F-M Motorparts Limited

Annual Report and Financial Statements

For the year ended 31 December 2022

Company Registration Number 01073619

F-M Motorparts Limited

Company Number 01073619

Strategic Report for the year ended 31 December 2022

The director of F-M Motorparts Limited ("the Company") presents the strategic report for the year ended 31 December 2022.

Strategy

The Company is a member of a large multi-national group. The strategy of the group is determined by the high-level group management.

The strategy is designed to create sustainable profitable growth by leveraging existing and developing new competitive advantages. This strategy consists of the following primary elements:

- Invest in world-class distribution and online capabilities to meet the delivery expectations of customers by enhancing the distribution footprint, improving distribution capabilities, strengthening delivery performance and engaging end customers;
- Leverage the strength of aftermarket leading brand positions, product portfolio and range, marketing and selling expertise, and distribution and logistics capabilities.

Directors Duties

The Directors of the Company as those of all U K companies must act in accordance with the general duties laid down by the Companies Act. A director of a company must act in a way he considers in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:-

(a) The likely consequences of any decision in the long term,
(b) The interests of the company's employees
(c) The need to foster the company's business relationships with suppliers, customers and others,
(d) The impact of the company's operations on the community and the environment
(e) The desirability of the company maintaining a reputation for high standards of business conduct, and
(f) The need to act fairly as between members of the company

The following paragraphs summarize how the director fulfils her duties:

The company is part of the Tenneco group and as such has a wealth of advisors to inform and advise on business matters. Furthermore, decisions need to be probed for commercial viability and both legal and statutory compliance.

As part of the Tenneco Group the Director must comply with the group's ethical business values and is required to annually verify that she is aware of them and complying with them. The group operates an online education system with regular courses on correct business which must be taken and certified.

The company values its employees' contribution to the business and actively promotes employees' education. The annual employee engagement survey provides feedback to the directors on how well they are performing from an employee's perspective. The company also has a zero tolerance to discrimination and values diversity in the workplace. Furthermore, the benefits as summarized in note 10 of the notes provides an overview of remuneration to employees.

Review of the business

The Company is engaged in the manufacture and distribution of automotive components for original equipment ("OE") manufacturers and aftermarket outlets. In addition, the Company is an investment holding company.

The Company considers turnover and operational EBITDA to be its key financial performance indicators. EBITDA is a non-GAAP measure defined to exclude impairment charges, restructuring costs, corporation tax expense, income from shares in group undertakings, interest expense and income, depreciation and amortisation.

Turnover for the year was £58,533,253 compared with £55,642,162 in 2021, an increase of £2,891,091. The prior year was still depressed from the shortage of semi-conductors in the market place after the pandemic.

EBITDA for the year was £1,410,155 compared with £4,452,361 in the previous year. A loss before tax of £5,452,931 was made during the year (2021: £2,048,097 profit). The decrease is predominately due to the impairment of fixed assets investments at £13,751,755 (last year £78,068) and the decrease in the gross profit explained below.

The gross profit decreased in 2022 with the standard material cost of goods sold increasing by 3.2% year on year. This was due to an adverse purchase price variance on steel components and raw materials. The main commodities effected were back plates, graphite, steel wool, bronze and copper powder, also petro chemicals increased throughout 2022, silicon, rubber, oils and lubricants. The plant worked hard to recover that element of increased cost covered by the customers contracts and recovered £1,273,780 which is reflected in the results. In addition to the rising cost of raw materials there was a negative energy purchase price variance of £3.6m due to an unstable market following on from the impact of the war in Ukraine.
With regard to raw materials 2023 has seen the plants renegotiating contracts with the result that more favourable pricing is come back. With regard to energy costs to mitigate the increased cost going forward savings have been implemented to reduce consumption, for example, LED light replacements, compressed air leaks addressed and specific machine/ line shutdowns when not in use.

Following a review of the carrying value of investments, a provision of £13,751,755 (2021: £78,068) was recorded. Conversely there was no release of provisions in the year (2021: £nil) against the Company's investments.

Calculation of representative non-financial KPIs is not appropriate at this legal entity level given the global structure of the overall group.

The director considers that the year-end financial position of the Company was satisfactory.

Principal risks and uncertainties

The principal risks and uncertainties that the Company faces are:

Adverse conditions in the automotive market

The revenues of the Company's operations are closely tied to global OE vehicle sales, production levels, and independent aftermarket parts replacement activity. The OE market is characterised by short-term volatility, with overall expected long-term growth in global vehicle sales and production. Automotive production in the local markets served by the Company can be affected by macro-economic factors such as interest rates, fuel prices, consumer confidence and employment trends. A variation in the level of vehicle production would not only affect sales to OE customers but, depending on the reasons for the change, could impact demand from aftermarket customers. The Company's results of operations and financial position could be adversely affected if the Company fails to respond in a timely and appropriate manner to changes in the demand for its products

Competitiveness of automotive industry

The Company operates in an extremely competitive industry, driven by global vehicle production volumes and part replacement trends. Business is typically awarded to the supplier offering the most favourable combination of cost, quality, technology and service. In addition, customers continue to require periodic price reductions that require the Company to continually assess, redefine and improve its operations, products and manufacturing capabilities to maintain and improve profitability. The Company's management continues to develop and execute initiatives to meet the challenges of the industry, however, there can be no assurance that the Company will be able to compete effectively in the automotive market.

Currency fluctuations

The Company is exposed to a risk of gain or loss from changes in foreign exchange rates whenever the Company enters into a purchase, sales or intra-group loan agreement in a currency other than sterling. The Company is a member of a multi-national group and it is group policy not to hedge currency exposure whether it is on intra-group transactions or third party transactions.

New Technologies

Increased fuel economy and decreased vehicle emissions are of great importance to OEMs as legislators and customers continue to demand more efficient and cleaner operating vehicles. Increasingly stringent fuel economy standards and environmental regulations are driving OEMs to focus on new technologies including downsized, higher output and turbocharged petrol engines, hybrid electric and alternative energy engines. Also, vehicle safety continues to receive industry attention by OEMs since customers view safety as a fundamental driver in consumer purchasing decisions and legislation looks on improved vehicle safety as a public health issue. The Company strives to ensure that its products meet the requirements of these new technologies and continually develops leading edge technologies, both in respect of product and process, to allow the Company to remain competitive and to continually strive for market leadership.

Raw material cost fluctuations

In recent periods there have been significant fluctuations in the prices of raw materials and energy which have had and may continue to have an unfavourable impact on the Company's business. Competitive and marketing pressures may limit the Company's ability to pass some of the material cost increases on to the Company's customers. Furthermore, the Company's customers are generally not obligated to accept price increases that the Company may desire to pass along to them. This inability to pass on price increases to customers when material prices increase rapidly or to a significantly higher than historic levels could adversely affect the Company's operating margins and cash flow, possibly resulting in lower operating income and profitability. The impact in cost terms and the measures to mitigate the increased cost of energy are discussed in this years review of the business.

Treasury Policies

Financial Instruments

The Company's financial instruments comprise cash at bank, balances with group undertakings and trade debtors and creditors arising from normal operations. These financial instruments are used to fund the Company's operations. It is Company policy that no trading in financial instruments be undertaken.

Interest Rate Risk

There are no bank borrowings so interest rate risk arises only from those intra-group loans which bear interest. Loans carry interest at a floating rate linked to the A.B.L credit facility. However, no specific action is taken to hedge the corresponding interest rate exposure since there is minimal risk to the Group as a whole.

Foreign currency risk

As a member of a multi-national group, the Company does not hedge currency exposure. It is not considered appropriate to do so in connection with intra-group loans or intra-group trading and exposure to risk relating to third party export sales are mitigated by the level of purchases from overseas suppliers denominated in the same currency. Foreign currency is held for only short periods, the general policy being to convert all cash transactions to sterling as soon as possible.

Strategic Report for the year ended 31 December 2022 (Continued)

Credit Risk

The Company's objective is to reduce the risk of financial loss due to a counterparty's failure to honour its obligations. This is achieved by each operating division being responsible for assessing the credit risk associated with accepting production schedules from customers and for managing shipments and receivables within pre-determined credit limits. Similarly, in respect of intra-group loans resulting from Tenneco Group's policy to use cash surpluses in one area of the business to meet funding requirements in another, credit risk is assessed by a central treasury department.

Liquidity Risk

The Company aims to mitigate liquidity risk by managing cash generation by its operations. Formal approval procedures apply within each operating unit in respect of capital expenditure and cash flow is managed through regular forecasting and management review of operating results at all levels of the company.

On behalf of the Board

C. A. Jones
Director
Date: 14/12/2023

Company Registration Number 01073619

F-M Motorparts Limited

Company Number 01073619

Director's Report for the year ended 31 December 2022

The directors of F-M Motorparts Limited ("the Company") present their director's report for the year ended 31 December 2022 together with the audited financial statements for the year.

Results and dividends

The loss for the year after tax was £5,954,330 (2021: profit £2,506,169). The Company made a provision of £13,751,755 (2021: £78,068) against investment balances.

