

Adient reports second quarter 2018 financial results

May 3, 2018

- > Q2 GAAP net income and EPS diluted of \$(168)M and \$(1.80), respectively; GAAP results reflect a net \$279M non-cash goodwill impairment charge related to ADNT's SS&M segment
- > Q2 Adjusted-EBIT and Adjusted-EBITDA of \$252M and \$363M, respectively
- > Q2 Adjusted-EPS diluted of \$1.85
- > Cash and cash equivalents of \$353M at March 31, 2018
- > Gross debt and net debt totaled \$3,678M and \$3,325M, respectively, at March 31, 2018

“We expect profitability for the SS&M business to progress back to pre-spin levels, providing significant improvement compared with our FY18 outlook. Beyond 2020, fundamental changes to the business will be necessary to ensure appropriate financial returns are achieved.”

R. Bruce McDonald,
Chairman and Chief Executive Officer

FY 2018 Q2 RESULTS OVERVIEW

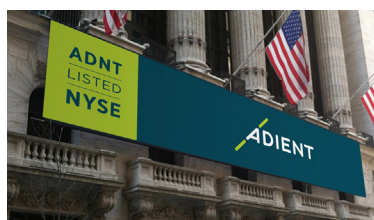
	REVENUE	EBIT	NET INCOME attributable to Adient	EPS DILUTED
AS REPORTED	\$4,596M	\$(134)M	\$(168)M	\$(1.80)
vs. Q2 17	+9%	N/M	N/M	N/M
	ADJ. EBIT	ADJ. EBITDA	ADJ. NET INCOME attributable to Adient	ADJ. EPS DILUTED
AS ADJUSTED	\$252M	\$363M	\$173M	\$1.85
vs. Q2 17	-24%	-14%	-26%	-25%

For non-GAAP and adjusted results, see appendix for detail and reconciliation to U.S. GAAP
N/M – not a meaningful comparison due to one-time special items

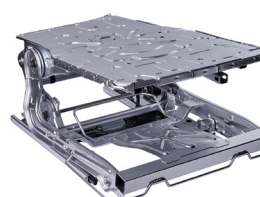
RECENT HIGHLIGHTS



Adient and Boeing showcased a portfolio of jointly developed business class seat prototypes for the planned Adient Aerospace joint venture at the Aircraft Interiors Expo in Hamburg, Germany.



During Q2, Adient reorganized certain elements of its management structure which resulted in a realignment of its reportable segments (Seating, Seat Structures & Mechanisms (SS&M), and Interiors) and also began to assess the performance of its segments using Adjusted-EBITDA.



Adient's revised financial outlook for the SS&M business will prevent the company from achieving its 2020 margin expansion objectives.



Unconsolidated Seating (incl. SS&M) revenue increased to \$2.3B in Q2; Seating equity income of \$81M, up 9% excl. FX and impact of JV consolidation.

KEY OPERATING METRICS

	SALES					
	CONSOLIDATED	UNCONSOL. SEATING (incl SS&M)	UNCONSOL. INTERIORS	ADJ. EQUITY INCOME ^a	INTEREST EXPENSE	ADJ. EFFECTIVE TAX RATE ^a
Q2 18	\$4,596M	\$2,333M	\$2,277M	\$93M	\$37M	7.9%
Q2 17	\$4,201M	\$2,092M	\$2,087M	\$94M	\$33M	14.0%
	Benefits of Futuris acquisition, China JV consolidation and FX more than offset negative impact of lower volume (NA & Asia).	Up 12% y-o-y; up 8% excl. FX and impact of JV consolidation	Up 9% y-o-y; down 2% excl. FX and low margin cockpit sales	Down 1% y-o-y; Seating equity income up 9% excl. FX and impact of JV consolidation	In line with company expectations	Q218 adj. effective tax rate reflects lower y-o-y earnings, geographic composition of earnings and reduced US tax rate.

^{a/} - On an adjusted basis. For complete details and to see reconciliation of non-GAAP measures to their most directly comparable GAAP measures refer to the appendix.

SEGMENT RESULTS

	SEATING		SS&M		INTERIORS	
	Q2 18	Q2 17	Q2 18	Q2 17	Q2 18	Q2 17
ADJ. EBITDA ^a	\$411M	\$398M	\$(34)M	\$40M	\$12M	\$22M
	Positive benefits of acquisitions / JV consolidation and SG&A partially offset by lower NA volume and growth investments.		Launch inefficiencies and increased commodity costs continue to weigh on near-term results.		Decline driven primarily by lower volumes in NA and negative operating performance in Europe and NA.	

