to Note 14, "Derivative Instruments and Hedging Activities," and Note 15, "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 option awards is measured on the grant date using the Black-Scholes option-pricing model. The fair value of each stock appreciation right, or SAR, is estimated using a similar method described for stock options. 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 16, "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 18, "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.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed and enacted into law, and is effective for tax years beginning on or after January 1, 2018, with the exception of certain provisions. The Act includes a provision to tax global intangible low-taxed income ("GILTI") of foreign subsidiaries, which was effective for Adient beginning in fiscal year 2019. Adient has made a policy election to treat taxes due under the GILTI provision as a current period expense in the reporting period in which the tax is incurred.

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

Loss Per Share

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

in millions, except per share data	Year Ended September 30, 2020	2019
Numerator:		
Loss on ordinary activities attributable to ordinary shareholders	$ (547)	$ (491)
Denominator:		
Shares outstanding	93.8	93.6
Effect of dilutive securities	—	—
Diluted shares	93.8	93.6
Loss per share:		
Basic	$ (5.83)	$ (5.25)
Diluted	$ (5.83)	$ (5.25)

Potentially dilutive securities whose effect would have been antidilutive are excluded from the computation of diluted loss per share which for fiscal 2020 and 2019 is a result of being in a loss position.

New Accounting Pronouncements

Standards Adopted During Fiscal 2020

On October 1, 2019, Adient adopted Accounting Standards Codification Topic 842, "Leases" ("ASC 842"). The guidance requires lessees to recognize a lease liability and a right-of-use (ROU) asset for all leases with the exception of short-term leases whose terms are twelve months or less. By applying the optional modified retrospective method, Adient recorded an adjustment as of the adoption date without any retrospective adjustments to comparative financial information. Additionally, Adient elected the package of practical expedients permitted under ASC 842, and accordingly, did not reassess whether existing contracts contain leases, lease classifications, or the treatment of initial direct costs capitalized under the previous standard ("ASC 840"). Adient did not apply the "hindsight" practical expedient upon adoption. Adient did elect to apply the practical expedient to not separate nonlease components from associated lease components. Refer to Note 9, "Leases," of the notes to consolidated financial statements for additional information.

ASU 2018-07, Compensation-Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting, expands the scope of Topic 718 to include all share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 specifies that Topic 718 applies to all share-based payment transactions in which the grantor acquires goods and services to be used or consumed in its own operations by issuing share-based payment awards. ASU 2018-07 also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under ASC 606. The adoption of this guidance on October 1, 2019 did not have a material impact on Adient's consolidated financial statements for the fiscal year ended September 30, 2020.

On March 12, 2020, Adient adopted Accounting Standards Update 2020-04, Topic 848, "*Reference Rate Reform - Facilitation of the Effects of Reference Rate Reform on Financial Reporting*" upon its issuance. The guidance provides certain expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships. The adoption did not have a material impact on Adient's consolidated financial statements for the fiscal year ended September 30, 2020.

Standards Effective After Fiscal 2020

Adient has considered the ASUs summarized below, effective after fiscal 2020, none of which are expected to significantly impact the consolidated financial statements:

Standard Pending Adoption	Description	Date Effective
ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments	ASU 2016-13 changes the impairment model for financial assets measured at amortized cost, requiring presentation at the net amount expected to be collected. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts. Available-for-sale debt securities with unrealized losses will now be recorded through an allowance for credit losses.	October 1, 2020
ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement	ASU 2018-13 eliminates, adds, and modifies certain disclosure requirements for fair value measurements. The amendments with respect to changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty are to be applied prospectively. All other amendments are to be applied retrospectively to all periods presented.	October 1, 2020
ASU 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General: Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans	The amendments in ASU 2018-14 eliminate, add, and modify certain disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The guidance is to be applied on a retrospective basis to all periods presented.	October 1, 2020
ASU 2018-17, Targeted Improvements to Related Party Guidance for Variable Interest Entities	ASU 2018-17 affects reporting entities that are required to determine whether they should consolidate a legal entity under the guidance within the Variable Interest Entities Subsections of Subtopic 810-10, Consolidation-Overall.	October 1, 2020
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.	October 1, 2021
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

2. 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 and for that reason, there have been no changes to how Adient accounts for reimbursable pre-production costs.

Adient has elected to continue to include 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 contracts 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 were identified at September 30, 2020. 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. See Note 22, "Segment Information", for disaggregated revenue by geographical market.

3. Acquisitions and Divestitures

Divestitures

Adient Aerospace, LLC ("Adient Aerospace") became operational on October 11, 2018 with Adient's initial ownership position in Adient Aerospace being 50.01%. Initial contributions of $28 million were made during the first quarter of fiscal 2019 by each partner. On October 25, 2019, Adient reached an agreement with Boeing in which Adient's ownership position was reduced to 19.99%, resulting in the deconsolidation of Adient Aerospace on that date, including $37 million of cash. Adient recorded a $4 million loss as a result of the transaction in the Americas segment, including $21 million of allocated goodwill. Adient Aerospace develops, manufactures, and sells a portfolio of seating products to airlines and aircraft leasing companies for installation on Boeing and other OEM commercial airplanes, for both production line-fit and retrofit configurations.

On December 31, 2019, Adient sold the RECARO automotive high performance seating systems business to a group of investors for de minimis proceeds. As a result of the sale, Adient recorded a loss of $21 million during the quarter ending December 31, 2019. For fiscal 2019, the RECARO business recorded $148 million of net sales and insignificant pre-tax income.

On January 31, 2020 (as amended on June 24, 2020), Adient, Yanfeng Automotive Trim Systems Company Ltd. ("Yanfeng"), Adient Yanfeng Seating Mechanisms Co., Ltd. ("AYM"), a joint venture owned, directly or indirectly, by Yanfeng (50%) and Adient (50%), Yanfeng Adient Seating Co., Ltd. ("YFAS"), a joint venture owned, directly or indirectly, by Yanfeng (50.01%) and Adient (49.99%) and YFAI, a joint venture owned, directly or indirectly, by Yanfeng (70%) and Adient (30%), entered into a Master Agreement (the "Agreement", collectively referred to as "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 at the closing of the agreed transactions and the remaining $60 million will be paid on a deferred basis post-closing. With respect to each YFAI fiscal year ending after the closing, starting with the year ending December 31, 2020, Adient will be paid an earnout in an amount equal to 30% percent of YFAI's distributable earnings for such year until such time as the $60 million deferred purchase price is fully paid;

- Adient and Yanfeng would amend the YFAS Joint Venture Contract, dated as of October 22, 1997, as amended, and the Articles of Association of YFAS, dated as of October 22, 1997, as amended, in each case in order to extend the term of the YFAS joint venture until December 31, 2038;

- Adient would transfer all patents, trademarks and copyrights, know-how, trade secrets and other intellectual property rights owned by Adient (or certain of its subsidiaries) and used exclusively in the conduct of Adient’s mechanism business as of the date of such transfer (the “Transferred IP”) to AYM for $20 million, and in connection with such transfer, (i) AYM will grant back to Adient a sole license with respect to the Transferred IP on a worldwide and royalty-free basis, (ii) Adient will grant AYM a worldwide and royalty-free license with respect to certain intellectual property rights owned by Adient (or certain of its subsidiaries) and used on a non-exclusive basis in the conduct of Adient’s mechanism business, and (iii) Adient and AYM will license to each other certain improvements to the Transferred IP, as well as certain other intellectual property rights developed or acquired by Adient, AYM or certain of their respective subsidiaries and relating to the mechanism business; and

- Adient and Yanfeng would amend the AYM Equity Joint Venture Contract, dated as of September 9, 2013, as amended, and the Articles of Association of AYM, dated as of September 9, 2013, as amended to, among other things, (i) make certain governance changes such that Yanfeng will control and consolidate the results of AYM for financial reporting and accounting purposes, and (ii) expand AYM’s business and customer scope such that it may carry out its seating mechanism business anywhere in and outside of the People’s Republic of China, in each case, on the terms and subject to the conditions set forth in the Agreement and the relevant definitive agreements to be entered into in connection therewith.

The transactions agreed on January 31, 2020, as amended on June 24, 2020, were cross-conditioned on each other and closed in accordance with the terms above on August 21, 2020. Proceeds from the transactions of $329 million were received at closing and will be used by Adient for general corporate purposes or to potentially pay down a portion of Adient’s debt subject to the ongoing impacts of the COVID-19 pandemic. The terms of the Master Agreement as described above are consistent with non-binding terms reached in December 2019.

As a result of the January 31, 2020 agreement, as amended on June 24, 2020, described above, Adient concluded that indicators of other-than-temporary impairment were present related to the investment in YFAI as of December 31, 2019, June 30, 2020, and upon closing. Upon entering into a formal agreement to sell the YFAI investment, Adient determined that other-than-temporary impairment did exist and recorded a $216 million non-cash impairment of Adient's YFAI investment during the quarter ended December 31, 2019. As a result of the June 24, 2020 modifications to the agreement described above, Adient recorded $6 million of additional non-cash impairment of Adient's YFAI investment during the quarter ended June 30, 2020. Upon closing of the transaction, an additional $9 million of impairment was recorded due to receipt of proceeds in U.S. dollars. The impairments were determined based on combining the fair value of consideration received for all transactions contemplated within the Master Agreement, including an estimated fair value of the YFAS joint venture extension, and allocating the total consideration received to the individual transactions based on relative fair values. Adient estimated the fair value of the individual transactions using both an income approach and market approach. The inputs utilized in the fair value analyses of the transactions are classified as level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement" and primarily consisted of expected future operating margins and cash flows of YFAI, estimated production volumes, estimated dividend payments from YFAS over the extension period, estimated terminal values of YFAS, market comparables, weighted-average costs of capital (YFAI - 15.0%, YFAS - 10.5%), and noncontrolling interest discounts. As a result of the pending divestiture of the YFAI investment and the corresponding impairment, Adient ceased recognizing equity income from YFAI subsequent to December 31, 2019 (YFAI equity income was $40 million in fiscal year 2019). In addition, 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.