The director does not propose a dividend (2021: £nil). A dividend of £nil was paid during the year (2021: £nil).

Principal activities

The Company's principal activity is the manufacture and distribution of automotive components for original equipment ("OE") manufacturers and aftermarket outlets. In addition, it is an investment holding company.

Looking ahead

The Company will continue its strive to meet changing customer requirements to ensure that it wins new business arising from OE customers' new vehicle programmes. In addition, it will ensure that its selling, marketing and distribution activities grow with and support any developments and new opportunities within the aftermarket business.

The Company will also continue its attempts to obtain efficiencies in relation to both the operating processes and also the costs associated with those processes.

Research and development

The research and development activities of the Company are directed principally towards the development of new products and to improving the performance and effectiveness of existing products. In 2022 expenditure amounted to £Nil (2021: £Nil).

Directors

The following served as a director of F-M Motorparts Limited during the year and up to the date of signing:

C. A. Jones
N Mothilal (Appointed on 28 March 2023)

Employees and employment policies

The Company has approximately 279 employees located in the UK.

It is the Company's policy to provide equal opportunities to all employees. The Company provides appropriate training at all levels and is committed to helping employees to develop their full potential by gaining relevant skills and experience.

Full and fair consideration is given to applications for employment made by disabled persons. Employees who become disabled will be retained in employment wherever possible and, where necessary, appropriate retraining will be provided.

The Company places considerable emphasis on regular and effective communications with employees on matters of concern to them. The Company involves and consults employees on matters concerning its performance.

Engagement with suppliers, customers and others in a business relationship with the company

The company requires strong mutually beneficial relationships with suppliers, customers, and other stakeholders to prosper in the automotive sector. This is a dynamic environment where good communications and relationships are key. The company seeks to conduct its business with ethics and the application of its business principles.

Streamlined Energy and Carbon Reporting

At F.M. Motorparts Ltd we manage our energy use and CO_2 emissions. We monitor monthly consumption through meter reading and invoices, and these data are entered into our Group web-based reporting system. This enables us to track our trends in CO_2 emissions. We identify improvement measures by sharing good practice and by acting on recommendations from energy surveys such as those generated during our compliance with the ESOS regulations. We have continued our initiatives to install energy efficient internal and external LED lighting and shut-downs of energy using equipment during non-operation times. We also use ISO management systems to bring structure to the continual improvement of our approaches. The Covid and semi-conductor chip shortage impacts during 2021 make accurately comparing recent results challenging.

		2022	2021	2020
		kWh	kWh	kWh
Scope 1	Natural gas	21,000,000	22,000,000	16,000,000
	Vehicle Fuels	65,000	190,000	50,000
Scope 2	Electricity	19,000,000	20,000,000	19,000,000
Scope 3	Vehicle fuels*	3,700	3,700	3,700
Total		**40,068,700**	**42,193,700**	**35,053,700**

			Tonnes CO_2e	Tonnes CO_2e
Scope 1	Natural gas	3,900	5,000	3,000
	Vehicle Fuels	16	42	12
Scope 2	Electricity	3,700	4,300	4,500
Scope 3	Vehicle fuels*	1	1	1
Total		**7,617**	**9,343**	**7,513**

UK Government GHG Conversion Factors for Company Reporting, 2022
Methodology consistent with GHG Protocol

Intensity metric (Tonnes CO_2e/£m)

Tonnes CO_2e	7,617	9,343	7,513
Revenue £m	56.7	60.7	54.4
Intensity	**134.3**	**153.8**	**138.1**

Directors Indemnities

The Company maintained throughout the year and at the date of approval of the financial statements, liability insurance for its directors and officers, this is a qualifying provision for the purposes of the Companies Act 2006.

Going concern

The directors review the company's cost base and the future liquidity requirements on a regular basis. The directors consider several options to ensure that the company is able to meet its obligations as they fall due. In particular the directors rely on the continuing support of Tenneco Inc., the company's ultimate parent company, via the Tenneco group's finance company to enable the company to meet its obligations as they fall due. This support is to remain in place for the foreseeable future and for at least for the 12 months from the date of signing the financial statements.

To conclude the director and managers have reviewed the company's position to ensure that there is adequate liquidity to continue operations. In their review they looked at the company's forecasts, its liquid resources and support available from its parent company. The directors and management believe they have adequate liquidity to run the business and support working capital requirements.

Taking into account the aforementioned the directors have at the time of approving these financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future being a period of not less that twelve months from the date of approval of these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Details of post balance sheet events are set out in note 26 to the financial statements.

Company Registration Number 01073619

Director's Report for the year ended 31 December 2022 (Continued)

Disclosure of information to auditors

The director confirms that:

- So far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

On behalf of the Board

Carol A. Jones

C.A. Jones
Director
Date: 14/12/2023

F-M Motorparts Limited

Director's Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of F-M Motorparts Limited

Opinion

We have audited the financial statements of F-M Motorparts Limited (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as increases in raw material and energy costs, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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

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

Independent auditor's report to the members of F-M Motorparts Limited (Continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. 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 in this regard

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 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 company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of F-M Motorparts Limited (Continued)

Auditor's 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 auditor's 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 (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company, and the industry in which it operates, and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.
- We obtained an understanding of how the Company is complying with those legal and regulatory frameworks by making enquiries of management, and those charged with governance of the entity. We corroborated our enquiries through our review of board minutes and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included: evaluation of the processes and controls established to address the risks related to irregularities; and fraud and testing of journal entries, in particular entries relating to management estimates, large or unusual transactions;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's knowledge of the industry in which the client operates in and understanding of, and practical experience through training and participation with audit engagements of a similar nature; and
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of F-M Motorparts Limited (Continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Paul Bamber MA FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
Date: 14/12/2023

Company Registration Number 01073619

F-M Motorparts Limited

Statement of Comprehensive Income for the year ended 31 December 2022

	Notes	2022 £	2021 £
Total Turnover	5	58,533,253	55,642,162
Cost of sales		(58,797,592)	(50,913,753)
Gross (loss)/profit		(264,339)	4,728,409
Other operating expenses	6(a)	(6,378,088)	(10,367,061)
Other operating income	6(b)	2,988,336	3,234,471
Income from disposal of fixed asset investments	6(c)	2,589,057	4,006,314
Provisions against fixed asset investments	6(d)	(13,751,755)	(78,068)
Operating (loss)/profit on ordinary activities		(14,816,789)	1,524,065
Income from shares in group undertakings		8,413,796	425,014
Interest receivable	7	954,346	102,714
Interest payable	8	(4,284)	(3,696)
(Loss)/Profi) on ordinary activities before taxation	6(d)	(5,452,931)	2,048,097
Tax on (loss)/profit on ordinary activities	9	(501,399)	458,072
(Loss)/Profit on ordinary activities after taxation		(5,954,330)	2,506,169
(Loss)/Profit attributable to shareholders		(5,954,330)	2,506,169

The results above all relate to continuing operations.

The accompanying notes are an integral part of these financial statements.

Company Registration Number 01073619

F-M Motorparts Limited

Statement of Financial Position Year ended 31 December 2022

	Notes	2022	2021
		£	£
Fixed assets			
Intangible fixed assets	14	21,838,500	23,080,500
Tangible fixed assets	15	23,295,611	23,335,966
Investments	16	16,231,119	25,374,686
		61,365,230	71,791,152
Current assets			
Stocks	17	5,320,135	4,956,736
Debtors falling due within one year	18	26,175,497	18,811,550
Debtors falling due after more than one year	18	10,173,124	8,948,191
Cash at bank and in hand		(298,733)	565,612
		41,370,023	33,282,089
Creditors: Amounts falling due within one year	19	(18,144,402)	(14,478,458)
Net current assets		23,255,621	18,803,631
Total assets less current liabilities		84,590,851	90,594,783
Creditors: Amounts falling due after more than one year	20	(93,334)	(142,936)
Net assets		84,497,517	90,451,847
Capital and reserves:			
Called up share capital	21	73,783,877	73,783,877
Share premium account	22	11,166,543	11,166,543
Profit and loss account	22	(452,903)	5,501,427
Shareholders' funds – equity		84,497,517	90,451,847

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 14 to 30 were approved by the Board on 14/12/2023

and signed on its behalf by:

C.A. Jones
Director

Company Registration Number 01073619

F-M Motorparts Limited

Statement of changes in equity year ended 31st December 2022

	Note	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2021		73,783,877	11,166,543	2,995,258	87,945,678
Comprehensive income for the year					
Profit for the year		-	-	2,506,169	2,506,169
Total Comprehensive Income for the year		-	-	**2,506,169**	**2,506,169**
Contributions by and distributions to owners					
Dividends paid		-	-	-	-
Total transactions with owners		-	-	-	-
At 31 December 2021		**73,783,877**	**11,166,543**	**5,501,427**	**90,451,847**
Comprehensive income for the year					
Loss for the year		-	-	(5,954,330)	(5,954,330)
Total comprehensive income for the year		-	-	**(5,954,330)**	**(5,954,330)**
Contributions by and distributions to owners					
Dividends paid		-	-	-	-
Total transactions with owners		-	-	-	-
As at 31 December 2022		**73,783,877**	**11,166,543**	**(452,903)**	**84,497,517**

The accompanying notes are an integral part of these financial statements.