^{a/} - On an adjusted basis. For complete details and to see reconciliation of non-GAAP measures to their most directly comparable GAAP measures refer to the appendix. Segment Adjusted-EBITDA for Seating, SS&M, and Interiors do not contain central costs that are not allocated back to the operations. Prior period presentation of reportable segments has been recast to conform to current segment reporting structure.

CASH FLOW & BALANCE SHEET

	Q2 18	Q2 17		3/31/18	9/30/17
OPERATING CASH FLOW	\$(23)M	\$156M	CASH & CASH EQUIVALENTS	\$353M	\$709M
CAPITAL EXPENDITURES	\$(123)M	\$(95)M	TOTAL DEBT	\$3,678M	\$3,478M
CASH FROM FORMER PARENT ^a	-	\$87M	NET DEBT	\$3,325M	\$2,769M
ADJ. FREE CASH FLOW	\$(146)M	\$148M	NET LEVERAGE	2.30x	1.73x

^{a/} - Represents cash payments from Johnson Controls International. For non-GAAP and adjusted results, see appendix for detail and reconciliation to U.S. GAAP.

SEAT STRUCTURES & MECHANISMS UPDATE

- > Efforts to stabilize the SS&M business are on track; we expect to deliver significant improvement as we progress through the balance of FY18.
- > The SS&M business is forecast to return to the pre-spin level of profitability by FY20, driven by operational improvements and growth in China.
- > Beyond FY20, improving the business requires major change (both near- and long-term actions) and will be a multi-year journey.

FY 2018 OUTLOOK (INCLUDES THE IMPACT OF ADIENT AEROSPACE)

- > Revenue of \$17.0 to \$17.2 billion
- > Adjusted-EBITDA of \$1.40 to \$1.45 billion
- > Adjusted-EBIT of \$0.975 to \$1.025 billion (includes equity income of ~\$400 million)
- > Interest expense of ~\$135 million
- > Tax rate between 8% and 9%
- > Adjusted net income between \$700 and \$740 million
- > Capital expenditures between \$575 and \$600 million
- > Free cash flow ~\$225M

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Adient is a global leader in automotive seating. With 85,000 employees operating in 238 manufacturing/assembly plants in 34 countries worldwide, we produce and deliver automotive seating for all vehicle classes and all major OEMs. From complete seating systems to individual components, our expertise spans every step of the automotive seat-making process. Our integrated, in-house skills allow us to take our products from research and design all the way to engineering and manufacturing – and into more than 25 million vehicles every year. For more information on Adient, please visit adient.com

Cautionary Statement Regarding Forward-Looking Statements:

Adient has made statements in this document that are forward-looking and, therefore, are subject to risks and uncertainties. All statements in this document other than statements of historical fact are statements that are, or could be, deemed “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In this document, statements regarding Adient’s future financial position, sales, costs, earnings, cash flows, other measures of results of operations, capital expenditures or debt levels and plans, objectives, outlook, targets, guidance or goals are forward-looking statements. Words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “forecast,” “project” or “plan” or terms of similar meaning are also generally intended to identify 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 impact of tax reform legislation through the Tax Cuts and Jobs Act, uncertainties in U.S. administrative policy regarding trade agreements and international trade relations, the ability of Adient to meet debt service requirements, the ability and 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, the ability of Adient to effectively integrate the Futuris business, and cancellation of or changes to commercial arrangements. A detailed discussion of risks related to Adient’s business is included in the section entitled “Risk Factors” in Adient’s Annual Report on Form 10-K for the fiscal year ended September 30, 2017 filed with the SEC on November 22, 2017 (“FY17 Form 10-K”) and quarterly reports on Form 10-Q filed with the SEC, available at www.sec.gov. Potential investors and others should consider these factors in evaluating the forward-looking statements and should not place undue reliance on such statements. The forward-looking statements included in this document are made only as of the date of this document, unless otherwise specified, and, except as required by law, Adient assumes no obligation, and disclaims any obligation, to update such statements to reflect events or circumstances occurring after the date of this document.