On September 30, 2020, Adient closed on the sale of its automotive fabrics manufacturing business including the lamination business to Sage Automotive Interiors for net proceeds of approximately $170 million, net of $4 million of cash divested within the business. Proceeds from the transaction are expected to be used by Adient for general corporate purposes or to potentially pay down a portion of Adient’s debt subject to the ongoing impact of the COVID-19 pandemic. A minimal gain was recorded as a result of the transaction after allocating $80 million of goodwill to the disposed business. The sale transaction included 11 facilities globally with the majority located in EMEA and approximately 1,300 employees. For fiscal years 2020 and 2019, the fabrics manufacturing business recorded $99 million and $130 million of third party sales and a nominal amount and $8 million of pre-tax income, respectively.

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

Assets held for sale

During fiscal 2020, Adient committed to a plan to sell certain entities in China and certain properties in the U.S. 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 $21 million which was recorded within restructuring and impairment costs on the consolidated statement of income (loss) during fiscal 2020, of which $12 million related to America’s assets and $9 million related to China’s assets. 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."

4. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill in each of Adient's reporting segments is as follows:

(in millions)	Americas	EMEA	Asia	Total
Balance at September 30, 2019	$ 638	$ 429	$ 1,083	$ 2,150
Business divestitures	(21)	(80)	—	(101)
Currency translation and other	(11)	19	—	8
Balance at September 30, 2020	$ 606	$ 368	$ 1,083	$ 2,057

Adient evaluates its goodwill for impairment on an annual basis, or as facts and circumstances warrant. Due to the COVID-19 pandemic and the significant interruption it has caused to Adient’s operations, Adient tested goodwill for impairment for each of its reporting units for the quarter ended March 31, 2020 and also performed its annual goodwill test during the fourth quarter of fiscal 2020 using a fair value method based on management's judgments and assumptions regarding future cash flows. 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. Adient estimated the fair value of each of its reporting units using an income approach, which utilized Level 3 unobservable inputs. 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 15.0% to 17.5% as of March 31, 2020 and 16.0% to 18.5% as of September 30, 2020) 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 COVID-19 is 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 tests, there was no goodwill impairment recorded during the quarter ended March 31, 2020 or during the fourth quarter of fiscal 2020. A change in any of these estimates and assumptions, especially as it relates to the extent of the COVID-19 pandemic’s impacts on vehicle production volumes within the automotive industry as well as the demand for new vehicle sales once the current operational interruptions are over, could produce significantly lower fair values of Adient's reporting units, which could have a material impact on its results of operations.

During fiscal 2019, as a result of the change in reportable segments during the second quarter, Adient conducted goodwill impairment analyses of the newly allocated goodwill balances under the new reportable segment structure and identified no impairment. Adient also performed its annual goodwill impairment test during the fourth quarter of fiscal 2019 resulting in no goodwill impairment. Adient performed these impairment reviews for its reporting units, which had 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. Adient estimated the fair value of its reportable segments using both a multiple of earnings approach and an income approach, both of which utilized Level 3 unobservable inputs. These calculations contained uncertainties as they required management to make assumptions about market comparables, future cash flows, the appropriate discount rate (based on weighted average cost of capital) and growth rate to reflect the risk inherent in the future cash flows. The estimated future cash flows reflected management's latest assumptions of the financial projections based on current and anticipated competitive landscape and product profitability based on historical trends. A change in any of these estimates and assumptions could produce a different fair value, which could have a material impact on Adient's results of operations.

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

	September 30, 2020			September 30, 2019		
(in millions)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets						
Patented technology	$ 27	$ (19)	$ 8	$ 27	$ (17)	$ 10
Customer relationships	424	(103)	321	494	(129)	365
Trademarks	41	(27)	14	51	(32)	19
Miscellaneous	110	(10)	100	21	(10)	11
Total intangible assets	$ 602	$ (159)	$ 443	$ 593	$ (188)	$ 405

As part of the Yanfeng transaction, which closed during the fourth quarter of fiscal 2020, an intangible asset of $92 million was recorded 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.

Adient evaluates its other intangible assets for impairment as facts and circumstances warrant. During the third quarter of fiscal 2020, a pre-tax non-cash impairment of $27 million was recorded in the Asia segment related to customer relationship intangible assets of $24 million and other long-lived assets of $3 million within the Futuris China business due to an overall decline in forecasted operations within that business. During the second quarter of fiscal 2019, of the $66 million long-lived asset impairment charge recognized, $4 million was attributable to a customer relationship intangible asset. The impairments were calculated based on a fair value method using discounted cash flows that involves the use of management judgements and estimates related to forecasted revenue, operating costs and discount rates. Refer to Note 20, "Impairment of Long-Lived Assets" of the notes to the consolidated financial statements for additional information.

Amortization of other intangible assets for the fiscal years ended September 30, 2020 and 2019 was $37 million and $40 million, respectively. Adient anticipates amortization for fiscal 2021, 2022, 2023, 2024 and 2025 will be approximately $35 million, $34 million, $33 million, $31 million and $29 million, respectively.

5. 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, 2019	$ 1,183	$ 4,612	$ 262	$ 135	$ 6,192
Capital expenditures	—	—	326	—	326
Disposals and other	(18)	(412)	—		(430)
Impairment	—	(5)	—	(12)	(17)
Held for sale reclassifications	(21)	(18)	(1)	(6)	(46)
Divestitures	(26)	(102)	(5)	(12)	(145)
Transfers	74	257	(331)	—	—
Currency translation	32	130	5	2	169
At September 30, 2020	$ 1,224	$ 4,462	$ 256	$ 107	$ 6,049
Accumulated depreciation:					
At September 30, 2019	$ (674)	$ (3,847)	$ —	$ —	$ (4,521)
Depreciation expense	(48)	(250)	—	—	(298)
Disposals and other	3	389	—	—	392
Impairment	—	(6)	—	—	(6)
Held for sale reclassifications	12	13			25
Divestitures	5	70	—	—	75
Currency translation	(18)	(117)	—	—	(135)
At September 30, 2020	$ (720)	$ (3,748)	$ —	$ —	$ (4,468)
Net book value:					
At September 30, 2019	$ 509	$ 765	$ 262	$ 135	$ 1,671
At September 30, 2020	$ 504	$ 714	$ 256	$ 107	$ 1,581

In fiscal 2020 and 2019, $7 million and $8 million of interest costs were capitalized as part of construction in progress, respectively.

Refer to Note 20, "Impairment of Long-Lived Assets," of the notes to consolidated financial statements for additional information related to the seat structure and mechanism operations.

There were no material leased capital assets included in net property, plant and equipment at September 30, 2020 and 2019.

As of September 30, 2020, Adient is the lessor of properties included in gross building and improvements for $36 million and accumulated depreciation of $28 million. As of September 30, 2019, Adient is the lessor of properties included in gross building and improvements for $34 million and accumulated depreciation of $26 million.

6. Other Financial Assets

As of September 30, 2020 and 2019, other current assets were comprised of:

	September 30	
(in millions)	**2020**	**2019**
Customer tooling	$ 78	$ 101
VAT receivable	129	154
Capitalized engineering	85	117
Prepaid expenses	45	61
All other	84	61
Other current assets	$ 421	$ 494

As of September 30, 2020 and 2019, other noncurrent assets were comprised of:

	September 30	
(in millions)	**2020**	**2019**
Deferred tax asset	$ 178	$ 199
Capitalized engineering	208	186
Customer tooling	6	28
Operating lease right-of-use assets	334	—
All other	238	188
Other noncurrent assets	$ 964	$ 601

Refer to Note 9, "Leases," of the notes to consolidated financial statements for additional information related operating lease right-of-use assets.

7. Inventories

Inventories consisted of the following:

	September 30,	
(in millions)	**2020**	**2019**
Raw materials and supplies	$ 530	$ 609
Work-in-process	22	32
Finished goods	133	152
Inventories	$ 685	$ 793

The employee costs capitalized in finished goods balances are $25 million and $26 million as of September 30, 2020 and 2019, respectively. Refer to Note 27, "Employees," of the notes to consolidated financial statements for additional information related to employee related costs.

8. 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 statement of financial position in other current liabilities.

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

	September 30,	
(in millions)	**2020**	**2019**
Balance at beginning of period	$ 22	$ 11
Accruals for warranties issued during the period	9	11
Changes in accruals related to pre-existing warranties (including changes in estimates)	1	6
Changes in accruals related to business divestitures	(1)	—
Settlements made (in cash or in kind) during the period	(7)	(6)
Balance at end of period	$ 24	$ 22

In the second quarter of fiscal 2019, Adient recorded $7 million of warranty expense to correct a prior period error related to incurred but not yet reported warranty expense. Adient has concluded that this adjustment was not material to the consolidated financial statements for any period reported.

9. Leases

Adient adopted Accounting Standards Codification Topic 842, Leases (ASC 842), and all the related amendments using the modified retrospective method, without adjusting the comparative financial information, on October 1, 2019. As a result, financial information for reporting periods beginning on or after October 1, 2019 are presented in accordance with ASC 842. Upon adoption, Adient recognized right-of-use (ROU) assets of $380 million and corresponding lease liabilities of $384 million on October 1, 2019. The adoption date ROU asset balance was adjusted by $4 million, reflecting impairment of ROU assets for certain real estate leases (within the North America and Europe asset groups) of which the Company determined the carrying value of the initial operating lease ROU asset exceeded its fair value. The adjustment was recorded as an increase to the opening accumulated deficits. The adoption of ASC 842 did not have any significant impact on the consolidated statement of income or cash flows.

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. Adient's finance leases are not significant and are not included in the following disclosures.