1. Company Information

F-M Motorparts Limited is a limited liability company incorporated in England and Wales. Its registered office is at Millgrove House, Parc Ty Glas, Llanishen, CF14 5DU.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS102") and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Sterling (£), the Company's functional currency.

The financial statements contain information about F-M Motorpart Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption from preparing consolidated financial statements available under section 401 of the Companies Act 2006, on the grounds that the ultimate parent company, Tenneco Inc, prepares consolidated financial statements that incorporate the results of the company. For the year 2022, the Company is included in the consolidated financial statements of Tenneco Inc.. Consequently, the Company has taken advantage of the exemptions available under the terms of FRS102, from preparing a cash flow statement and from disclosures in relation to financial instruments.
See note 27 for further details.

3. Significant judgements and estimates

The most significant judgements made in the preparation of these financial statements are as follows:

Brands

The brands were acquired for £31,050,000 as part of the purchase of the Motorparts business of Federal-Mogul Limited in 2015. This value was calculated by a third party professional valued using 25 years of forecasted cash flows and it was considered to be an appropriate transfer value.

As the value of the brands was calculated using 25 years of forecast cash flows it was therefore considered appropriate to amortise the brands over this number of years.

The brands are reviewed on an annual basis to determine whether there are any indicators of impairment which would require the performance of a full impairment review.

Tangible assets

An assessment of potential impairment triggers for property plant and equipment is carried out on an annual basis, the methodology is described below in the principal accounting policies section.'

3. Significant judgements and estimates (continued)

Impairment review of fixed asset investments

The carrying value of investments has been compared to their value in use and an impairment charge recorded where individual investments are considered to be impaired, or where a previous impairment loss has reversed, a credit has been recorded.

The value in use is derived from discounted future cash flow projections using nominal discount rates consistent with each applicable global industry sector. A material adjustment could occur if the actual cash flows were significantly different from those used in the impairment review.

As at 31st December 2022 the carrying amounts of the fixed asset investments are:

Subsidiary Undertakings-Shares	£16,231,119

Deferred tax assets

The judgement made in relation to deferred tax assets is that they are recognised to the extent that they will be recoverable out of future taxable profits based on forecasts for the next three years.

4. Principal accounting policies

The principal accounting policies of the Company have remained unchanged from the prior year and are set out below:

Business acquisitions

The cost of businesses acquired from fellow group companies is measured at the aggregate of the fair value of internally generated brands (not previously capitalised) plus book carrying value of the other net assets transferred.

Tangible assets

Tangible fixed assets are stated at cost / valuation less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on cost or the revalued amount, as applicable, to write tangible fixed assets, other than freehold land and construction in progress, down to their estimated residual values on a straight line basis as follows:

- Freehold buildings, 2.5% per annum.
- Leasehold buildings are assumed to have a life equal to the period of the lease, but with a maximum of 40 years.
- Plant and machinery, at rates ranging from 7% to 33% per annum.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

4. Principal accounting policies (continued)

Intangible fixed assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Brands

Purchased brands are capitalised at cost and amortised evenly over the period of time considered in order to evaluate the present value of the expected income streams from the sale of branded products and therefore determine the purchase cost.

Investments

Fixed asset investments are stated at cost less provision for any impairment.

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Stocks

Stocks are stated at the lower of original cost and net realisable value on a first-in first-out basis. Cost comprises materials, labour and an allocation of attributable overhead expenses. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Going Concern

The directors review the company's cost base and the future liquidity requirements on a regular basis. The directors consider several options to ensure that the company is able to meet its obligations as they fall due. In particular the directors rely on the continuing support of Tenneco Inc., the company's parent company, via the Tenneco group's finance company to enable the company to meet its obligations as they fall due. This support is to remain in place for the foreseeable future and for at least for the 12 months from the date of signing the financial statements.

4. Principal accounting policies (continued)

Going Concern (continued)

To conclude the director and managers have reviewed the company's position to ensure that there is adequate liquidity to continue operations. In their review they looked at the company's forecasts, its liquid resources and support available from its parent company. The directors and management believe they have adequate liquidity to run the business and support working capital requirements.

Taking into account the aforementioned the directors have at the time of approving these financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future being a period of not less that twelve months from the date of approval of these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Creditors

Short term creditors are measured at the transaction price.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities.

4. Principal accounting policies (continued)

- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Foreign currencies

Transactions in foreign currency are recorded at the rate ruling at the date of transaction. At the end of each reporting period monetary items denominated in foreign currencies are retranslated at the rate prevailing at that date. Exchange differences are recognised in the profit and loss account in the period in which they arise.

Leasing

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Pensions Costs

The Company operates a defined contribution scheme in the form of a stakeholder plan. Contributions to this scheme are recognised in the profit and loss account in the period in which they become payable. Further information on pension arrangements is set out in Note 12 to the accounts.

Revenue Recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Royalty income

Revenue is recognised as royalties accrue.

Interest income

Revenue is recognised as interest accrues.

4. Principal accounting policies (continued)

Other income

Grant income

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

5. Turnover

Turnover, analysed geographically between markets, was as follows:

	2022 £	2021 £
UK	24,765,218	26,608,052
Europe, Middle East and Africa	25,118,380	25,410,820
North America	126,705	724,658
Rest of world	8,522,950	2,898,632
	58,533,253	55,642,162

Turnover arises on the sale of a range of automotive components which represent a single stream of turnover. Accordingly, no further disclosure is deemed necessary.

6. Analysis of results

(a) Other operating expenses	2022 £	2021 £
Distribution costs	2,783,790	2,576,028
Administrative expenses	3,594,298	7,791,033
Other operating expenses	6,378,088	10,367,061

Administration expenses reflect the revised apportionment of central administration costs.

(b) Other operating income	2022 £	2021 £
Royalty income	2,617,689	3,120,911
CJRS grant income	-	62,172
Other income	370,647	51,388
	2,988,336	3,234,471

Operating loss includes a charge of £Nil (2022: £1,186,085) in respect of redundancy and rationalisation costs. All of this charge was included in other operating expenses.

(c) Income from disposal of fixed asset investments

During the year, the company disposed of its investment in its associated undertaking K-B Autosys Co. Ltd, providing a gain on disposal of £2,589,057 (2021: £4,006,314).

(d) Provisions against fixed asset investments

Following an impairment review of the Company's investments it was decided that a provision of £13,751,755 was required (2021: £78,068) along with releasing a provision of £nil (2021: £nil).

Company Registration Number 01073619

F-M Motorparts Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

6. Analysis of results (continued)

(e)(Loss)/profit before taxation is stated after charging/(crediting):		2022 £	2021 £
Auditor's remuneration			
- Audit of company financial statements		75,000	50,000
Research and development costs		-	-
Amortisation of intangible assets	14	1,242,000	1,242,000
Profit on disposal of fixed assets		-	(4,319,320)
Depreciation of tangible fixed assets			
- owned assets	15	1,233,189	1,608,228
Impairment of tangible fixed assets		-	-
Operating lease rentals		139,155	223,063
Loss/(gain) on foreign exchange movements		122,444	(469,838)

The auditors of the Company also received audit fees for auditing the accounts of the Company's overseas subsidiary undertakings of £75,000 (2021: £50,000).

7. Interest receivable	2022 £	2021 £
Interest receivable on group loans	252,294	89,833
Interest receivable on bank deposits	146	12,881
Other interest	701,906	-
	954,346	102,714

8. Interest payable	2022 £	2021 £
Other interest payable	(4,284)	(3,696)
	(4,284)	(3,696)

9. Tax on loss on ordinary activities

(a) Analysis of tax charge/(credit) in the year

The tax charge is based on the (loss)/profit for the year and represents:	2022 £	2021 £
Current Tax:		
UK corporation tax on losses for the period	-	-
Foreign tax relief/other relief	-	-
Foreign tax suffered	503,677	63,755
Adjustments in respect of previous periods	-	(519,119)
Total current tax	503,677	(455,364)
Deferred tax (note 23):		
Origination and reversal of timings differences	1,653	27,298
Adjustment in respect of previous periods	(4,453)	(14,855)
Effect of tax rate differences	522	(15,150)
Total deferred tax	(2,278)	(2,707)
Tax on (loss)/profit on ordinary activities	501,399	(458,071)

9. Tax on loss on ordinary activities (continued)

(b) Factors affecting tax (credit)/charge for year

The tax assessed on the loss on ordinary activities for the year is higher (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £	2021 £
Profit/(loss) on ordinary activities before taxation	(5,452,931)	2,048,097
Profit/(loss) on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	(1,036,057)	389,138
Effect of:		
Movement on deferred tax not recognised	269,533	(246,396)
Foreign tax	503,677	63,755
Non-deductible expenses	239,780	265,430
Impairment of investment	2,612,833	14,833
Income not taxable	(2,090,542)	(841,953)
Tax rate changes	522	(15,150)
Adjustment from previous periods	1,653	(87,730)
Tax (credit)/charge on Loss on ordinary activities (Note 9(a))	501,399	(458,072)

(c) Factors that may affect future tax charges

The standard rate of corporation tax for the year ended 31 December 2022 was 19% (2021: 19%). Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 (on 10th June 2021). These include increasing the main rate to 25% from 1 April 2023. Deferred taxes at the balance sheet date have been measured using the enacted tax rate of 25% (2021: 25%) and reflected in these financial statements.