In addition, this document includes certain projections provided by Adient with respect to the anticipated future performance of Adient’s businesses. Such projections reflect various assumptions of Adient’s management concerning the future performance of Adient’s businesses, which may or may not prove to be correct. The actual results may vary from the anticipated results and such variations may be material. Adient does not undertake any obligation to update the projections to reflect events or circumstances or changes in expectations after the date of this document or to reflect the occurrence of subsequent events. No representations or warranties are made as to the accuracy or reasonableness of such assumptions or the projections based thereon.

Use of Non-GAAP Financial Information:

This document also contains non-GAAP financial information because Adient’s management believes it may assist investors in evaluating Adient’s on-going operations. Adient believes these non-GAAP disclosures provide important supplemental information to management and investors regarding financial and business trends relating to Adient’s financial condition and results of operations. Investors should not consider these non-GAAP measures as alternatives to the related GAAP measures. A reconciliation of non-GAAP measures to their closest GAAP equivalent are included in the appendix. Reconciliations of non-GAAP measures related to FY2018 guidance have not been provided due to the unreasonable efforts it would take to provide such reconciliations.

Adient plc
Condensed Consolidated Statements of Income (Loss)
(Unaudited)

<u>(in millions, except per share data)</u>	Three Months Ended March 31,	
	2018	2017*
Net sales	\$ 4,596	\$ 4,201
Cost of sales	4,312	3,822
Gross profit	284	379
Selling, general and administrative expenses	188	178
Restructuring and impairment costs	315	6
Equity income	85	89
Earnings before interest and income taxes	(134)	284
Net financing charges	37	33
Income (loss) before income taxes	(171)	251
Income tax provision	(28)	37
Net income (loss)	(143)	214
Income attributable to noncontrolling interests	25	24
Net income (loss) attributable to Adient	<u>\$ (168)</u>	<u>\$ 190</u>
Diluted earnings per share	\$ (1.80)	\$ 2.02
Shares outstanding at period end	93.4	93.7
Diluted weighted average shares	93.4	94.1

* As disclosed at 2017 fiscal year end, prior period results have been revised to adjust equity income for inappropriately capitalized engineering costs at one of our non-consolidated joint ventures and to adjust net sales and cost of sales to present certain components of a contract on a net basis. See footnote 4 for more information on these revisions.

Adient plc
Condensed Consolidated Statements of Financial Position
(Unaudited)

<u>(in millions)</u>	<u>March 31, 2018</u>	<u>September 30, 2017</u>
Assets		
Cash and cash equivalents	\$ 353	\$ 709
Accounts receivable - net	2,580	2,224
Inventories	781	735
Other current assets	882	831
Current assets	<u>4,596</u>	<u>4,499</u>
Property, plant and equipment - net	2,611	2,502
Goodwill	2,293	2,515
Other intangible assets - net	534	543
Investments in partially-owned affiliates	2,012	1,793
Other noncurrent assets	1,043	1,318
Total assets	<u>\$ 13,089</u>	<u>\$ 13,170</u>
Liabilities and Shareholders' Equity		
Short-term debt	\$ 175	\$ 38
Accounts payable and accrued expenses	3,471	3,402
Other current liabilities	789	888
Current liabilities	<u>4,435</u>	<u>4,328</u>
Long-term debt	3,503	3,440
Other noncurrent liabilities	717	782
Redeemable noncontrolling interests	39	28
Shareholders' equity attributable to Adient	4,069	4,279
Noncontrolling interests	326	313
Total liabilities and shareholders' equity	<u>\$ 13,089</u>	<u>\$ 13,170</u>

Adient plc
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Three Months Ended March 31,	
	2018	2017*
Operating Activities		
Net income (loss) attributable to Adient	\$ (168)	\$ 190
Income attributable to noncontrolling interests	25	24
Net income (loss)	(143)	214
Adjustments to reconcile net income (loss) to cash provided (used) by operating activities:		
Depreciation	101	81
Amortization of intangibles	12	4
Pension and postretirement benefit expense	(6)	1
Pension and postretirement contributions	(2)	(7)
Equity in earnings of partially-owned affiliates, net of dividends received	(13)	(64)
Deferred income taxes	(28)	(13)
Non-cash impairment charges	299	—
Equity-based compensation	14	16
Other	4	1
Changes in assets and liabilities:		
Receivables	(473)	(335)
Inventories	(4)	3
Other assets	2	10
Restructuring reserves	(50)	(30)
Accounts payable and accrued liabilities	309	272
Accrued income taxes	(45)	3
Cash provided (used) by operating activities	(23)	156
Investing Activities		
Capital expenditures	(123)	(95)
Sale of property, plant and equipment	—	4
Other	—	1
Cash provided (used) by investing activities	(123)	(90)
Financing Activities		
Cash transferred from former Parent post separation	—	87
Increase in short-term debt	134	(34)
Repayment of long-term debt	(1)	(100)
Cash dividends	(25)	—
Dividends paid to noncontrolling interests	(14)	(5)
Other	—	1
Cash provided (used) by financing activities	94	(51)
Effect of exchange rate changes on cash and cash equivalents	15	5
Increase (decrease) in cash and cash equivalents	\$ (37)	\$ 20