The components of lease costs for the year ended September 30, 2020 were as follows:

(in millions)	**Year Ended September 30, 2020**
Operating lease cost	$ 125
Short-term lease cost	24
Total lease cost	$ 149

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

(in millions)		September 30, 2020
Operating lease right-of-use assets	Other noncurrent assets	$ 334
Operating lease liabilities - current	Other current liabilities	$ 95
Operating lease liabilities - noncurrent	Other noncurrent liabilities	244
		$ 339

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, 2020 were as follows:

Fiscal years (in millions)	Operating Leases
2021	$ 112
2022	82
2023	65
2024	47
2025	37
Thereafter	65
Total lease payments	408
Less: imputed interest	(69)
Present value of lease liabilities	$ 339

Future minimum operating lease payments accounted for under ASC 840 at September 30, 2019 were as follows:

Fiscal years (in millions)	Operating Leases
2020	$ 119
2021	91
2022	64
2023	51
2024	40
After 2024	94
Total minimum lease payments	$ 459

Supplemental cash flow information related to leases was as follows:

(in millions)	Year Ended September 30, 2020
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases (non-cash activity)	$ 79
Operating cash flows:	
Cash paid for amounts included in the measurement of lease liabilities	$ 125

The weighted average remaining lease term for Adient's operating leases as of September 30, 2020 was 5 years. The weighted average discount rate for Adient's operating leases as of September 30, 2020 was 5.9%.

10. Debt and Financing Arrangements

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

	September 30,	
(in millions)	2020	2019
Long-term debt:		
Term Loan B - LIBOR plus 4.00% due in 2024	$ 790	$ 798
4.875% Notes due in 2026	797	900
3.50% Notes due in 2024	1,173	1,094
7.00% Notes due in 2026	800	800
9.00% Notes due in 2025	600	—
European Investment Bank Loan - EURIBOR plus 1.58% due in 2022	—	180
Less: debt issuance costs	(55)	(56)
Gross long-term debt	4,105	3,716
Less: current portion	8	8
Net long-term debt	$ 4,097	$ 3,708
Short-term debt:		
European Investment Bank Loan - EURIBOR plus 1.58% due in 2022	$ 194	$ —
Other bank borrowings [1]	8	22
Total short-term debt	$ 202	$ 22

[1] The weighted average interest rates on short-term debts, based on levels of debt maintained in various jurisdictions, were 1.6% and 2.9% at September 30, 2020 and 2019, 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. The ABL Credit Facility will 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). Interest is payable on the ABL Credit Facility at a fluctuating rate of interest determined by reference to the Eurodollar rate plus an applicable margin of 1.50% to 2.00%. 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. As of September 30, 2020, Adient had not drawn down on the ABL Credit Facility and had availability under this facility of $787 million (net of $138 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 (the "Term Loan B Agreement") providing for a 5-year $800 million senior secured term loan facility that was fully drawn on closing. 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 May 6, 2024. Interest on the Term Loan B Agreement accrues at the Eurodollar rate plus an applicable margin equal to 4.25% (with one 0.25% step down based on achievement of a specific secured net leverage level starting with the fiscal quarter ending December 31, 2019). 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 US is also a party to an indenture relating to the issuance of $800 million aggregate principal amount of Senior First Lien Notes. The notes mature on May 15, 2026 and bear interest at a rate of 7.00% per annum. Interest on these notes is payable semi-annually in arrears on November 15 and May 15 of each year, commencing on November 15, 2019.

The ABL Credit Facility, Term Loan B Agreement and the Senior First Lien Notes due 2026 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, maintains $900 million aggregate principal amount of 4.875% USD-denominated unsecured notes due 2026. During the fourth quarter of fiscal 2020, Adient redeemed $103 million of face value of these notes, resulting in a remaining balance of $797 million as of September 30, 2020. Adient recorded a gain of $3 million associated with this partial redemption. AGH also maintains €1.0 billion aggregate principal amount of 3.50% unsecured notes due 2024.

Adient Germany Ltd. & Co. KG, a wholly owned subsidiary of Adient, maintains €165 million in an unsecured term loan from the European Investment Bank ("EIB") due in 2022. The loan bears interest at the 6-month EURIBOR rate plus 158 basis points. Adient amended the EIB loan agreement as of June 30, 2020 to increase the net leverage ratio to 6.75x from 5.25x at June 30, 2020. The net leverage ratio requirements of 5.25x at September 30, 2020 and future step downs to 4.50x by the second quarter of fiscal 2021 were not adjusted. Adient is compliant with the net leverage ratio at September 30, 2020. However, due to the rise in COVID-19 infections across Europe and the Americas and the potential disruption to vehicle production that might occur at its customers, there is uncertainty whether compliance with this net leverage ratio over the next 12 months is achievable, which could require Adient to either obtain another amendment or waiver or to pay down the EIB loan. As a result, Adient has classified this debt as short term debt at September 30, 2020.

On April 20, 2020, Adient US offered $600 million (net proceeds of $591 million) aggregate principal amount of 9.00% Senior First Lien Notes due 2025. These notes will mature on April 15, 2025, provided that if Adient Global Holdings Ltd ("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 will be paid on April 15 and October 15 each year, beginning on October 15, 2020. These notes contain covenants that are usual and customary, similar to the covenants on the Senior First Lien Notes due 2026 as described above. Adient incurred $10 million of debt issuance cost associated with this new debt in fiscal 2020.

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

	Year Ended September 30,				
(in millions)	**2021**	**2022**	**2023**	**2024**	**2025**
Principal payments	$ 8	$ 8	$ 8	$ 1,939	$ 600

Net Financing Charges

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

	Year Ended September 30,	
(in millions)	**2020**	**2019**
Interest expense, net of capitalized interest costs	$ 216	$ 167
Banking fees and debt issuance cost amortization	18	26
Interest income	(11)	(11)
Gain on partial extinguishment of debt	(3)	—
Net financing charges	$ 220	$ 182

Banking fee expense in fiscal 2019 includes $13 million of one-time deferred financing fee charges associated with Adient's former debt arrangements. Total interest paid on both short and long-term debt for the fiscal years ended September 30, 2020 and 2019 was $203 million and $137 million, respectively.

11. Accounts Payable

Accounts payable consisted of the following:

	September 30,	
(in millions)	**2020**	**2019**
Trade accounts payable	$ 1,638	$ 2,114
Accrued payables	541	595
Accounts payable	$ 2,179	$ 2,709

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

12. Other Liabilities

As of September 30, 2020 and 2019, other current liabilities were comprised of:

	Year ended September 30	
(in millions)	**2020**	**2019**
Customer tooling	$ 112	$ 137
VAT liability	181	118
Accrued income tax	17	34
Operating lease liabilities	95	—
All other	314	268
Other current liabilities	$ 719	$ 557

As of September 30, 2020 and 2019, other noncurrent liabilities were comprised of:

	Year ended September 30	
(in millions)	2020	2019
Accrued income tax	$ 117	$ 103
Operating lease liabilities	244	—
All other	54	66
Other noncurrent liabilities	$ 415	$ 169

Creditors for tax are payable in the time frame set forth in the relevant legislation.

Refer to Note 9, "Leases," of the notes to consolidated financial statements for additional information related to operating lease liabilities.

13. Provisions

Irish law defines provisions as amounts that are uncertain in respect of the amount or the date they will be settled.

As of September 30, 2020 and 2019, certain provisions within the consolidated statement of financial position are shown below:

	September 30, 2019	Charges	Utilization	Other	September 30 2020
Current					
Warranty accrual	$ 22	$ 9	$ (7)	$ —	$ 24
Environmental	4	—	—	—	4
Insurance	22	1	(1)	—	22
Legal	4	1	(1)	—	4
Restructuring liabilities	123	203	(80)	(9)	237
Provisions - current	$ 175	$ 214	$ (89)	$ (9)	$ 291
Noncurrent					
Environmental	$ 7	$ —	$ (1)	$ —	$ 6
Insurance	26	15	(12)	(3)	26
Deferred tax liability	206	2	(36)	3	175
Pension and postretirement benefits	151	2	(1)	(7)	145
Provisions - noncurrent	$ 390	$ 19	$ (50)	$ (7)	$ 352

Refer to Note 19, "Restructuring and Impairment Costs" of the notes to consolidated financial statements for further disclosure related to Adient's restructuring provisions. Refer to Note 18, "Retirement Plans" of the notes to consolidated financial statements for further disclosure related to Adient's pension and postretirement provisions.

14. 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 15, "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. During the second quarter of fiscal 2020, as a result of the COVID-19 impacts and the resulting interruptions to Adient's operations, a loss of $2 million related to ineffective hedges was reclassified to the consolidated statement of income. All contracts were highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates at September 30, 2020 and 2019, respectively.

As of September 30, 2020, the €1.0 billion 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.

During the fourth quarter of fiscal 2020, Adient entered into a foreign exchange forward contract (¥1.6 billion) associated with the sale proceeds of the Yanfeng transaction. This contract expired prior to September 30, 2020.

Adient entered into cross-currency interest rate swaps during fiscal 2018 to selectively hedge portions of its net investment in Europe. The currency effects of the cross-currency interest rate swaps 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. During the second quarter of fiscal 2020, Adient settled one remaining cross-currency interest rate swap for $10 million in proceeds, resulting in no outstanding Euro denominated cross-currency interest rate swaps as of September 30, 2020.

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 is 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. As of September 30, 2020, Adient had one cross-currency interest rate swap outstanding totaling approximately ¥11 billion designated as a net investment hedge in Adient's net investment in Japan.

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. As of September 30, 2020, Adient had two outstanding interest rate caps with a total notional amount of approximately $200 million.

Adient entered into a ¥950 million foreign exchange forward contract during the first quarter of fiscal 2020 to selectively hedge portions of its net investment in China. The currency effects of the forward contract 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 China. The forward contract matured in June 2020.