The above changes to the rate of corporation tax will impact the amount of future cash tax payments to be made by the company.

10. Dividends

	2022 £	2021 £
Paid during year	-	-

11. Employees	**2022 No.**	**2021 No.**
Monthly average number of employees		
Manufacturing	238	226
Selling and Marketing	13	11
Research and Development	3	-
Administrative	25	43
	279	280

11. Employees (continued)

Employment costs	2022 £	2021 £
Wages and salaries	14,192,462	13,665,696
Social security costs	1,841,779	1,736,906
Net pension charge (Note 12)	1,736,027	1,850,573
Redundancy payments	-	1,186,085
	17,770,268	18,439,260

12. Pensions commitments

	2022 £	2021 £
Defined contribution scheme	1,736,027	1,850,573

The Company operates a defined contribution scheme in the form of a stakeholder plan.

As at 31 December 2022 outstanding employer contributions of £152,442 (2021: £141,311) were included in Creditors – Amounts falling due within one year.

There are no other significant post-employment benefits.

13. Directors' emoluments

The director of the Company have not received any emoluments in respect of their services as a director of the Company (2021: £nil).

14. Intangible fixed assets

	Brands £
Cost	
At 1 January 2022	31,050,000
At 31 December 2022	31,050,000
Amortisation	
At 1 January 2022	7,969,500
Charge in year	1,242,000
At 31 December 2022	9,211,500
Net book value	
At 31 December 2022	21,838,500
At 31 December 2021	23,080,500

Brands

On 1 August 2015 the Company purchased the Motorparts business of Federal-Mogul Limited, including brands with a value of £31,050,000. These brands were capitalised at that cost and are amortised evenly over 25 years. The purchase price of the brands was calculated using 25 years of forecast cash flows and it is therefore considered appropriate to amortise the brands over this number of years.

However, the carrying value of the brands will be reviewed annually to determine whether there has been any impairment and any such reductions in value will be taken to the profit and loss account.

15. Tangible fixed assets

Cost	Land and buildings £	Plant and machinery £	Total £
At 1 January 2022	6,078,606	38,331,256	44,409,862
Additions	41,685	1,107,392	1,149,077
Transfer from Group Companies	21,498	22,258	43,756
At 31 December 2022	6,141,789	39,460,906	45,602,696
Depreciation	£	£	£
At 1 January 2022	2,374,523	18,699,373	21,073,896
Charge for the year	267,172	966,017	1,233,189
At 31 December 2022	2,641,695	19,665,390	22,307,085
Net book value			
At 31 December 2022	3,500,094	19,795,517	23,295,611
At 31 December 2021	3,704,082	19,631,884	23,335,966

Included in the cost of fixed assets are building improvements of £299,387 (2021: £135,731) and plant and machinery in the course of construction £9,760,778 (2021: £9,268,737). Assets in the course of construction are not depreciated.

Net book value of land and buildings	2022 £	2021 £
Freehold land – not depreciated	1,515,037	1,515,037
Freehold buildings	1,985,056	2,189,045
	3,500,094	3,704,082

16. Fixed asset investments

	Subsidiary Undertakings Equity £	Associated Undertakings Equity £	Total £
Cost			
At 1 January 2022	32,705,602	3,131,362	35,836,964
Additions	7,739,550	-	7,739,550
Disposals	-	(3,131,362)	(3,131,362)
At 31 December 2022	40,445,152	-	40,445,152
Provisions			
At 1 January 2022	(10,462,278)	-	(10,462,278)
Charge for year	(13,751,755)	-	(13,751,755)
At 31 December 2022	(24,214,033)	-	(24,214,033)
Net book value			
At 31 December 2022	16,231,119	-	16,231,119
At 31 December 2021	22,243,324	3,131,362	25,374,686

16. Fixed asset investments (continued)

Details of the investments are disclosed below.

Name of Company	Country of incorporation if outside Great Britain	Holding	Proportion of voting rights and shares held %	Nature of business
Federal-Mogul Friction Products S.A.	Spain	Subscribed shares	100	Friction Products
Federal-Mogul (Shanghai) Automotive Parts Co. Limited	China	Ordinary shares	100	Aftermarket
Federal-Mogul Friction Products Co. Ltd.	China	Ordinary shares	100	Friction Products
Federal-Mogul Motorparts Zhejiang Limited	China	Ordinary shares	100	Friction Products
Federal-Mogul Motorparts (Pinghu) Trading Limited	China	Ordinary shares	100	Friction Products
Tenneco NVH (Taicang) Co. Limited	China	Ordinary Shares	100	Friction Products
Federal-Mogul Friction Products Limited +		Ordinary shares	100	Friction Products
Federal-Mogul Aftermarket UK Limited +		Ordinary shares	100	Aftermarket
Payen International Limited+		Ordinary shares	100	Non-trading

+ These companies operate as a managing agent of F-M Motorparts Limited.

During the year, the company disposed of its investment in its associated undertaking K-B Autosys Co. Ltd, totalling £3,131,362.

In accordance with FRS102, the director has compared the carrying value of investments to their value in use to the Company and recorded an impairment charge for any individual investments that they considered impaired, or where a previous investment loss has subsequently reversed, a credit has been recorded. A provision of £13,751,755 (2021: £78,068) and a release of provision of £nil (2021: £nil) was required in the current year.

The value in use has been derived from discounted cash flow projections using nominal discount rates consistent with each applicable global industry sector, ranging from 14% to 16% (2021: 12% to 14%) on a pre-tax basis. A long-term growth rate of 2.5% has been assumed for the majority of companies.

17. Stocks	**2022**	**2021**
	£	**£**
Raw materials	1,614,417	1,552,613
Work in progress	581,313	750,422
Finished goods	3,124,405	2,653,701
	5,320,135	4,956,736

An impairment loss of £430,628 (2021: £576,676) was recognised in cost of sales during the year due to slow-moving, damaged and obsolete stock.

F-M Motorparts Limited
Notes to the financial statements for the year ended 31 December 2022 (continued)

18. Debtors	**2022** £	**2021** £
Debtors falling due within one year		
Trade debtors	11,143,084	13,990,999
Amounts owed by fellow subsidiaries	13,071,003	3,681,041
Deferred tax asset (see Note 23)	38,106	35,828
Prepayments and accrued income	232,492	251,248
Other debtors	1,690,812	852,434
	26,175,497	18,811,550

An impairment loss of £16,664 (2021: £8,235) was recognised against trade debtors.

Amounts owed by fellow subsidiaries are unsecured, interest free and repayable on demand.

Debtors falling due after more than one year		
Amounts owed by fellow subsidiaries	10,173,124	8,948,191
	10,173,124	8,948,191

Financial assets are held at amortised cost.

Inter-company loans are for the term of 10 years but can be repaid at any time with the agreement of both parties. The interest rate applicable is the interbank rate plus the senior credit rate less 50 basis points.

19. Creditors – Amounts falling due within one year	**2022** £	**2021** £
Trade creditors	7,686,918	7,931,904
Amounts owed to fellow subsidiaries	3,744,798	2,257,027
Payroll and other taxes, including social security	1,584,664	1,403,601
Accruals, deferred income and other creditors	5,128,022	2,885,926
	18,144,402	14,478,458

Financial liabilities are held at amortised cost.

Amounts owed to fellow subsidiaries are unsecured, interest free and repayable on demand.

20. Creditors – Amounts falling due after more than one year	**2022** £	**2021** £
Accruals, deferred income and other creditors	93,334	142,936
	93,334	142,936

21. Called up share capital

Ordinary shares of £1 each	**Issued and fully paid No. of shares**	**Issued and fully paid £**
At 1 January 2022	73,783,877	73,783,877
At 31 December 2022	73,783,877	73,783,877

22. Reserves

Called up share capital

This represents the nominal value of shares that have been issued.

Share premium account

This includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium.

Profit and loss account

This includes all current and prior period retained profits and losses.

23. Deferred Taxation

Deferred tax asset	**2022**	**2021**
	£	**£**
Tax losses	-	-
Other timing differences	38,106	35,828
Deferred tax asset	38,106	35,828

Unprovided assets	**2022**	**2021**
	£	**£**
Decelerated capital allowances	4,838,535	2,728,403
Losses	22,273,367	23,915,399
Other timing differences	-	43,960
	27,111,901	26,687,762

Based on management judgement, the deferred tax asset has been recognised to the extent that it is anticipated to be recoverable out of future taxable profits based on projections for the next three years.