* As disclosed at 2017 fiscal year end, prior period results have been revised to adjust equity income for inappropriately capitalized engineering costs at one of our non-consolidated joint ventures. See footnote 4 for more information on this revision.

Footnotes

1. Segment Results

During the second quarter of fiscal 2018, Adient restructured certain of its management organization resulting in a realignment of its reportable segments. The Company also began using adjusted EBITDA to assess the performance of its segments and ceased allocating certain corporate-related costs to its segments. Prior period segment information has been recast to align with this change in organizational structure, the use of a new performance metric and to reflect unallocated corporate-related costs. Pursuant to this change, Adient now operates in the following three reportable segments for financial reporting purposes:

- Seating: This segment produces complete seat systems for automotive and other mobility applications, as well as certain components of complete seat systems, such as foam, trim and fabric.
- Seat Structures & Mechanisms (SS&M): This segment produces seat structures and mechanisms for inclusion in complete seat systems that are produced by Adient or others.
- Interiors: This segment, derived from Adient's global automotive interiors joint ventures, produces instrument panels, floor consoles, door panels, overhead consoles, cockpit systems, decorative trim and other products.

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, qualified restructuring and impairment costs, restructuring related-costs, incremental "Becoming Adient" costs, separation 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.

Financial information relating to Adient's reportable segments is as follows:

(in millions)	Three Months Ended March 31,	
	2018	2017
Net Sales		
Seating	\$ 4,132	\$ 3,825
SS&M	797	756
Eliminations	(333)	(380)
Total net sales	\$ 4,596	\$ 4,201

(in millions)	Three Months Ended March 31,	
	2018	2017
Adjusted EBITDA		
Seating	\$ 411	\$ 398
SS&M	(34)	40
Interiors	12	22
Corporate-related costs ⁽¹⁾	(26)	(39)
Becoming Adient ⁽²⁾	(19)	(23)
Restructuring and impairment costs ⁽³⁾	(315)	(6)
Purchase accounting amortization ⁽⁴⁾	(18)	(9)
Restructuring related charges ⁽⁵⁾	(12)	(10)
Depreciation ⁽⁶⁾	(99)	(78)
Stock based compensation ⁽⁷⁾	(12)	(11)
Other items ⁽⁸⁾	(22)	—
Earnings before interest and income taxes	(134)	284
Net financing charges	(37)	(33)
Income before income taxes	<u>\$ (171)</u>	<u>\$ 251</u>

- (1) Corporate-related costs not allocated to the segments include executive office, communications, corporate development, legal, finance and marketing.
- (2) Reflects incremental expenses associated with becoming an independent company. Includes non-cash costs of \$5 million and \$6 million in the three months ended March 31, 2018 and 2017, respectively.
- (3) Reflects qualified restructuring charges for costs that are directly attributable to restructuring activities and meet the definition of restructuring under ASC 420. Also reflects a \$299 million pretax goodwill impairment charge (net of tax impact of \$279 million) related to SS&M for the three months ended March 31, 2018.
- (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.
- (6) For the three months ended March 31, 2018, depreciation excludes \$2 million, which is included in restructuring related charges discussed above. For the three months ended March 31, 2017, depreciation excludes \$3 million which is included in Becoming Adient costs discussed above.
- (7) Stock based compensation excludes \$2 million and \$5 million for the three months ended March 31, 2018 and 2017, respectively. These amounts are included in Becoming Adient costs discussed above.
- (8) The three months ended March 31, 2018 includes \$8 million of prior period adjustments, \$7 million of integration costs associated with the acquisition of Futuris and \$7 million of non-recurring consulting fees related to SS&M.