The following table presents the location and fair values of derivative instruments and other amounts used in hedging activities included in Adient's consolidated statement 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)	2020	2019	2020	2019
Other current assets				
Foreign currency exchange derivatives	$ 5	$ 5	$ —	$ 3
Cross-currency interest rate swaps	—	12	—	—
Other noncurrent assets				
Foreign currency exchange derivatives	—	—	—	1
Interest rate cap	—	1	—	—
Cross-currency interest rate swaps	—	1	—	—
Total assets	$ 5	$ 19	$ —	$ 4
Other current liabilities				
Foreign currency exchange derivatives	$ 34	$ 12	$ —	$ —
Cross-currency interest rate swaps	1	—	—	—
Other noncurrent liabilities				
Foreign currency exchange derivatives	5	3	—	—
Long-term debt				
Foreign currency denominated debt	1,173	1,094	—	—
Total liabilities	$ 1,213	$ 1,109	$ —	$ —

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, 2020 and 2019, 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)	2020	2019	2020	2019
Gross amount recognized	$ 5	$ 23	$ 1,213	$ 1,109
Gross amount eligible for offsetting	(5)	(9)	(5)	(9)
Net amount	$ —	$ 14	$ 1,208	$ 1,100

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

	Year Ended September 30,	
(in millions)	2020	2019
Foreign currency exchange derivatives	$ (37)	$ (5)

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

(in millions)		Year Ended September 30, 2020	2019
Foreign currency exchange derivatives	Cost of sales	$ (16)	$ (4)

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

(in millions)		Year Ended September 30, 2020	2019
Foreign currency exchange derivatives	Cost of sales	$ (4)	$ (2)
Equity swap	Selling, general and administrative	—	(13)
Foreign currency exchange derivatives	Net financing charges	1	5
Total		$ (3)	$ (10)

The effective portion of pretax gains (losses) recorded in currency translation adjustment (CTA) within other comprehensive income (loss) related to net investment hedges was $(84) million and $74 million for the fiscal years ended September 30, 2020 and 2019, respectively. For the years ended September 30, 2020 and 2019, respectively, no gains or losses were reclassified from CTA into income for Adient's outstanding net investment hedges. For the year ended September 30, 2020, a loss of $2 million was recognized in the consolidated statement of income (loss) for the ineffective portion of cash flow hedges. For the year ended September 30, 2019, no gains or losses were recognized in income for the ineffective portion of cash flow hedges.

15. 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 18, "Retirement Plans" for fair value tables of pension assets.

(in millions)	Total as of September 30, 2020	Fair Value Measurements Using: 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	$ 5	$ —	$ 5	$ —
Other noncurrent assets				
Interest rate cap	—	—	—	—
Total assets	$ 5	$ —	$ 5	$ —
Other current liabilities				
Foreign currency exchange derivatives	$ 34	$ —	$ 34	$ —
Cross currency interest rate swaps	1	—	1	—
Other noncurrent liabilities				
Foreign currency exchange derivatives	5	—	5	—
Total liabilities	$ 40	$ —	$ 40	$ —

(in millions)	Total as of September 30, 2019	Fair Value Measurements Using: 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	$ —
Cross-currency interest rate swaps	12	—	12	—
Other noncurrent assets				
Foreign currency exchange derivatives	1	—	1	—
Cross-currency interest rate swaps	1	—	1	—
Interest rate cap	1	—	1	—
Total assets	$ 23	$ —	$ 23	$ —
Other current liabilities				
Foreign currency exchange derivatives	$ 12	$ —	$ 12	$ —
Other noncurrent liabilities				
Foreign currency exchange derivatives	3	—	3	—
Total liabilities	$ 15	$ —	$ 15	$ —

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, 2020 and 2019, 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 selectively uses cross-currency interest rate swaps to hedge portions of its net investments. During fiscal 2018, Adient entered into two floating to floating cross-currency interest rate swaps totaling approximately €160 million designated as net investment hedges in Adient's net investment in Europe. One of the cross-currency interest rate swaps was settled during fiscal 2019 while the other was settled during fiscal 2020. During fiscal 2019, Adient entered into one floating to floating cross-currency interest rate swap totaling ¥11 billion designated as a net investment hedge in Adient's net investment in Japan. As of September 30, 2020, Adient had one ¥11 billion cross-currency interest rate swap outstanding.

Interest rate caps Adient selectively uses interest rate caps to limit the impact of floating rate interest payment increases on its Term Loan B Agreement. The interest rate caps are designated as cash flow hedges under ASC 815. As of September 30, 2020, Adient had two interest rate caps outstanding totaling approximately $200 million.

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 $4.1 billion and $3.4 billion at September 30, 2020 and 2019, respectively, was determined primarily using market quotes classified as Level 1 inputs within the ASC 820 fair value hierarchy.

16. 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 (the Plan) and provides directors with share awards under the Adient plc 2016 Director Share Plan. These plans were adopted in conjunction with the separation.

Total stock-based compensation cost included in the consolidated statements of income was $15 million and $20 million for the fiscal years ended September 30, 2020 and 2019, respectively. No 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 conversion and granting of awards during the year ended September 30, 2020 along with the composition of outstanding and exercisable awards at September 30, 2020 for remaining former Parent and new 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, 2020, and changes for the fiscal year then ended, is presented below:

	Weighted Average Price	Shares/Units Subject to Restriction
Nonvested, September 30, 2019	$ 42.19	558,932
Granted	$ 18.84	1,189,567
Vested	$ 43.95	(287,300)
Forfeited	$ 28.21	(126,360)
Nonvested, September 30, 2020	$ 22.27	1,334,839

At September 30, 2020, Adient had approximately $18 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 1.6 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, 2020, and changes for the fiscal year then ended is presented below:

	Weighted Average Price	Shares/Units Subject to PSU
Nonvested, September 30, 2019	$ 34.61	632,072
Granted	$ 20.69	497,335
Vested	$ 44.60	(153,020)
Forfeited	$ 24.52	(72,986)
Nonvested, September 30, 2020	$ 26.07	903,401

At September 30, 2020, Adient had approximately $6 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 1.7 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, 2020, 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, 2019	$ 38.25	591,630		
Exercised	$ 27.53	(50,900)		
Forfeited or expired	$ 26.79	(29,231)		
Outstanding, September 30, 2020	$ 40.09	511,499	3.4	$ 2
Exercisable, September 30, 2020	$ 40.09	511,499	3.4	$ 2
Former Parent outstanding and exercisable, September 30, 2020	$ 40.29	437,562	3.5	$ 2
Adient outstanding and exercisable, September 30, 2020	$ 38.93	73,937	2.7	$ —
Total outstanding and exercisable, September 30, 2020	$ 40.09	511,499	3.4	$ 2

There were no stock options granted in fiscal years 2020 and 2019, respectively. The total intrinsic value of options exercised by Adient employees during the fiscal years ended September 30, 2020 and 2019 was approximately $1 million, and $5 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, 2020, 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, 2019	$ 30.24	291,464		
Exercised	$ 26.85	(105,377)		
Forfeited or expired	$ 25.12	(14,987)		
Outstanding, September 30, 2020	$ 32.78	171,100	2.4	$ 2
Exercisable, September 30, 2020	$ 32.78	171,100	2.4	$ 2
Former Parent outstanding and exercisable, September 30, 2020	$ 32.48	154,857	2.4	$ 2
Adient outstanding and exercisable, September 30, 2020	$ 35.72	16,243	2.4	$ —
Total outstanding and exercisable, September 30, 2020	$ 32.78	171,100	2.4	$ 2

In conjunction with the exercise of SARs, Adient made payments of $1 million and $1 million during the fiscal years ended September 30, 2020 and 2019, respectively.

17. Equity and Noncontrolling Interests

The following table presents changes in AOCI attributable to Adient:

(in millions)	Year Ended September 30, 2020	Year Ended September 30, 2019
Foreign currency translation adjustments		
Balance at beginning of period	$ (558)	$ (523)
Aggregate adjustment for the period, net of tax	(76)	(35)
Balance at end of period	(634)	(558)
Realized and unrealized gains (losses) on derivatives		
Balance at beginning of period	(8)	(7)
Current period changes in fair value, net of tax	(34)	(5)
Reclassification to income, net of tax	14	4
Balance at end of period	(28)	(8)
Pension and postretirement plans		
Balance at beginning of period	(3)	(1)
Net reclassifications to AOCI	—	(2)
Balance at end of period	(3)	(3)
Accumulated other comprehensive income (loss), end of period	$ (665)	$ (569)

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, 2020	Year Ended September 30, 2019
Beginning balance	$ 51	$ 47
Net income	19	30
Foreign currency translation adjustments	(4)	3
Dividends	(23)	(29)
Change in noncontrolling interest share	—	—
Ending balance	$ 43	$ 51

In September 2017, Adient declared a dividend of $0.275 per ordinary share, which was paid in November 2017. In November 2017, Adient declared a dividend of $0.275 per ordinary share, which was paid in February 2018. In March 2018, Adient declared a dividend of $0.275 per ordinary share, which was paid in May 2018. In June 2018, Adient declared a dividend of $0.275 per ordinary share, which was paid in August 2018. In October 2018, Adient declared a dividend of $0.275 per ordinary share, which was paid in November 2018. Adient suspended its cash dividends following the dividend paid in the first quarter of fiscal 2019.

No shares were repurchased during fiscal 2020 and 2019.

18. 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 $225 million, $201 million and $79 million, respectively, as of September 30, 2020 and $257 million, $230 million and $105 million, respectively, as of September 30, 2019.