24. Commitments and contingent liabilities	**2022** **£**	**2021** **£**
The Company's future minimum operating lease payments are as follows:		
- within one year	34,669	99,787
- between one and five years	67,847	79,809
- later than five years	-	-
	102,516	179,597

Contingent liabilities also exist in respect of cross-guarantees given by the Company and its UK subsidiaries to support some of the Group's UK banking facilities amounting to £nil (2021: £nil).

25. Related Party Transactions

The Company has taken advantage of the exemption in FRS102, para 33.1A, not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly-owned.

There are no material related party transactions.

26. Post Balance Sheet Events

On the 18th of April 2023 the company entered into the group asset backed financing arrangement which incorporated a cross party guarantee the facility provided an additional $600m liquidity to the Tenneco Group.

On the 13th of October 2023 the branch of F-M Motorparts entered into a sale and leaseback arrangement for a part of the company's land and buildings. The sums received were £14.5 million with the lease repayments spanning twenty years.

27. Parent and ultimate parent company

The company is a wholly owned subsidiary of Federal-Mogul Motorparts (Netherlands) B.V., a company registered in the Netherlands. The Company's ultimate parent undertaking since 18 November 2022 is AP 1X Pegasus Holdings L.P., a company incorporated in the USA. For the whole of 2021 and until 17 November 2022 the Company's ultimate parent undertaking was Tenneco Inc. which is incorporated in the USA and until 17 November 2022 was listed on the New York Stock Exchange. For the year 2022, the Company is included in the consolidated financial statements of Tenneco Inc. Consequently, the Company has taken advantage of the exemptions available under the terms of FRS102, from preparing a cash flow statement and from disclosures in relation to financial instruments.

As stated above, the Company and all of its subsidiary undertakings are included in the consolidated financial statements of Tenneco Inc. The parent company accounts are drawn up to the same date in the same financial year and in accordance with the provisions of the Seventh Directive (83/349/EEC) or in a manner equivalent to consolidated accounts and consolidated annual reports so drawn up. Accordingly, the Company, in accordance with the exemption in s.401 of the Companies Act, has not prepared consolidated financial statements. The financial statements therefore contain information about F-M Motorparts Limited as an individual company and not as a group.

ANNUAL REPORT

For the periods November 17, 2022 to December 31, 2022 (Successor) and
January 1, 2022 to November 16, 2022 (Predecessor),
the year ended December 31, 2021 (Predecessor), and
the year ended December 31, 2020 (Predecessor)

TENNECO INC.

15701 Technology Drive
Northville, MI 48168

(248) 849-1290

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Tenneco Inc.
Northville, Michigan

Opinion

We have audited the consolidated financial statements of Tenneco Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2022 (successor), and the related consolidated statements of income (loss), comprehensive income (loss), changes in shareholders' equity, and cash flows for the periods from November 17, 2022 to December 31, 2022 (successor) and January 1, 2022 to November 16, 2022 (predecessor), and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 (successor), and the results of its operations and its cash flows for the periods from November 17, 2022 to December 31, 2022 (successor) and January 1, 2022 to November 16, 2022 (predecessor), in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements were available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

/s/ Deloitte & Touche LLP
Detroit, Michigan
May 24, 2023

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Tenneco Inc.

Opinion on the Financial Statements

We have audited the consolidated balance sheet of Tenneco Inc. and its subsidiaries (the "Company") as of December 31, 2021, and the related consolidated statements of income (loss), of comprehensive income (loss), of changes in shareholders' equity and of cash flows for each of the two years in the period ended December 31, 2021, including the related notes and schedule of valuation and qualifying accounts as of and for each of the two years in the period ended December 31, 2021 listed in the index appearing under Item 8 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Detroit, Michigan
February 24, 2022

We served as the Company's auditor from 2010 to 2022.

TENNECO INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in millions)

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenues				
Net sales and operating revenues	$ 2,125	$ 16,729	$ 18,035	$ 15,379
Costs and expenses				
Cost of sales (exclusive of depreciation and amortization)	1,973	14,910	15,665	13,402
Selling, general, and administrative	408	928	1,017	889
Depreciation and amortization	79	496	593	639
Engineering, research, and development	38	257	285	273
Restructuring charges, net and asset impairments	103	52	69	622
Goodwill and intangible impairment charges	—	—	—	383
	2,601	16,643	17,629	16,208
Other income (expense)				
Non-service pension and postretirement benefit (costs) credits	(2)	10	13	18
Equity in earnings (losses) of nonconsolidated affiliates, net of tax	(1)	27	57	47
Gain (loss) on extinguishment of debt	—	(92)	8	2
Other income (expense), net	6	27	72	38
	3	(28)	150	105
Earnings (loss) before interest expense, income taxes, and noncontrolling interests	(473)	58	556	(724)
Interest expense	(85)	(289)	(274)	(277)
Earnings (loss) before income taxes and noncontrolling interests	(558)	(231)	282	(1,001)
Income tax (expense) benefit	(17)	(164)	(182)	(459)
Net income (loss)	(575)	(395)	100	(1,460)
Less: Net income (loss) attributable to noncontrolling interests	(1)	59	65	61
Net income (loss) attributable to Tenneco Inc.	$ (574)	$ (454)	$ 35	$ (1,521)

The accompanying notes to the consolidated financial statements are an integral part of these consolidated statements of income (loss).

TENNECO INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Net income (loss)	$ (575)	$ (395)	$ 100	$ (1,460)
Other comprehensive income (loss)—net of tax:				
Foreign currency translation adjustments	112	(340)	(83)	(12)
Defined benefit plans	(20)	1	227	(11)
Cash flow hedges	1	(11)	(2)	4
	93	(350)	142	(19)
Comprehensive income (loss)	(482)	(745)	242	(1,479)
Less: Comprehensive income (loss) attributable to noncontrolling interests	11	13	58	75
Comprehensive income (loss) attributable to common shareholders	$ (493)	$ (758)	$ 184	$ (1,554)

The accompanying notes to the consolidated financial statements are an integral part of these consolidated statements of comprehensive income (loss).

TENNECO INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except shares)

	Successor December 31, 2022	Predecessor December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 625	$ 859
Restricted cash	37	6
Receivables:		
Customer notes and accounts, net	2,183	2,308
Other	135	111
Inventories	2,020	1,846
Prepayments and other current assets	543	683
Total current assets	5,543	5,813
Property, plant and equipment, net	2,939	2,872
Long-term receivables, net	—	5
Goodwill	900	507
Intangibles, net	2,489	1,056
Investments in nonconsolidated affiliates	369	539
Deferred income taxes	257	266
Other assets	683	564
Total assets	$ 13,180	$ 11,622
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt, including current maturities of long-term debt	$ 173	$ 57
Accounts payable	3,032	2,955
Accrued compensation and employee benefits	373	381
Accrued income taxes	67	71
Accrued expenses and other current liabilities	1,363	1,227
Total current liabilities	5,008	4,691
Long-term debt	5,153	5,018
Deferred income taxes	309	105
Pension and postretirement benefits	544	830
Deferred credits and other liabilities	509	491
Commitments and contingencies (Note 14)		
Total liabilities	11,523	11,135
Redeemable noncontrolling interests	165	91
Tenneco Inc. shareholders' equity:		
Preferred stock - 2021 - $0.01 par value; none issued	—	—
Common stock - 2022 - $0.01 par value; 100 shares issued	—	—
Class A voting common stock - 2021 - $0.01 par value; 96,713,188 shares issued	—	1
Class B non-voting convertible common stock - 2021 - $0.01 par value; none issued	—	—
Additional paid-in capital	1,723	4,462
Accumulated other comprehensive income (loss)	81	(595)
Accumulated deficit	(574)	(2,853)
Shares held as treasury stock - at cost: (2021 - 14,592,888 shares)	—	(930)
Total Tenneco Inc. shareholders' equity	1,230	85
Noncontrolling interests	262	311
Total equity	1,492	396
Total liabilities, redeemable noncontrolling interests, and equity	$ 13,180	$ 11,622

The accompanying notes to the consolidated financial statements are an integral part of these consolidated balance sheets.