2. Earnings Per Share

The following table reconciles the numerators and denominators used to calculate basic and diluted earnings per share:

(in millions)	Three Months Ended March 31,	
	2018	2017
Income available to shareholders		
Net income (loss) attributable to Adient	\$ (168)	\$ 190
Basic and diluted income available to shareholders	<u>\$ (168)</u>	<u>\$ 190</u>
Weighted average shares outstanding		
Basic weighted average shares outstanding	93.4	93.7
Effect of dilutive securities:		
Stock options, unvested restricted stock and unvested performance share awards	—	0.4
Diluted weighted average shares outstanding	<u>93.4</u>	<u>94.1</u>

3. Non-GAAP Measures

Adjusted EBIT, Adjusted EBIT margin, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income attributable to Adient, Adjusted effective tax rate, Adjusted earnings per share, Adjusted equity income, Adjusted free cash flow, Net debt and Net leverage as well as other measures presented on an adjusted basis are not recognized terms under U.S. GAAP and do not purport to be alternatives to the most comparable U.S. GAAP amounts. Since all companies do not use identical calculations, our definition and presentation of these measures may not be comparable to similarly titled measures reported by other companies. Management uses the identified non-GAAP measures to evaluate the operating performance of the Company and its business segments and to forecast future periods. Management believes these non-GAAP measures may assist investors and other interested parties in evaluating Adient's on-going operations and provide important supplemental information to management and investors regarding financial and business trends relating to Adient's financial condition and results of operations. Investors should not consider these non-GAAP measures as alternatives to the related GAAP measures. Reconciliations of non-GAAP measures to their closest U.S. GAAP equivalent are presented below. Reconciliations of non-GAAP measures related to FY 2018 guidance have not been provided due to the unreasonable efforts it would take to provide such reconciliations.

- Adjusted EBIT is defined as income before income taxes and noncontrolling interests excluding net financing charges, restructuring, impairment and related costs, purchase accounting amortization, transaction gains/losses, expenses associated with becoming an independent company, other significant non-recurring items, and net mark-to-market adjustments on pension and postretirement plans. Adjusted EBIT margin is adjusted EBIT as a percentage of net sales.
- Adjusted EBITDA is defined as adjusted EBIT excluding depreciation and stock based compensation. Certain corporate-related costs are not allocated to the business segments in determining Adjusted EBITDA. Adjusted EBITDA margin is adjusted EBITDA as a percentage of net sales.
- Adjusted net income attributable to Adient is defined as net income attributable to Adient excluding restructuring, impairment and related costs, purchase accounting amortization, transaction gains/losses, Becoming Adient/separation costs, other significant non-recurring items, net mark-to-market adjustments on pension and postretirement plans, the tax impact of these items and other discrete tax charges/benefits.
- Adjusted effective tax rate is defined as adjusted income tax provision as a percentage of adjusted income before income taxes.
- Adjusted earnings per share is defined as Adjusted net income attributable to Adient divided by diluted weighted average shares.
- Adjusted equity income is defined as equity income excluding amortization of Adient's intangible assets related to its non-consolidated joint ventures and other unusual items impacting equity income.
- Adjusted free cash flow is defined as cash from operating activities plus payments from our former Parent (related to reimbursements for cash management actions and capital expenditures), less capital expenditures.
- Net debt is calculated as gross debt less cash and cash equivalents.
- Net leverage is calculated as net debt divided by the last twelve months of adjusted EBITDA.

Summarized Income Statement Information

(in millions, except per share data)	Three Months Ended March 31,			
	2018		2017	
	As reported	As adjusted	As reported	As adjusted
Net sales	\$ 4,596	\$ 4,596	\$ 4,201	\$ 4,201
Equity income	85	93	89	94
Earnings before interest and income taxes	(134)	252	284	332
Earnings before interest, income taxes, depreciation and amortization	N/A	363	N/A	421
Net financing charges	37	37	33	33
Income before income taxes	(171)	215	251	299
Income tax provision	(28)	17	37	42
Net income (loss) attributable to Adient	(168)	173	190	233
Diluted earnings per share	(1.80)	1.85	\$ 2.02	\$ 2.48

The following table reconciles equity income to adjusted equity income:

(in millions)	Three Months Ended March 31,	
	2018	2017
Equity income	\$ 85	\$ 89
Purchase accounting amortization ⁽³⁾	6	5
Restructuring related charges ⁽⁴⁾	2	—
Adjusted equity income	\$ 93	\$ 94

The following table reconciles net income (loss) attributable to Adient to adjusted EBITDA:

(in millions)	Three Months Ended March 31,	
	2018	2017
Net income (loss) attributable to Adient	\$ (168)	\$ 190
Income attributable to noncontrolling interests	25	24
Income tax provision	(28)	37
Financing charges	37	33
Earnings before interest and income taxes	(134)	284
Becoming Adient ⁽¹⁾	19	23
Restructuring and impairment costs ⁽²⁾	315	6
Purchase accounting amortization ⁽³⁾	18	9
Restructuring related charges ⁽⁴⁾	12	10
Other items ⁽⁷⁾	22	—
Adjusted EBIT	252	332
Stock based compensation ⁽⁹⁾	12	11
Depreciation ⁽¹⁰⁾	99	78
Adjusted EBITDA	\$ 363	\$ 421
Net sales	\$ 4,596	\$ 4,201
Adjusted EBIT	\$ 252	\$ 332
Adjusted EBIT margin	5.5%	7.9%

Segment Performance:

	Three months ended March 31, 2018				
	Seating	SS&M	Interiors	Corporate/ Eliminations	Consolidated
Net sales	\$ 4,132	\$ 797	N/A	\$ (333)	\$ 4,596
Adjusted EBITDA	\$ 411	\$ (34)	\$ 12	\$ (26)	\$ 363
Adjusted EBITDA margin	9.9%	-4.3%	N/A	N/A	7.9%

	Three months ended March 31, 2017				
	Seating	SS&M	Interiors	Corporate/ Eliminations	Consolidated
Net sales	\$ 3,825	\$ 756	N/A	\$ (380)	\$ 4,201
Adjusted EBITDA	\$ 398	\$ 40	\$ 22	\$ (39)	\$ 421
Adjusted EBITDA margin	10.4%	5.3%	N/A	N/A	10.0%

The following table reconciles income (loss) before income taxes to adjusted income before income taxes and presents the related effective tax rate and adjusted effective tax rate:

(in millions, except effective tax rate)	Three Months Ended March 31,					
	2018			2017		
	Income (loss) before income taxes	Tax impact	Effective tax rate	Income before income taxes	Tax impact	Effective tax rate
As reported	\$ (171)	\$ (28)	16.4%	\$ 251	\$ 37	14.7%
Adjustments	386	45	11.7%	48	5	10.4%
As adjusted	\$ 215	\$ 17	7.9%	\$ 299	\$ 42	14.0%

* Measure not meaningful.

The following table reconciles net income (loss) attributable to Adient to adjusted net income attributable to Adient:

(in millions)	Three Months Ended March 31,	
	2018	2017
Net income (loss) attributable to Adient	\$ (168)	\$ 190
Becoming Adient ⁽¹⁾	19	23
Restructuring and impairment costs ⁽²⁾	315	6
Purchase accounting amortization ⁽³⁾	18	9
Restructuring related charges ⁽⁴⁾	12	10
Other items ⁽⁷⁾	22	—
Tax impact of above adjustments and other tax items	(45)	(5)
Adjusted net income attributable to Adient	\$ 173	\$ 233

The following table reconciles diluted earnings per share as reported to adjusted diluted earnings per share:

	Three Months Ended March 31,	
	2018	2017
Diluted earnings per share as reported	\$ (1.80)	\$ 2.02
Becoming Adient ⁽¹⁾	0.20	0.24
Restructuring and impairment costs ⁽²⁾	3.37	0.06
Purchase accounting amortization ⁽³⁾	0.19	0.10
Restructuring related charges ⁽⁴⁾	0.13	0.11
Other items ⁽⁷⁾	0.24	—
Tax impact of above adjustments and other tax items	(0.48)	(0.05)
Adjusted diluted earnings per share	\$ 1.85	\$ 2.48

The following table reconciles net income (loss) attributable to Adient to adjusted EBITDA:

(in millions)	Twelve Months Ended	
	March 31, 2018	September 30, 2017
Net income attributable to Adient	\$ 161	\$ 877
Income attributable to noncontrolling interests	84	85
Income tax provision	271	99
Net financing charges	134	132
Becoming Adient ⁽¹⁾	95	95
Separation costs ⁽¹⁾	—	10
Restructuring and impairment costs ⁽²⁾	355	46
Purchase accounting amortization ⁽³⁾	59	43
Restructuring related charges ⁽⁴⁾	42	37
Pension mark-to-market ⁽⁵⁾	(45)	(45)
Gain on previously held interest ⁽⁶⁾	(151)	(151)
Other items ⁽⁸⁾	39	16
Stock based compensation ⁽⁹⁾	36	29
Depreciation ⁽¹⁰⁾	364	332
Adjusted EBITDA	<u>\$ 1,444</u>	<u>\$ 1,605</u>