In fiscal 2020, Adient paid contributions to the defined benefit pension plans of $19 million. Contributions of at least $17 million in cash to its defined benefit pension plans are expected in fiscal 2021. Projected benefit payments from the plans as of September 30, 2020 are estimated as follows (in millions):

2021	$	21
2022		24
2023		22
2024		24
2025		26
2026-2030		168

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 $36 million and $56 million for fiscal years 2020 and 2019, 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)	Total as of September 30, 2020	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
	Fair Value Measurements Using:				
Pension					
Cash	$ 37	$ 37	$ —	$ —	$ —
Equity Securities					
Domestic	15	1	7	—	7
International - Developed	51	29	11	—	11
International - Emerging	3	—	3	—	—
Fixed Income Securities					
Government	219	63	128	—	28
Corporate/Other	64	42	11	—	11
Hedge Fund	75	—	75	—	—
Real Estate	22	—	—	6	16
Total	$ 486	$ 172	$ 235	$ 6	$ 73

(in millions)	Total as of September 30, 2019	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
	Fair Value Measurements Using:				
Pension					
Cash	$ 31	$ 31	$ —	$ —	$ —
Equity Securities					
Domestic	15	2	7	—	6
International - Developed	49	36	10	—	3
International - Emerging	5	2	3	—	—
Fixed Income Securities					
Government	218	75	117	—	26
Corporate/Other	66	55	—	—	11
Hedge Fund	65	—	65	—	—
Real Estate	21	—	—	6	15
Total	$ 470	$ 201	$ 202	$ 6	$ 61

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**
Pension	
Asset value as of September 30, 2019	$ 6
Redemptions	—
Asset value as of September 30, 2020	$ 6

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 2020	Pension Benefits 2019
Accumulated Benefit Obligation	$ 582	$ 571
Change in Projected Benefit Obligation:		
Projected benefit obligation at beginning of year	$ 598	$ 547
Service cost	7	7
Interest cost	10	13
Actuarial (gain) loss	16	96
Benefits paid	(22)	(40)
Settlements and curtailments	(11)	—
Divestitures	(12)	—
Currency translation adjustment	20	(25)
Projected benefit obligation at end of year	$ 606	$ 598
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$ 470	$ 449
Actual return on plan assets	12	63
Employer contributions/(distributions)	19	19
Benefits paid	(22)	(40)
Settlements and curtailments	(10)	—
Divestitures	(1)	—
Currency translation adjustment	18	(21)
Fair value of plan assets at end of year	$ 486	$ 470
Funded status	$ (120)	$ (128)
Amounts recognized in the statement of financial position consist of:		
Prepaid benefit cost	$ 26	$ 24
Accrued benefit liability	(146)	(152)
Net amount recognized	$ (120)	$ (128)

	Pension Benefits			
	U.S. Plans		Non-U.S. Plans	
	2020	2019	2020	2019
Weighted Average Assumptions (1)**:**				
Discount rate (2)	2.91 %	3.22 %	1.87 %	1.85 %
Rate of compensation increase	NA	NA	3.64 %	3.54 %

(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, 2020 and 2019 were $3 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:

	Pension Benefits	
(in millions)	**2020**	**2019**
Components of Net Periodic Benefit Cost (Credit):		
Service cost	$ 7	$ 7
Interest cost	10	13
Expected return on plan assets	(19)	(18)
Net actuarial loss	22	49
Settlement loss	1	2
Net periodic benefit cost (credit)	$ 21	$ 53

	Pension Benefits			
	U.S. Plans		Non-U.S. Plans	
	2020	**2019**	**2020**	**2019**
Expense Assumptions:				
Discount rate	3.34 %	4.29 %	1.85 %	2.71 %
Expected return on plan assets	5.00 %	5.00 %	4.01 %	4.08 %
Rate of compensation increase	N/A	N/A	3.66 %	3.46 %

19. 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 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 prior year underspend.

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

(in millions)	Employee Severance and Termination Benefits	Other	Currency Translation	Total
Original Reserve	$ 203	$ 2	$ —	$ 205
Utilized—cash	(35)	—	—	(35)
Noncash adjustment—other	—	(2)	1	(1)
Balance at September 30, 2020	$ 168	$ —	$ 1	$ 169

During fiscal 2019, Adient committed to a restructuring plan ("2019 Plan") of $105 million. Of the restructuring costs recorded, $81 million relates to the EMEA segment, $16 million relates to the Americas segment and $8 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 2021. Also recorded in fiscal 2019 is $16 million of prior year underspend, a $9 million increase to a prior year reserve and $6 million of recoveries from a customer related to previous restructuring charges.

The following table summarizes the changes in Adient's 2019 Plan reserve:

(in millions)	Employee Severance and Termination Benefits	Other	Currency Translation	Total
Original Reserve	$ 101	$ 4	$ —	$ 105
Utilized—cash	(32)	—	—	(32)
Utilized—noncash	—	(1)	(2)	(3)
Balance at September 30, 2019	$ 69	$ 3	$ (2)	$ 70
Utilized—cash	(30)	—	—	(30)
Utilized—noncash	—	—	2	2
Noncash adjustment—underspend	(7)	—	—	(7)
Balance at September 30, 2020	$ 32	$ 3	$ —	$ 35

Adient's restructuring plans have included workforce reductions of approximately 17,000. 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, 2020, approximately 12,000 of the employees have been separated from Adient pursuant to the restructuring plans. In addition, the restructuring plans included twenty-three plant closures. As of September 30, 2020, seventeen of the twenty-three 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, could impact Adient's liquidity position, lead to impairment charges and/or require additional restructuring of its operations.

20. 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, "Impairment or Disposal of Long-Lived Assets." ASC 360 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.

During the fourth quarter of fiscal 2020, a pre-tax non-cash impairment of $21 million was recorded on certain assets held for sale (of which $12 million related to America's assets and $9 million related to China's assets), and $5 million was recorded in the Asia segment related to long-lived assets within a separate China entity due to an overall decline in the forecasted operations within that business. During the third quarter of fiscal 2020, a pre-tax non-cash impairment of $27 million was recorded in the Asia segment related to customer relationship intangible assets of $24 million and other long-lived assets of $3 million within the Futuris China business due to an overall decline in forecasted operations within that business. All of the fiscal 2020 impairment charges are recorded within restructuring and impairment costs on the consolidated statement of income (loss).

During the fourth quarter of fiscal 2019, Adient recorded impairment on certain assets held for sale resulting in an impairment charge of $12 million which was recorded within restructuring and impairment costs on the consolidated statement of income (loss). In the second quarter of fiscal 2019, Adient concluded it had triggering events requiring assessment of impairment for certain of its long-lived assets in the seat structure and mechanism operations due to declines in actual and forecasted performance that worsened during the second quarter of fiscal 2019 as compared to originally forecasted results. As a result, Adient reviewed the long-lived assets for impairment and recorded a $66 million non-cash pre-tax impairment charge within restructuring and impairment costs on the consolidated statements of income (loss). The impairment charge related to long-lived assets in North America and Europe asset groups as of March 31, 2019 in support of current programs. Of the $66 million impairment charge, $62 million related to fixed assets, and $4 million related to customer relationship intangible assets. The impairment was measured under a market approach utilizing appraisal techniques to determine fair values of the impaired assets. This method is consistent with methods Adient employed in prior periods to value other long-lived assets. The inputs utilized in the analysis are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair value measurement" and primarily consist of estimated salable values and third party appraisal techniques such as market comparables. To the extent that the profitability on current or future programs decline as compared to forecasted profitability or if adverse changes occur to key assumptions or other fair value measurement inputs, further impairment of long-lived assets could occur in the future. During the first quarter of fiscal 2019, impairments of $6 million were recorded related to assets held for sale.

Refer to Note 3, "Acquisitions and Divestitures," of the notes to the consolidated financial statements for additional information on assets held for sale. Refer to Note 4, "Goodwill and Other Intangible Assets" of the notes to the consolidated financial statements for additional information on impairment of customer relationship intangible assets. Refer to Note 5, "Property, Plant and Equipment" of the notes to the consolidated financial statements for additional information on impairment of long-lived assets.

21. Income Tax Provision

Consolidated (loss) income before income taxes and noncontrolling interests for the years ended September 30, 2020 and 2019 is as follows:

	Year Ended September 30,	
(in millions)	**2020**	**2019**
Ireland	$ (3)	$ (1)
United States	(111)	(170)
Other Foreign	(315)	173
(Loss) income before income taxes and noncontrolling interests	$ (429)	$ 2

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

(in millions)	Year Ended September 30, 2020	Year Ended September 30, 2019
Current		
Ireland	$ —	$ —
US - Federal and State	(1)	4
Other Foreign	91	118
	90	122
Deferred		
Ireland	—	—
US - Federal and State	—	1
Other Foreign	(33)	287
	(33)	288
Income tax provision	$ 57	$ 410

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 statement of income.

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

(in millions)	Year Ended September 30, 2020	Year Ended September 30, 2019
Tax expense at Ireland statutory rate	$ (54)	$ —
State and local income taxes, net of federal benefit	(30)	(41)
Foreign tax rate differential	(127)	(109)
Notional interest deduction	(44)	(63)
Credits and incentives	(7)	(9)
Goodwill impairment	9	—
Repatriation of foreign earnings	18	31
Foreign exchange	(1)	2
Impact of enacted tax rate changes	(3)	(5)
Impact of U.S. tax reform	—	—
Change in uncertain tax positions	56	107
Change in valuation allowance	332	503
Impairment of subsidiaries	(24)	(3)
Tax impact of corporate equity transactions	(77)	—
Other	9	(3)
Income tax provision	$ 57	$ 410

The income tax expense was higher than the Irish statutory rate of 12.5% for fiscal 2020 primarily due to the inability to recognize a tax benefit for losses in jurisdictions with valuation allowances, the repatriation of foreign earnings, and changes in uncertain tax positions, partially offset by the tax benefits related to the impairment and sale of Adient's YFAI investment, sale of Adient's automotive fabrics manufacturing business, and impairment charges recorded in the Asia segment. 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 2019 primarily due to the recognition of valuation allowances in Luxembourg, Poland, and the United Kingdom, the repatriation of foreign earnings, changes in uncertain tax positions and the impact of recognizing no tax benefit for losses in jurisdictions with valuation allowances. No items included in the other category are individually, or when appropriately aggregated, significant.