TENNECO INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Operating Activities				
Net income (loss)	$ (575)	$ (395)	$ 100	$ (1,460)
Adjustments to reconcile net income (loss) to cash (used) provided by operating activities:				
Goodwill and intangible impairment charges	—	—	—	383
Depreciation and amortization	79	496	593	639
Deferred income taxes	(10)	1	12	301
Stock-based compensation	—	19	24	18
Restructuring charges and asset impairments, net of cash paid	61	16	(14)	500
Change in pension and postretirement benefit plans	(2)	(32)	(34)	(94)
Equity in earnings of nonconsolidated affiliates	1	(27)	(57)	(47)
Cash dividends received from nonconsolidated affiliates	—	55	64	23
Loss (gain) on extinguishment of debt	—	92	—	—
Loss (gain) on sale of assets and other	3	(2)	7	(18)
Changes in operating assets and liabilities:				
Receivables	281	(748)	(408)	(182)
Inventories	266	(356)	(162)	279
Payables and accrued expenses	(34)	339	232	308
Accrued interest and accrued income taxes	80	(23)	27	(12)
Other assets and liabilities	(1)	95	(151)	(9)
Net cash (used) provided by operating activities	149	(470)	233	629
Investing Activities				
Cash paid for Merger	(7,395)	—	—	—
Proceeds from sale of assets	130	14	55	29
Collection of divestiture receivable	—	3	27	16
Net proceeds from sale of business	—	6	1	9
Proceeds from sale of investment in nonconsolidated affiliates	—	7	8	—
Cash payments for property, plant and equipment	(53)	(299)	(387)	(394)
Proceeds from deferred purchase price of factored receivables	77	368	472	283
Other	—	(1)	—	—
Net cash (used) provided by investing activities	(7,241)	98	176	(57)
Financing Activities				
Proceeds from term loans and notes	5,474	86	839	654
Repayments of term loans and notes	(15)	(182)	(1,073)	(765)
Borrowings on revolving lines of credit	446	7,996	6,504	6,120
Payments on revolving lines of credit	(445)	(7,336)	(6,525)	(6,337)
Equity contributions	1,723	—	—	—
Debt issuance costs of long-term debt	(308)	—	(16)	(25)
Net decrease in bank overdrafts	—	—	—	(2)
Distributions to noncontrolling interests	(12)	(62)	(40)	(42)
Payment for noncontrolling interest redemption	—	(53)	—	—
Collections (payments) on securitization programs, net and other	54	(35)	(18)	39
Net cash (used) provided by financing activities	6,917	414	(329)	(358)
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	13	(83)	(18)	23
Increase (decrease) in cash, cash equivalents, and restricted cash	(162)	(41)	62	237
Cash, cash equivalents, and restricted cash, beginning of period	824	865	803	566
Cash, cash equivalents, and restricted cash, end of period	$ 662	$ 824	$ 865	$ 803
Supplemental Cash Flow Information				
Cash paid during the year for interest	$ 39	$ 239	$ 219	$ 246
Cash paid during the year for income taxes, net of refunds	$ 29	$ 191	$ 124	$ 154
Non-cash inventory charges	$ 113	$ 12	$ 44	$ 73
Non-cash Investing Activities				
Period end balance of accounts payable for property, plant and equipment	$ 107	$ 72	$ 104	$ 113
Deferred purchase price of receivables factored in the period	$ 71	$ 402	$ 463	$ 299
Increase (decrease) in assets from redeemable noncontrolling interest transaction with owner	$ —	$ —	$ —	$ (53)

The accompanying notes to the consolidated financial statements are an integral part of these consolidated statements of cash flows.

TENNECO INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in millions)

	Tenneco Inc. Shareholders' Equity (Deficit)							
	$0.01 Par Value Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock	Total Tenneco Inc. Shareholders' Equity (Deficit)	Noncontrolling Interests	Total Equity
Predecessor								
Balance at December 31, 2019	$ 1	$ 4,432	$ (711)	$ (1,367)	$ (930)	$ 1,425	$ 194	$ 1,619
Net income (loss)	—	—	—	(1,521)	—	(1,521)	29	(1,492)
Other comprehensive income (loss)—net of tax:								
Foreign currency translation adjustments	—	—	(26)	—	—	(26)	11	(15)
Defined benefit plans	—	—	(11)	—	—	(11)	—	(11)
Cash flow hedges	—	—	4	—	—	4	—	4
Comprehensive income (loss)						(1,554)	40	(1,514)
Stock-based compensation, net	—	17	—	—	—	17	—	17
Reclassification of redeemable noncontrolling interest to permanent equity	—	—	—	—	—	—	82	82
Distributions declared to noncontrolling interests	—	—	—	—	—	—	(16)	(16)
Redeemable noncontrolling interest transaction with owner	—	(7)	—	—	—	(7)	—	(7)
Balance at December 31, 2020	1	4,442	(744)	(2,888)	(930)	(119)	300	181
Net income (loss)	—	—	—	35	—	35	31	66
Other comprehensive income (loss)—net of tax:								
Foreign currency translation adjustments	—	—	(76)	—	—	(76)	(3)	(79)
Defined benefit plans	—	—	227	—	—	227	—	227
Cash flow hedges	—	—	(2)	—	—	(2)	—	(2)
Comprehensive income (loss)						184	28	212
Stock-based compensation, net	—	20	—	—	—	20	—	20
Distributions declared to noncontrolling interests	—	—	—	—	—	—	(17)	(17)
Balance at December 31, 2021	1	4,462	(595)	(2,853)	(930)	85	311	396
Net income (loss)	—	—	—	(454)	—	(454)	31	(423)
Other comprehensive income (loss)—net of tax:								
Foreign currency translation adjustments	—	—	(294)	—	—	(294)	(35)	(329)
Defined benefit plans	—	—	1	—	—	1	—	1
Cash flow hedges	—	—	(11)	—	—	(11)	—	(11)
Comprehensive income (loss)						(758)	(4)	(762)
Stock-based compensation, net	—	13	—	—	—	13	—	13
Distributions declared to noncontrolling interests	—	—	—	—	—	—	(38)	(38)
Balance at November 16, 2022	$ 1	$ 4,475	$ (899)	$ (3,307)	$ (930)	$ (660)	$ 269	$ (391)

The accompanying notes to the consolidated financial statements are an integral part of these statements of changes in shareholders' equity.

TENNECO INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in millions)

	Tenneco Inc. Shareholders' Equity (Deficit)					
	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Tenneco Inc. Shareholders' Equity (Deficit)	Noncontrolling Interests	Total Equity
Successor						
Balance at November 17, 2022	$ —	$ —	$ —	$ —	$ 307	$ 307
Net income (loss)	—	—	(574)	(574)	1	(573)
Other comprehensive income (loss)—net of tax:						
Foreign currency translation adjustments	—	100	—	100	9	109
Defined benefit plans	—	(20)	—	(20)	—	(20)
Cash flow hedges	—	1	—	1	—	1
Comprehensive income (loss)				(493)	10	(483)
Equity contribution from Apollo	1,723	—	—	1,723	—	1,723
Reclassification between redeemable noncontrolling interests and noncontrolling interests	—	—	—	—	(55)	(55)
Balance at December 31, 2022	$ 1,723	$ 81	$ (574)	$ 1,230	$ 262	$ 1,492

The accompanying notes to the consolidated financial statements are an integral part of these statements of changes in shareholders' equity.

TENNECO INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share amounts, or as otherwise noted)

1. Description of Business and Basis of Presentation

Tenneco Inc. ("Tenneco" or "the Company") was formed under the laws of Delaware in 1996. Tenneco designs, manufactures, markets, and distributes products and services for light vehicle, commercial truck, off-highway, industrial, motorsport; and aftermarket customers. Tenneco consists of four operating segments, DRiV, Performance Solutions, Clean Air, and Powertrain and serves both original equipment ("OE") manufacturers and the repair and replacement markets worldwide.

On November 17, 2022 (the "Merger Date"), all of the Company's outstanding shares of common stock were acquired by affiliates of certain investment funds managed by affiliates of Apollo Global Management, Inc. (together with its consolidated subsidiaries, "Apollo"). Pursuant to the Agreement and Plan of Merger (the "Merger Agreement") with Pegasus Holdings III, LLC ("Parent") and Pegasus Merger Sub Co., a wholly-owned subsidiary of Parent ("Merger Sub"), Merger Sub merged with and into Tenneco Inc. with Tenneco Inc. continuing as the surviving corporation (the "Merger"). Following the completion of the Merger, Tenneco's common stock is no longer publicly traded. Merger Sub was formed on February 17, 2022 and had limited activities prior to the Merger. Parent is an affiliate of certain funds (the "Apollo Funds") managed by affiliates of Apollo. Refer to Note 3, "Merger" for further information.

The consolidated financial statements and related disclosures of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and are presented on a successor and predecessor basis. References to predecessor refer to the financial position of the Company at December 31, 2021 and the results of operations and cash flows for the period from January 1, 2022 to November 16, 2022 (the "Predecessor") and references to successor refer to the financial position of the Company at December 31, 2022 and the results of operations and cash flows for the period from November 17, 2022 to December 31, 2022 (the "Successor"). The cost of acquiring the Company has been pushed-down to establish a new accounting basis. Accordingly, the predecessor and successor consolidated financial information presented herein is not comparable. Where applicable, a black line separates the successor and predecessor periods to highlight the lack of comparability.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Company consolidates into its financial statements the accounts of the Company, all wholly owned subsidiaries, and any partially owned subsidiary it has the ability to control. Control generally equates to ownership percentage, whereby investments more than 50% owned are consolidated. Investments in affiliates of 50% or less but greater than 20% where the Company exercises significant influence are accounted for using the equity method. Equity investments of 20% or less that do not have a readily determinable fair value are measured at cost, less impairments, adjusted for observable price changes in orderly transactions for identical or similar investments. Refer to Note 8, "Investment in Nonconsolidated Affiliates" for further information.