The following table presents net debt and net leverage ratio calculations:

(in millions, except net leverage)	March 31, 2018	September 30, 2017
Cash	\$ 353	\$ 709
Total debt	3,678	3,478
Net debt	\$ 3,325	\$ 2,769
Adjusted EBITDA (last twelve months)	\$ 1,444	\$ 1,605
Net leverage:	2.30 x	1.73 x

The following table reconciles cash from operating activities to adjusted free cash flow:

(in millions)	Three Months Ended March 31,	
	2018	2017
Operating cash flow	\$ (23)	\$ 156
Capital expenditures	(123)	(95)
Cash from former Parent	—	87
Adjusted free cash flow	<u>\$ (146)</u>	<u>\$ 148</u>

The following table reconciles adjusted EBITDA to adjusted free cash flow:

(in millions)	Three Months Ended March 31, 2018
Adjusted EBITDA	\$ 363
(-) Interest paid	(58)
(-) Taxes paid	(45)
(-) Restructuring (cash)	(59)
(+/-) Change in trade working capital	(190)
(+/-) Net equity in earnings	(21)
(+/-) Other	(13)
Operating cash flow	\$ (23)
Capital expenditures	(123)
Adjusted free cash flow	<u>\$ (146)</u>

- (1) Becoming Adient costs reflect incremental expenses associated with becoming an independent company. Separation costs reflect expenses associated with, and incurred prior to, the separation from the former Parent. Of the \$19 million of Becoming Adient costs in the three months ended March 31, 2018, \$15 million is included within cost of sales and \$4 million is included within selling, general and administrative expenses. Of the \$23 million of Becoming Adient costs in the three months ended March 31, 2017, \$13 million is included within cost of sales and \$10 million is included within selling, general and administrative expenses. Of the \$95 million of Becoming Adient costs in the twelve months ended March 31, 2018, \$61 million is included within cost of sales and \$34 million is included within selling, general and administrative expenses. Of the \$95 million of Becoming Adient costs in the twelve months ended September 30, 2017, \$55 million is included within cost of sales and \$40 million is included within selling, general and administrative expenses. The \$10 million of separation costs in the twelve months ended September 30, 2017 is included within selling, general and administrative expenses.
- (2) Reflects qualified restructuring charges for costs that are directly attributable to restructuring activities and meet the definition of restructuring under ASC 420. Also reflects a \$299 million pretax goodwill impairment charge (net of tax impact of \$279 million) related to SS&M for the three months ended March 31, 2018.
- (3) Reflects amortization of intangible assets including those related to partially owned affiliates recorded within equity income. Of the \$18 million in the three months ended March 31, 2018, \$1 million is included within cost of sales, \$11 million is included within selling, general and administrative expenses, and \$6 million is included within equity income. Of the \$9 million in the three months ended March 31, 2017, \$4 million is included within selling, general and administrative expenses and \$5 million is included within equity income. Of the \$59 million in the twelve months ended March 31, 2018, \$2 million is included within cost of sales, \$34 million is included within selling, general and administrative expenses, and \$23 million is included within equity income. Of the \$43 million in the twelve months ended September 30, 2017, \$1 million is included within cost of sales, \$20 million is included within selling, general and administrative expenses, and \$22 million is included within equity income.
- (4) Reflects non-qualified restructuring charges for costs that are directly attributable to restructuring activities, but do not meet the definition of restructuring under ASC 420. Of the \$12 million in the three months ended March 31, 2018 \$10 million is included within cost of sales and \$2 million is included within equity income. The \$10 million in the three months ended March 31, 2017 is included within cost of sales. Of the \$42 million in the twelve months ended March 31, 2017, \$37 million is included within cost of sales, \$2 million is included within selling, general and administrative expenses and \$3 million is included within equity income. Of the \$37 million in the twelve months ended September 30, 2017, \$34 million is included within cost of sales, \$2 million is included within selling, general and administrative expenses and \$1 million is included within equity income.
- (5) Reflects net mark-to-market adjustments on pension and postretirement plans. Of the \$45 million gain in the twelve months ended March 31, 2018 and September 30, 2017, \$4 million is included within cost of sales and \$41 million is included within selling, general and administrative expenses.