The foreign tax rate differential benefit for fiscal 2020 is 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. The foreign tax rate differential benefit for fiscal 2019 is 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:

	September 30,	
(in millions)	**2020**	**2019**
Other noncurrent assets	$ 178	$ 199
Other noncurrent liabilities	(175)	(206)
Net deferred tax asset/(liability)	$ 3	$ (7)

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

	September 30,	
(in millions)	**2020**	**2019**
Deferred tax assets:		
Accrued expenses and reserves	$ 115	$ 73
Employee and retiree benefits	53	43
Net operating loss and other credit carryforwards	1,072	751
Property, plant and equipment	163	161
Intangible assets	257	308
Operating lease liabilities	80	—
Foreign currency adjustments	17	2
Research and development	20	16
Other	3	5
	1,780	1,359
Valuation allowances	(1,656)	(1,304)
	124	55
Deferred tax liabilities:		
Unremitted earnings of foreign subsidiaries	41	62
Operating lease right-of-use assets	80	—
	121	62
Net deferred tax asset/(liability)	$ 3	$ (7)

At September 30, 2020, Adient had available net operating loss carryforwards of approximately $4.0 billion which are available to reduce future tax liabilities. Net operating loss carryforwards of $2.6 billion will expire at various dates between 2021 and 2040, with the remainder having an indefinite carryforward period. Net operating loss carryforwards of $2.7 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 2020 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 deferred tax assets in certain jurisdictions would not be realized. These valuation allowances did not have a material impact on the consolidated financial statements. 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 2019 analysis of the realizability of its worldwide deferred tax assets, and after considering tax planning initiatives and other positive and negative evidence (including the external debt refinancing, the related incremental net financing costs, and the restructuring of the internal financing which occurred in the third quarter of fiscal 2019 and including the long-lived asset impairment recorded in the second quarter of fiscal 2019), Adient determined it was more likely than not that deferred tax assets in Luxembourg (Q3), the United Kingdom (Q3) and certain Poland entities (Q2) would not be realized and recorded income tax expense of $229 million, $25 million and $43 million, respectively, to establish valuation allowances.

Adient is subject to income taxes in Ireland, the U.S. and other foreign jurisdictions. The following table provides the earliest open tax year by major jurisdiction for which Adient could be subject to income tax examination by the tax authorities:

Tax Jurisdiction	**Earliest Year Open**
Brazil	2014
China	2011
Czech Republic	2012
France	2017
Germany	2016
Hong Kong	2014
Japan	2015
Luxembourg	2014
Mexico	2015
Poland	2010
Spain	2013
United Kingdom	2014
United States	2017

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, 2020, 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, 2020 and 2019, Adient had gross tax effected unrecognized tax benefits of $483 million and $414 million, respectively. If recognized, $133 million of Adient's unrecognized tax benefits would impact the effective tax rate. Total net accrued interest for the years ended September 30, 2020 and 2019, was approximately $15 million and $10 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, 2020	2019
Beginning balance	$ 414	$ 288
Additions for tax positions related to the current year	96	108
Additions for tax positions of prior years	17	45
Reductions for tax positions of prior years	(38)	(22)
Settlements with taxing authorities	(4)	—
Statute closings	(2)	(5)
Ending balance	$ 483	$ 414

During the next twelve months, it is reasonably possible that tax audit resolutions or applicable statute of limitation lapses could reduce the unrecognized tax benefits and income tax expense. Adient does not anticipate that this will result in a material impact to its consolidated financial statements.

Adient has $16.8 billion of undistributed foreign earnings of which $409 million is deemed permanently reinvested and no deferred taxes have been provided on such earnings. 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, 2020 were $98 million. Income taxes paid for the fiscal year ended September 30, 2019 were $102 million.

Impacts of Tax Legislation and Change in Statutory Tax Rates

On March 27, 2020, the House passed the Coronavirus Aid, Relief, and Economic Security Act (The CARES Act), also known as the Third COVID-19 Supplemental Relief bill, and the president signed the legislation 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 the fourth quarter of 2019, certain deferred tax liabilities were remeasured to reflect a reduction in withholding tax rate on the earnings of our nonconsolidated partially owned affiliates resulting in a benefit of $9 million.

During the third quarter of fiscal 2019, Luxembourg enacted legislation reducing the nominal corporate tax rate to 17% from 18%. For Adient, this reduced its aggregate income tax rate to 24.9% from 26.0% and applies retroactively to the fiscal 2019 tax year. As a result of the law change, Adient recorded income tax expense of $10 million related to the write down of deferred tax assets.

During the first quarter of fiscal 2019, GAAS (a subsidiary of Adient in China) was approved for High and New Tech Enterprise status for the three-year period of 2018 to 2020, thereby reducing their tax rate from 25% to 15%. As a result, a $7 million income tax benefit was recorded on the reduction of deferred tax liabilities and a reduction of 2018 calendar year income taxes.

During fiscal years 2020 and 2019, other tax legislation was adopted in various jurisdictions. These law changes did not have a material impact on the consolidated financial statements.

Other Tax Matters

In fiscal 2020, Adient committed to a restructuring plan (“2020 Plan”) of $205 million. Refer to Note 19, "Restructuring and Impairment Costs," of the notes to the consolidated financial statements for additional information. The restructuring costs generated a $6 million tax benefit, which was negatively impacted by geographic mix and Adient’s current tax position in these jurisdictions.

During the fourth quarter of fiscal 2020, Adient sold its investment in YFAI and its automotive fabrics manufacturing business. Refer to Note 3, “Acquisitions and Divestitures,” of the notes to the consolidated financial statements for additional information. The tax benefits associated with the sales of the YFAI investment and automotive fabrics manufacturing business were $12 million and $3 million, respectively.

During the third quarter of fiscal 2020, an impairment charge of $27 million was recorded in the Asia segment related to customer relationship intangible assets. Refer to Note 4, "Goodwill and Other Intangible Assets," of the notes to the consolidated financial statements for additional information. The tax benefit associated with the impairment charge was $5 million.

During the first quarter of fiscal 2020, Adient recognized a pre-tax non-cash impairment of $216 million in equity income related to Adient's YFAI investment. Refer to Note 3, "Acquisitions and Divestitures," of the notes to the consolidated financial statements for additional information. The tax benefit associated with the impairment charge was $4 million. An additional impairment of $6 million was recorded in the third quarter of fiscal 2020 related to this investment, with no additional tax benefit being recorded.

In fiscal 2019, Adient committed to a significant restructuring plan (2019 Plan) and recorded a net $92 million of restructuring and impairment costs in the consolidated statement of income. Refer to Note 19, "Restructuring and Impairment Costs," of the notes to the consolidated financial statements for additional information. The restructuring costs generated a $5 million tax benefit, which was negatively impacted by geographic mix and Adient's current tax position in these jurisdictions.

During the second quarter of fiscal 2019, Adient recognized a pre-tax impairment charge on long-lived assets of $66 million. Refer to Note 20, "Impairment of Long-Lived Assets," of the notes to the consolidated financial statements for additional information. The tax benefit associated with the impairment charge was $2 million, which was negatively impacted by geographic mix and Adient's current tax position in these jurisdictions.

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.

	Year Ended September 30,	
(in millions)	**2020**	**2019**
Net Sales		
Americas	$ 5,889	$ 7,785
EMEA	5,148	6,675
Asia	1,822	2,337
Eliminations	(189)	(271)
Total net sales	$ 12,670	$ 16,526

(in millions)	Year Ended September 30, 2020	2019
Adjusted EBITDA		
Americas	$ 228	$ 210
EMEA	101	161
Asia	424	513
Corporate-related costs (1)	(80)	(97)
Restructuring and impairment costs (2)	(238)	(176)
Purchase accounting amortization (3)	(40)	(44)
Restructuring related charges (4)	(20)	(31)
Loss on business divestitures - net (5)	(13)	—
Impairment of nonconsolidated partially owned affiliate (6)	(231)	—
Depreciation	(295)	(278)
Stock based compensation	(15)	(20)
Other items (7)	(16)	(9)
(Loss) earnings before interest and income taxes	(195)	229
Net financing charges	(220)	(182)
Other pension expense	(14)	(45)
(Loss) income before income taxes	$ (429)	$ 2

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. Included in restructuring charges in fiscal 2020 is a non-cash pre-tax impairment related to China intangible assets of $24 million, held for sale asset impairments of $21 million, and $8 million of other long-lived asset impairments. Included in restructuring charges in fiscal 2019 is a $66 million non-cash pre-tax impairment charge related to long-lived assets ($11 million in the Americas and $55 million in EMEA) and an $18 million non-cash impairment charge related to assets held for sale ($6 million in the Americas and $12 million in Asia). Refer to Note 5, "Property, Plant and Equipment," Note 4, "Goodwill and Other Intangible Assets," Note 19, "Restructuring and Impairment Costs," and Note 20, "Impairment of Long-Lived Assets," 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) Reflects $21 million loss of sale of RECARO and $4 million loss on deconsolidation of Aerospace, partially offset by a $12 million gain on completion of the Yanfeng transaction.

(6) Reflects non-cash impairment charges related to Adient's YFAI investment balance, which has been recorded within the equity income line in the consolidated statements of income. The fiscal 2020 impairment was recorded in conjunction with the Yanfeng transaction.

(7) The year ended September 30, 2020 primarily includes $15 million of transaction costs and $1 million of tax adjustments at YFAI. The year ended September 30, 2019 primarily includes $4 million of integration costs associated with the acquisition of Futuris, $3 million of transaction costs and $2 million of tax adjustments at YFAI.