The Company does not have any subsidiaries that it consolidates based solely on the power to direct the activities and significant participation in the entity's expected results that would not otherwise be consolidated based on control through voting interests. Further, its affiliates are businesses established and maintained in connection with its operating strategy and are not special purpose entities. All intercompany transactions and balances have been eliminated.

Risks and Uncertainties

There are many uncertainties that remain related to the COVID-19 global pandemic (including the implementation of government lockdowns in China during the second quarter of 2022), the semiconductor shortage, the Russia and Ukraine conflict, other supply chain challenges, the effects of inflation, commodity and energy cost increases, and rising interest rates on the overall macroeconomic environment that could negatively affect the Company's results of operations, financial position, and cash flows. The Company does not have significant operations in Russia or Ukraine compared to its global operations, but its operations in these regions have been disrupted due to the conflict. Sales from the Company's Russian subsidiaries were less than 1% of its consolidated "Net sales and operating revenue" for the years ended December 31, 2022 and 2021, and sales from its global subsidiaries into Russia and the Ukraine were less than 1% of sales for the year ended December 31, 2021.

Impairment of Investments in Affiliates
The Company monitors its investments in affiliates for indicators of other-than-temporary declines in value on an ongoing basis. If the Company determines that such a decline has occurred, an impairment loss would be recorded, which would be measured as the difference between the carrying value and the fair value of the investment.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that differ from these estimates.

Reclassifications
Certain amounts in the prior years have been aggregated or disaggregated to conform to current year presentation.

Cash Equivalents and Restricted Cash
The Company considers all highly liquid investments with maturities of 90 days or less from the date of original issuance to be cash equivalents.

The Company is required to provide cash collateral in connection with certain contractual arrangements and statutory requirements. The Company has $37 million and $6 million of restricted cash at December 31, 2022 and 2021 in support of these arrangements and requirements. The restricted cash at December 31, 2022 includes cash collateral of $28 million in connection with an outstanding letter of credit guaranteeing the deferral of certain indirect tax payments in Mexico.

Notes and Accounts Receivable
Notes and accounts receivable are stated at net realizable value, which approximates fair value. Receivables are reduced by an allowance for amounts that may become uncollectible in the future. The allowance is an estimate based on expected losses, current economic and market conditions, and a review of the current status of each customer's trade accounts or notes receivable. A receivable is past due if payments have not been received within the agreed-upon invoice terms. Account balances are charged-off against the allowance when management determines the receivable will not be recovered.

The allowance for doubtful accounts on "Customer notes and accounts, net" was $22 million and $26 million at December 31, 2022 and 2021. The allowance for doubtful accounts at December 31, 2022 is substantially comprised of charges related to a customer bankruptcy.

Inventories
Inventories are stated at the lower of cost or net realizable value using the first-in, first-out ("FIFO") or average cost methods. Work in process includes purchased parts such as substrates coated with precious metals. Cost of inventory includes direct materials, labor, and applicable manufacturing overhead costs. The value of inventories is reduced for excess and obsolescence based on management's review of on-hand inventories compared to historical and estimated future sales and usage.

Held for Sale and Divestitures
The Company classifies assets and liabilities as held for sale ("disposal group") when management, having the authority to approve the action, commits to a plan to sell the disposal group, the sale is probable within one year, and the disposal group is available for immediate sale in its present condition. The Company also considers whether an active program to locate a buyer has been initiated, whether the disposal group is marketed actively for sale at a price that is reasonable in relation to its current fair value, and whether actions required to complete the plan indicate it is unlikely significant changes to the plan will be made or the plan will be withdrawn. The Company estimates fair value to approximate the expected proceeds to be received, less cost to sell, and compares it to the carrying value of the disposal group. An impairment charge is recognized when the carrying value exceeds the estimated fair value.

At December 31, 2022 and 2021, the Company had $19 million and $22 million of assets held for sale, which primarily consists of land and buildings, and non-core machinery and equipment across multiple segments that are expected to be sold in the next twelve months, as well as $8 million and $9 million in related environmental and asset retirement obligation liabilities. The Company recognized non-cash impairment charges of $2 million, $10 million, and $1 million, during the period January 1, 2022 to November 16, 2022, the year ended December 31, 2021, and the year ended December 31, 2020 resulting from recognizing the related assets as held for sale.

In the fourth quarter of 2020, the Company closed on the sale of a non-core business and its related assets for $15 million. The Company received $6 million of the purchase price at closing in 2020 with the remaining to be received in installment payments through the fourth quarter of 2023. The Company recognized non-cash impairment charges of $1 million for the year ended December 31, 2020 on recognizing the related assets as held for sale.

The assets and liabilities held for sale are recorded in "Prepayments and other current assets" and "Accrued expenses and other current liabilities" in the consolidated balance sheets at December 31, 2022 and 2021.

Redeemable Noncontrolling Interests

The Company has noncontrolling interests with redemption features. These redemption features could require the Company to make an offer to purchase the noncontrolling interests in the event of a change in control of Tenneco Inc. or certain of its subsidiaries.

At December 31, 2022 and 2021, the Company held redeemable noncontrolling interests of $111 million and $50 million which were not currently redeemable or probable of becoming redeemable. The redemption of these redeemable noncontrolling interests is not solely within the Company's control; therefore, they are presented in the temporary equity section of the Company's consolidated balance sheets. The Company does not believe it is probable the redemption features related to these noncontrolling interest securities will be triggered, as a change in control event is generally not probable until it occurs. As such, these noncontrolling interests have not been remeasured to redemption value.

Upon the consummation of the Merger, a noncontrolling interest of an acquired subsidiary in India became redeemable. As a result, the related noncontrolling interest of $55 million was reclassified from permanent equity to redeemable noncontrolling interest at November 17, 2022. At December 31, 2022, this redeemable noncontrolling interest with a subsidiary in India amounted to $54 million. In accordance with local regulations, the Company is required to make a tender offer of the shares it does not own for this subsidiary in India and restore the public float in India for this subsidiary to at least 25% within twelve months following the completion of the tender offer. In connection with the tender offer, the Company issued a $57 million letter of credit under its new revolving credit facility which is outstanding at December 31, 2022 to satisfy the escrow obligation to acquire the shares of this subsidiary in India. Refer to Note 10, "Debt and Other Financing Arrangements", for additional information related to its new revolving credit facility. At December 31, 2022, the tender offer has not been completed.

At December 31, 2021, the Company held a redeemable noncontrolling interest of $41 million which became redeemable during the six months ended June 30, 2022 following the third anniversary of the Öhlins acquisition on January 10, 2019. This redeemable noncontrolling interest represented a 9.5% ownership interest in Öhlins Intressenter AB (the "KÖ Interest") retained by K Öhlin Holding AB ("Köhlin"). This noncontrolling interest was also presented in the temporary equity section of the Company's consolidated balance sheets and had been remeasured to its redemption value. The Company immediately recognized changes to redemption value as a component of "Net income (loss) attributable to noncontrolling interests" in the consolidated statements of income (loss). During the second quarter of 2022, the Company received a notice from Köhlin of its intention to redeem all of the KÖ Interest. It was redeemed for $53 million and paid in June 2022.

During the first quarter of 2020, the Company completed the process to make a tender offer of the shares it did not own for a subsidiary in India acquired by the Company as part of the Federal-Mogul LLC acquisition on October 1, 2018, in accordance with local regulations. As a result of completing the tender offer, the redeemable noncontrolling interest was no longer redeemable or probable of becoming redeemable and the amount of $82 million was reclassified to permanent equity during the year ended December 31, 2020. Refer to Note 19, "Related Party Transactions", for additional information related to the tender offer of this noncontrolling interest.

The following is a roll forward of activities in the Company's redeemable noncontrolling interests:

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at beginning of period[(a)]	$ 120	$ 91	$ 78	$ 196
Net income (loss) attributable to redeemable noncontrolling interests	(2)	12	23	22
Other comprehensive (loss) income	3	(11)	(4)	3
Noncontrolling interest tender offer redemption	—	—	—	(46)
Redemption value remeasurement adjustments	—	16	11	10
Noncontrolling interest redemption	—	(53)	—	—
Reclassification between redeemable noncontrolling interests and noncontrolling interests	55	—	—	(82)
Dividends and other distributions	(11)	(21)	(17)	(25)
Balance at end of period	$ 165	$ 34	$ 91	$ 78

(a) Successor beginning balance includes fair value adjustments under acquisition method accounting. Refer to Note 3, "Merger" for further information.

Long-Lived Assets

Long-lived assets, such as property, plant and equipment and definite-lived intangible assets are recorded at cost or fair value established at acquisition. Definite-lived intangible assets include customer relationships and platforms, patented and unpatented technology, packaged kits know-how, catalogs, and licensing agreements. Long-lived asset groups are evaluated for impairment when impairment indicators exist. If the carrying value of a long-lived asset group is impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset group exceeds its fair value. Depreciation and amortization are computed principally on a straight-line basis over the estimated useful lives of the assets for financial reporting purposes. Expenditures for maintenance and repairs are expensed as incurred.