- (6) In 2017, an amendment to the rights agreement with a Seating affiliate in China was finalized, giving Adient control of the previously non-consolidated JV. Adient began consolidating the affiliate in July 2017 and was required to apply purchase accounting, including recognizing a gain on our previously held interest, which has been recorded in equity income.
- (7) The three months ended March 31, 2018 includes \$7 million of integration costs associated with the acquisition of Futuris, of which \$5 million is included within cost of sales and \$2 million is included within selling, general and administrative expenses. Also included in the three months ended March 31, 2018 is \$8 million of prior period adjustments (\$11 million is included within cost of sales partially offset by \$3 million included within selling, general and administrative expenses), and \$7 million of non-recurring consulting fees related to SS&M included within selling, general and administrative expenses.
- (8) The twelve months ended March 31, 2018 includes \$16 million of integration costs associated with the acquisition of Futuris, of which \$10 million is included within cost of sales and \$6 million is included within selling, general and administrative expenses. Also included in the twelve months ended March 31, 2018 is \$8 million of prior period adjustments (\$11 million is included within cost of sales partially offset by \$3 million included within selling, general and administrative expenses), \$7 million of non-recurring consulting fees related to SS&M included within selling, general and administrative expenses, and \$8 million related to the impact of the U.S. tax reform legislation at YFAI included within equity income. The twelve months ended September 30, 2017 primarily includes \$3 million of integration costs associated with the acquisition of Futuris which is included within selling, general and administrative expenses and \$12 million of initial funding of the Adient foundation which is included within selling, general and administrative expenses.
- (9) Stock based compensation excludes \$2 million and \$5 million for the three months ended March 31, 2018 and 2017, respectively and \$17 million and \$16 million are excluded for the twelve months ended March 31, 2018 and September 30, 2017, respectively. These amounts are included in Becoming Adient costs discussed above.
- (10) For the three months ended March 31, 2018, depreciation excludes \$2 million which is included in restructuring related charges discussed above. For the three months ended March 31, 2017, depreciation excludes \$3 million which is included in Becoming Adient costs discussed above. For the twelve months ended March 31, 2018, depreciation excludes \$4 million which is included in restructuring related charges discussed above and \$2 million which is included in Becoming Adient costs discussed above. For the twelve months ended September 30, 2017, depreciation excludes \$5 million which is included in Becoming Adient costs discussed above.

4. Revisions to Previously Reported Amounts

As disclosed at 2017 fiscal year end, Adient revised previously reported results to adjust equity income from a non-consolidated joint venture related to engineering costs that were inappropriately capitalized. Adient also revised previously reported net sales and cost of sales to present certain components of a contract on a net basis. The following tables disclose the quarterly impact for the three months ended March 31, 2017 of such previously disclosed revisions. Adient assessed the materiality of these misstatements on prior periods' financial statements in accordance with SEC Staff Accounting Bulletin ("SAB") No. 99, Materiality, codified in ASC 250 ("ASC 250"), Presentation of Financial Statements, and concluded that these misstatements were not material to any prior annual or interim periods. Accordingly, in accordance with ASC 250 (SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements), the consolidated financial statements as of and for the three months ended March 31, 2017, which are presented herein, have been revised. The following table illustrates the effect of these revisions on impacted line items in Adient's consolidated financial statements.

(in millions, except per share data)	Consolidated Statements of Income (Loss)		
	Three Months Ended		
	March 31, 2017		
	As Reported	Adjustment	As Revised
Net sales	\$ 4,212	\$ (11)	\$ 4,201
Cost of sales	3,833	(11)	3,822
Equity income	91	(2)	89
Earnings before interest and income taxes	286	(2)	284
Income before income taxes	253	(2)	251
Net income (loss)	216	(2)	214
Net income (loss) attributable to Adient	192	(2)	190
Earnings per share:			
Diluted	\$ 2.04	\$ (0.02)	\$ 2.02

(in millions)	Consolidated Statements of Cash Flows		
	Three Months Ended		
	March 31, 2017		
	As Reported	Adjustment	As Revised
Operating Activities			
Net income (loss)	\$ 216	\$ (2)	\$ 214
Equity in earnings of partially-owned affiliates, net of dividends received	(66)	2	(64)