Additional Segment Information

	Year Ended September 30, 2020				
	Reportable Segments				
(in millions)	Americas	EMEA	Asia	Reconciling Items(1)	Consolidated
Net Sales	$ 5,889	$ 5,148	$ 1,822	$ (189)	$ 12,670
Equity Income	1	8	256	(243)	22
Total Assets	3,019	2,658	2,868	1,716	10,261
Depreciation	128	129	38	—	295
Amortization	13	8	16	—	37
Capital Expenditures	138	164	24	—	326

(1) Reconciling items include the elimination of intercompany transactions, corporate-related assets and amounts to reconcile to consolidated totals. Specific reconciling items for equity income represents a $231 million non-cash impairment of Adient's YFAI investment, $8 million of restructuring related charges, $3 million of purchase accounting amortization and a $1 million charge for tax adjustments associated with YFAI. Corporate-related assets primarily include cash and deferred income tax assets.

	Year Ended September 30, 2019				
	Reportable Segments				
(in millions)	Americas	EMEA	Asia	Reconciling Items(1)	Consolidated
Net Sales	$ 7,785	$ 6,675	$ 2,337	$ (271)	$ 16,526
Equity Income	3	13	270	(11)	275
Total Assets	3,237	2,716	3,416	973	10,342
Depreciation	109	126	43	—	278
Amortization	14	5	18	3	40
Capital Expenditures	190	237	41	—	468

(1) Reconciling items include the elimination of intercompany transactions, corporate-related assets, depreciation and amortization, and amounts to reconcile to consolidated totals. Specific reconciling items included in equity income are $4 million of purchase accounting amortization related to the YFAI joint venture, $5 million of restructuring related charges and $2 million of tax adjustments at YFAI. Corporate-related assets primarily include cash and deferred income tax assets.

Geographic Information

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

Net Sales

(in millions)	Year Ended September 30, 2020	2019
Americas		
United States	$ 4,983	$ 6,435
Mexico	2,004	2,709
Other Americas	318	435
Regional Elimination	(1,416)	(1,794)
	5,889	7,785
EMEA		
Germany	1,061	1,463
Czech Republic	1,118	1,431
Other EMEA	4,392	5,616
Regional Elimination	(1,423)	(1,835)
	5,148	6,675
Asia		
China	517	529
Thailand	400	614
Japan	332	529
Other Asia	600	668
Regional Elimination	(27)	(3)
	1,822	2,337
Inter-segment elimination	(189)	(271)
Total	$ 12,670	$ 16,526

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

(in millions)	Year Ended September 30, 2020	2019
Americas		
United States	$ 472	$ 504
Mexico	171	177
Other Americas	20	32
	663	713
EMEA		
Germany	203	195
Other EMEA	523	538
	726	733
Asia		
All countries	192	225
Total	$ 1,581	$ 1,671

In the third quarter of fiscal 2019, Adient's Indonesia operations recorded an $8 million adjustment to increase cost of sales and to decrease primarily current assets to correct prior period misstatements. Adient has concluded that these adjustments were not material to the consolidated financial statements for any period reported.

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 $0.7 billion and $1.4 billion at September 30, 2020 and 2019, respectively. Operating information for nonconsolidated partially-owned affiliates is as follows:

	% ownership	
Name of key partially-owned affiliate	**2020**	**2019**
Adient Yanfeng Seating Mechanism Co., Ltd. (AYM)	50.0%	50.0%
Changchun FAWAY Adient Automotive Systems Co. Ltd. (CFAA)	49.0%	49.0%
Yanfeng Adient Seating Co., Ltd. (YFAS)	49.9%	49.9%
Yanfeng Global Automotive Interiors Systems Co., Ltd. (YFAI)	—%	30.0%

	Year Ended September 30,	
(in millions)	**2020**	**2019**
Income statement data:		
Net sales	$ 9,538	$ 15,555
Gross profit	$ 1,111	$ 1,721
Net income	$ 591	$ 667
Net income attributable to the entity	$ 563	$ 629

	September 30,	
(in millions)	**2020**	**2019**
Balance sheet data:		
Current assets	$ 4,222	$ 7,122
Noncurrent assets	$ 1,579	$ 3,335
Current liabilities	$ 4,213	$ 7,058
Noncurrent liabilities	$ 87	$ 433
Noncontrolling interests	$ 105	$ 125

During fiscal 2020, Adient entered into an agreement to 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 Automotive Trim Systems Company Ltd. for $369 million as part of the Yanfeng transaction. As a result, Adient concluded that indicators of other-than-temporary impairment were present related to the investment in YFAI and recorded a $231 million non-cash impairment of Adient’s YFAI investment, during fiscal 2020. The impairment was determined based on combining the fair value of consideration received for all transactions contemplated as part of the Yanfeng transaction and has been recorded within equity income in the consolidated statements of income (loss). Refer to Note 3, “Acquisitions and Divestitures,” of the notes to the consolidated financial statements for additional information.

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, 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 $10 million and $12 million at September 30, 2020 and 2019, 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, and the often quite lengthy periods over which eventual remediation may occur. 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"):

	Year ended September 30	
(in millions)	2020	2019
Managerial services (1)	$ 11	$ 14
Director services (2)	2	3
	$ 13	$ 17

(1) This calculation was made in accordance with the requirements of the Companies Act 2014 and includes the following during fiscal 2020 and 2019, respectively: base compensation earned of $1 million and $1 million; incentive and performance-based compensation earned of $2 million and $3 million, stock awards granted of $8 million and $10 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 the members of the Company’s Executive Committee, who are not directors. The compensation paid to key management personnel during fiscal 2020 was $29 million (fiscal 2019: $27 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 2020 and 2019, respectively.

Auditors' remuneration to affiliates of PricewaterhouseCoopers Ireland for fiscal years 2020 and 2019 are presented in the table below.

	Year ended September 30	
(in millions)	**2020**	**2019**
Audit fees (1)	$ 10	$ 11
Audit related fees (2)	—	—
Tax fees (3)	1	1
All other fees (4)	—	—
	$ 11	$ 12

(1) In 2020 and 2019, PricewaterhouseCoopers LLP billed Adient for professional services rendered for the audit of Adient's annual financial statements, the audits of Adient's internal control over financial reporting, statutory and subsidiary audits, the review of documents filed with the Securities and Exchange Commission, and certain accounting consultations in connection with the audits.

(2) Audit related fees include: accounting consultations and audits in connection with proposed acquisitions and divestitures, and adoption of new accounting 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 tax advice related to mergers and acquisitions.

(4) All other fees primarily represent fees associated with advisory services, training seminars related to accounting, finance and tax matters, and information technology consulting.

27. Employees

The average number of persons employed by Adient during the years ended September 30, 2020 and 2019 was 76,000 and 83,000, respectively.

Total employee costs consist of the following:

	Year Ended September 30	
(in millions)	**2020**	**2019**
Wages and salaries	$ 2,156	$ 2,702
Social insurance costs	524	553
Stock based compensation	14	19
Retirement benefit costs	30	46
Other compensation costs	—	20
	$ 2,724	$ 3,340

Of the total employee costs, $2,255 million and $2,719 million have been capitalized into inventory during fiscal 2020 and 2019, 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 facility management services, 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 turnover to and purchases from related parties included in the combined statements of operations:

	Year Ended September 30,	
(in millions)	**2020**	**2019**
Sales to related parties	$ 347	$ 386
Purchases from related parties	566	704

The following table sets forth the amount of accounts receivable due from and payable to related parties in the combined statements of financial position:

	Year Ended September 30,	
(in millions)	**2020**	**2019**
Receivable from related parties	$ 49	$ 73
Payable to related parties	105	137

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

29. Subsequent Events

The impact of the novel strain of the coronavirus identified in late 2019 (“COVID-19”), and related mutations, continues to be present throughout the world, including in all global and regional markets served by Adient. The spread of COVID-19 and the measures taken to restrain the spread of the virus have had, and may continue to have, a material negative impact on Adient's financial results and liquidity, and such negative impact may continue well beyond the containment of COVID through the results of widespread use of the vaccine or otherwise. Adient emerged from its operational shut downs late in the third quarter of fiscal 2020 and production has resumed in all regions at levels lower than pre-COVID periods. It is unclear what the lasting impacts of the slowdown in the automotive industry will be. In addition, the magnitude, duration, speed and potential resurgence or surges of the global pandemic are all uncertain. Consequently, the impact of the pandemic and its myriad of effects on Adient's business, financial condition or longer-term financial or operational results remain uncertain. Based on the actions it has taken and its current assumptions regarding the impact of COVID-19, Adient believes that its current financial resources will be sufficient to fund the company's liquidity requirements for at least the next twelve months from February 5, 2021.

30. 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 (M) Sdn. Bhd.	Seating	89.0%	Malaysia
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	89.0%	Malaysia
Adient Automotive S.L.	Seating	100.0%	Spain
Adient Belgium BVBA	Seating	100.0%	Belgium
Adient Beteiligungs GmbH	Seating	100.0%	Germany
Adient Bor 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 Czech Republic s.r.o.	Seating	100.0%	Czech Republic
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 S.à r.l.	Seating	100.0%	Luxembourg
Adient Holding Czech Republic s.r.o.	Seating	100.0%	Czech Republic
Adient Hungary Kft.	Seating	100.0%	Hungary
Adient Mexico Holding S. de R.L. de C.V.	Seating	100.0%	Mexico
Adient India Private Limited	Seating	100.0%	India
Adient Industries Mexico S. de R.L. de C.V.	Seating	100.0%	Mexico
Adient Interior Hong Kong Limited	Seating	100.0%	Hong Kong
Adient Interiors Ltd. & Co. KG	Seating	100.0%	Germany
Adient Interiors Management GmbH	Seating	100.0%	Germany
Adient Korea Inc	Seating	100.0%	Korea
Adient Ltd. & Co. KG	Seating	100.0%	Germany
Adient Mexico Automotriz S. de R.L. de C.V.	Seating	100.0%	Mexico
Adient Mezölak Korlátolt Felelősségű Társaság	Seating	100.0%	Hungary
Adient Mexico S. de R.L. de C.V.	Seating	100.0%	Mexico
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

Name	Nature of Business	Group Ordinary Share	Registered Office and Country of Incorporation
Adient Real Estate Holding Germany GmbH	Seating	100.0%	Germany
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 Real Estate Holding Spain S.L.	Seating	100.0%	Spain
Adient Seating Holding Spain S.L.	Seating	100.0%	Spain
Adient Seating Spain S.L.	Seating	100.0%	Spain
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
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
Ensamble de Interiores Automotrices Mexico, S. de R.L. de C.V.	Seating	100.0%	Mexico
Futuris Automotive (CA) LLC	Seating	100.0%	US
Guangzhou Adient Automotive Seating Co. Ltd.	Seating	52.0%	China
PT Adient Automotive Indonesia	Seating	75.0%	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

31. Audit Exemptions

The following United Kingdom domiciled companies within the Adient plc group will adopt the Department for Business, Innovation and Skills audit exemption for the year ended 30 September 2020 as the ultimate parent company, Adient plc will guarantee the various debts and liabilities held within these companies as required under section 479A of the Companies Act 2006.

Company	Company Registration Number
Adient Financing International Ltd	10404318
Adient Financing Ltd	10403926
Adient Holding Europe Ltd	9882999
Adient Holding Germany Ltd	9945404
Adient Holding Ltd	9975841
Adient Ltd	9921320
Adient UK Financing International Ltd	10443371
Adient UK Financing Ltd	10443283
Adient UK Global Financing Ltd	10481459
Michel Thierry UK Ltd	6715114

ADIENT PLC

Company Financial Statements

For the Year Ended September 30, 2020

ADIENT PLC
COMPANY BALANCE SHEET

(in millions)	Note	September 30, 2020	September 30, 2019
Fixed assets			
Financial assets (investment in subsidiaries)	4	$ 2,442	$ 2
Other assets			
Debtors (amounts falling due after one year)	7	1	2,749
		1	2,749
Current liabilities			
Creditors	8	24	7
Net assets		$ 2,419	$ 2,744
Capital and reserves			
Called-up share capital presented as equity	9	$ —	$ —
Share premium account		500	500
Other reserves		55	43
Profit and loss account		1,864	2,201
Shareholders' equity		$ 2,419	$ 2,744

Adient's loss for the years ended September 30, 2020 and 2019 as determined in accordance with FRS 102 was $337 million and $913 million, respectively.

Approved by the Board of Directors on February 5, 2021 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 5, 2021

ADIENT PLC
COMPANY STATEMENT OF CHANGES IN EQUITY

	Called-up Share Capital							
	Ordinary Shares		Deferred Shares					
(dollars in millions)	Number	Amount	Number	Amount	Share Premium	Profit and Loss Account	Other Reserves	Total
Balance as of September 30, 2018	**93,395,662**	**$ —**	**—**	**$ —**	**$ 500**	**$ 3,140**	**$ 32**	**$ 3,672**
Total comprehensive loss for the year	—	$ —	—	$ —	$ —	$ (913)	$ —	$ (913)
Dividends	—	—	—	—	—	(26)	—	(26)
Share based compensation	225,052	—	—	—	—	—	11	11
Balance as of September 30, 2019	**93,620,714**	**$ —**	**—**	**$ —**	**$ 500**	**$ 2,201**	**$ 43**	**$ 2,744**
Total comprehensive loss for the year	—	$ —	—	$ —	$ —	$ (337)	$ —	$ (337)
Dividends	—	—	—	—	—	—	—	—
Share based compensation	272,855	—	—	—	—	—	12	12
Balance as of September 30, 2020	**93,893,569**	**$ —**	**—**	**$ —**	**$ 500**	**$ 1,864**	**$ 55**	**$ 2,419**

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 25-28 North Wall Quay, IFSC, 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
After making inquiries, the directors have a reasonable expectation that Adient has adequate resources to continue in operational existence for at least the next 12 months extending from the time of the approval of the financial statements. Accordingly, Adient continues to adopt the going concern basis in preparing the financial statements. Refer to Recent Developments Regarding COVID-19 under Key Performance Indicators of the consolidated financial statements for additional information on the impact of the COVID-19 pandemic.

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.

During the year ended September 30, 2020, Adient transferred the majority of its debtors' balance to the Luxembourg entity in exchange for additional shares in the subsidiary. Refer to Note 4, "Financial Assets (Investment in Subsidiaries)," and Note 7, "Debtors (Amounts Falling Due After One Year)."

In fiscal 2019, Adient concluded its debtors balance has been impaired due to decline in actual and forecasted performance of subsidiaries in Americas and EMEA. In fiscal 2020, Adient concluded its financial assets balance has been impaired due to global declines in actual and forecasted performance of subsidiaries primarily resulting from the COVID pandemic. Refer to Note 4, "Financial Assets (Investment in Subsidiaries)," and Note 7, "Debtors (Amounts Falling Due After One Year)."

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, 2019	$ 2
Capital contribution	2,749
Additions	10
Disposals	(2)
Impairment	(317)
As of September 30, 2020	$ 2,442

In May, 2020, Adient contributed virtually all of its Debtors balance, which consisted of unsecured debts owed by its subsidiary undertakings, to Adient Global Holdings Sarl ("AGH"), a wholly owned subsidiary in Luxembourg. Amounts owed by subsidiary undertakings with a fair value of $2.7 billion had no fixed date of repayment, and were interest free. Adient in return received newly created shares in AGH which consisted of ordinary and 10 different classes of shares. As a result of this transaction, $2,749 million of of Debtors balance was reclassified to Financial Assets balance on the Company Balance Sheet.

As of September 30, 2020, Adient assessed whether there is objective evidence that impairment of the financial assets balance has occurred. Due to declining operating results of its subsidiaries and affiliates, Adient concluded that the financial assets balance was impaired and recorded $317 million of impairment charge. The impairment was measured through a value-in-use approach utilizing future cash flows to determine value-in-use of the assets. The method is consistent with the method Adient employed in prior periods to value other long-lived assets.

Adient plc directly owns the following financial investments as of September 30, 2020:

Company	Country	Type	Ownership % September 30, 2019	Date of Acquisition
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, 2020 and 2019, 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, 2020 and 2019.

7. Debtors (Amounts Falling Due After One Year)

Debtors included on the Company Balance Sheet are as follows:

(in millions)	September 30, 2020	September 30, 2019
Amounts falling due after one year:		
Amounts owed by subsidiary undertakings	$ 1	$ 2,749

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

See Note 4 for details on the contribution of virtually all of the Debtors balance to Financial Assets during fiscal 2020.

As of September 30, 2019, due to declines in actual and forecasted performance of subsidiaries primarily in Americas and EMEA, which resulted in a decline in Adient's publicly traded share price as compared to the prior year, Adient recorded $951 million of impairment loss in fiscal 2019. The impairment was measured, depending on the asset, either under value-in-use approach utilizing forecasted future cash flows or a market approach utilizing appraisal techniques to determine fair values of the impaired assets. These methods are consistent with the methods Adient employed in prior periods to value other long-lived assets.

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, 2020 and 2019.

8. Creditors

Creditors included on the Company Balance Sheet are as follows:

	September 30			
(in millions)	**2020**		**2019**	
Amounts falling due within one year:				
Bank borrowings	$	—	$	6
Other accruals		24		1
	$	24	$	7

9. Capital & Reserves

Share Capital

(dollars in thousands)	**September 30, 2020**		**September 30, 2019**	
Authorised				
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		—		—
	$	600	$	600
Allotted and Called-up share capital				
93,893,569 and 93,620,714 ordinary shares, respectively, of $0.001	$	94	$	94
0 and 0 deferred shares, respectively, of €1.00 each (€1 = $1.1184)		—		—
Total called-up share capital	$	94	$	94

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
After declaring and paying $26 million of dividends in the first quarter of fiscal 2019, Adient has suspended its cash dividends. 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 2020 and 2019, only transactions with subsidiaries which are fully owned have occurred.

11. 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 loss for the years ended September 30, 2020 and 2019 as determined in accordance with FRS 102 were $337 million and $913 million, respectively.

12. Guarantees and Contingencies

As of September 30, 2020, Adient was the guarantor of a $0.8 billion term loan with interest of LIBOR plus 4.00% due 2024, a term loan from European Investment Bank in the aggregate amount of €165 million due 2022, 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, €1 billion aggregate principal amount of 3.50% euro-denominated senior unsecured notes due 2024, $0.8 billion aggregate principal amount of 7.00% senior secured notes due in 2026, and $0.6 billion aggregate principal amount of 9.00% senior secured notes due 2025. In addition, as of September 30, 2020, Adient was the guarantor of approximately $215 million of trade related guarantees.

13. Events Since the Balance Sheet Date

The impact of the novel strain of the coronavirus identified in late 2019 ("COVID-19"), and related mutations, continues to be present throughout the world, including in all global and regional markets served by Adient's operating subsidiaries. The spread of COVID-19 and the measures taken to restrain the spread of the virus have had, and may continue to have, a material negative impact on Adient's financial results and liquidity, and such negative impact may continue well beyond the containment of COVID through the results of widespread use of the vaccine or otherwise. It is unclear what the lasting impacts of the slowdown in the automotive industry will be. In addition, the magnitude, duration, speed and potential resurgence or surges of the global pandemic are all uncertain. Consequently, the impact of the pandemic and its myriad of effects on Adient's business, financial condition or longer-term financial or operational results remain uncertain. Based on the actions it has taken and its current assumptions regarding the impact of COVID-19, Adient believes that its current financial resources will be sufficient to fund the company's liquidity requirements for at least the next twelve months from February 5, 2021.

14. Approval of the Balance Sheet

The financial statements were approved by the directors on February 5, 2021.