Certain costs related to the purchase and development of software used in the business operations are capitalized and included in property, plant and equipment. Costs attributable to these software systems are amortized over their estimated useful lives based on various factors such as the effects of obsolescence, technology, and other economic factors. Additions to capitalized software development costs, including payroll and payroll-related costs for those employees directly associated with developing and obtaining the internal use software, are classified as investing activities in the consolidated statements of cash flows.

Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill is determined as the excess of fair value over amounts attributable to specific tangible and intangible assets. Goodwill is evaluated for impairment during the fourth quarter of each year, or more frequently, if impairment indicators exist. An impairment indicator exists when a reporting unit's carrying value exceeds its fair value. When performing a quantitative assessment for the goodwill impairment test, a reporting unit's fair value is based on valuation techniques using the best available information. The assessment of fair value utilizes a combination of the income approach and market approach. The impairment charge is the excess of the goodwill's carrying value over the implied fair value of goodwill using a one-step quantitative approach.

Other indefinite-lived intangible assets related to trade names and trademarks are stated at fair value established at acquisition or cost. These indefinite-lived intangible assets are evaluated for impairment during the fourth quarter of each year, or more frequently, if impairment indicators exist. An impairment exists when a trade name and trademark's carrying value exceeds its fair value. The fair values of these assets are based upon the prospective stream of hypothetical after-tax royalty cost savings discounted at rates that reflect the rates of return appropriate for these intangible assets. The impairment charge is the excess of the asset's carrying value over its fair value.

Pre-production Design and Development and Tooling Assets

The Company expenses pre-production design and development costs as incurred unless there is a contractual guarantee for reimbursement from the OE customer. Costs for molds, dies, and other tools used to make products sold on long-term supply arrangements for which the Company has title to the assets are capitalized in property, plant and equipment and amortized to cost of sales over the shorter of the term of the arrangement or over the estimated useful lives of the assets. Costs for molds, dies, and other tools used to make products sold on long-term supply arrangements for which the Company has a contractual guarantee for reimbursement or has the non-cancelable right to use the assets during the term of the supply arrangement from the customer are capitalized.

"Prepayments and other current assets" in the consolidated balance sheets included $84 million and $112 million at December 31, 2022 and 2021 for in-process tools and dies being built for OE customers and unbilled pre-production design and development costs.

Fair Value Measurements

A three-level valuation hierarchy, based upon observable and unobservable inputs, is used for fair value measurements. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions based on the best evidence available. A financial instrument's categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy definition prioritizes the inputs used in measuring fair value into the following levels:

Level 1 — Quoted prices in active markets for identical assets or liabilities.
Level 2 — Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.
Level 3 — Unobservable inputs based on the Company's own assumptions.

Income Taxes

Deferred tax assets and liabilities are recognized on the basis of the future tax consequences attributable to temporary differences that exist between the financial statement carrying value of assets and liabilities and the respective tax values, and net operating losses ("NOL") and tax credit carryforwards on a taxing jurisdiction basis. Deferred tax assets and liabilities are measured using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid. The effect on deferred tax assets and liabilities of a change in tax rates is recorded in the results of operations in the period that includes the enactment date under the law.

Deferred income tax assets are evaluated quarterly to determine if valuation allowances are required or should be adjusted. Valuation allowances are established in certain jurisdictions based on a more likely than not standard. The ability to realize deferred tax assets depends on the Company's ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each tax jurisdiction. The Company considers the various possible sources of taxable income when assessing the realization of its deferred tax assets. The valuation allowances recorded against deferred tax assets generated by taxable losses in certain jurisdictions will affect the provision for income taxes until the valuation allowances are released. The Company's provision for income taxes will include no tax benefit for losses incurred and no tax expense with respect to income generated in these jurisdictions until the respective valuation allowance is eliminated.

The Company records uncertain tax positions on the basis of a two-step process whereby it is determined whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position, and for those tax positions that meet the more likely than not criteria, the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with the related tax authority is recognized.

The Company elected to account for Global Intangible Low-Taxed Income ("GILTI") as a current-period expense when incurred.

Pension and Other Postretirement Benefit Plan Obligations

Pensions and other postretirement employee benefit costs and related liabilities and assets are dependent upon assumptions used in calculating such amounts. These assumptions include discount rates, long term rate of return on plan assets, health care cost trends, compensation, and other factors. Actual results that differ from the assumptions used are accumulated and amortized over future periods, and accordingly, generally affect recognized expense in future periods. The cost of benefits provided by defined benefit pension and other postretirement plans is recorded in the period employees provide service. Future pension expense for certain significant funded benefit plans is calculated using an expected return on plan asset methodology.

Investments with registered investment companies, common and preferred stocks, and certain government debt securities are valued at the closing price reported on the active market on which the securities are traded. Corporate debt securities are valued by third-party pricing sources using the multi-dimensional relational model using instruments with similar characteristics. Hedge funds and the collective trusts are valued at net asset value ("NAV") per share which are provided by the respective investment sponsors or investment advisers.

Leases

The Company has elected the practical expedient to not separate non-lease components from the lease components to which they relate, and instead account for each separate lease and non-lease component associated with that lease component as a single lease component for all underlying asset classes. Accordingly, all costs associated with a lease contract are accounted for as lease cost.

Revenue Recognition

The Company accounts for a contract with a customer when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable.

Revenue is recognized for sales to OE and aftermarket customers when transfer of control of the related good or service has occurred. Most OE and aftermarket goods and services are transferred to customers at a point in time. The customer is invoiced once transfer of control has occurred and the Company has a right to payment. Typical payment terms vary based on the customer and the type of goods and services in the contract. The period of time between invoicing and when payment is due is not significant. Amounts billed and due from customers are classified as "Customer notes and accounts, net" in the consolidated balance sheets. Standard payment terms are less than one year, and the Company applies the practical expedient to not assess whether a contract has a significant financing component if the payment terms are less than one year.

Performance Obligations: The majority of the Company's customer contracts with OE and aftermarket customers are long-term supply arrangements. The performance obligations are established by the enforceable contract, which is generally considered to be the purchase order but, in some cases could be the delivery release schedule. The purchase order, or related delivery release schedule, is of a duration of less than one year. As such, the Company does not disclose information about remaining performance obligations that have original expected durations of one year or less, for which work has not yet been performed.

Rebates: The Company accrues for rebates pursuant to specific arrangements primarily with aftermarket customers. Rebates generally provide for payments to customers based upon the achievement of specified purchase volumes and are recorded as a reduction of sales as earned by such customers.

Product Returns: Certain aftermarket contracts with customers include terms and conditions that result in a customer right of return that is accounted for on a gross basis. For these contracts, the Company has recorded a refund liability within "Accrued expenses and other current liabilities" and a return asset within "Prepayments and other current assets" in the consolidated balance sheets.

Shipping and Handling Costs: Shipping and handling costs associated with outbound freight after control of a product has transferred to a customer are accounted for as a fulfillment cost and are included in "Cost of sales (exclusive of depreciation and amortization)" in the consolidated statements of income (loss).

Sales and Sales Related Taxes: The Company collects and remits taxes assessed by various governmental authorities that are both imposed on and concurrent with revenue-producing transactions with its customers. These taxes may include, but are not limited to, sales, use, value-added, and some excise taxes. The collection and remittance of these taxes is reported on a net basis. Taxes collected from customers are excluded from revenue and credited directly to obligations to the appropriate government agencies.

Contract Balances: Contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on contracts with customers. The contract assets are transferred to accounts receivable 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 therefore, revenue has not been recognized. There have been no impairment losses recognized related to any accounts receivable or contract assets arising from the Company's contracts with customers.

At December 31, 2022, the Company had contract assets balances of $16 million recorded in "Prepayments and other current assets" and $53 million recorded in "Other Assets" in the consolidated balance sheets. In addition, at December 31, 2022, the Company had contact liabilities balances of $26 million recorded in "Accrued expenses and other current liabilities" and $16 million recorded in "Deferred credits and other liabilities" in the consolidated balance sheets.

Engineering, Research, and Development
The Company records engineering, research, and development costs ("R&D") net of customer reimbursements as they are considered a recovery of cost.

Advertising and Promotion Expenses
The Company expenses advertising and promotional expenses as incurred and these expenses were $3 million, $27 million, $36 million, and $24 million for the period November 17, 2022 to December 31, 2022, the period January 1, 2022 to November 16, 2022, the year ended December 31, 2021, and the year ended December 31, 2020.

Government Assistance
The Company receives incentives from federal, state, and local governments in different regions of the world to establish, maintain or increase investment, employment, or production in the region. The Company accounts for government incentives as a reduction of expense or other income based on the substance of the incentive received. Government incentives are recognized when there is reasonable assurance that the Company has met the requirements of the incentive approved program and there is reasonable assurance that the assistance will be received. The amount the Company has recognized in other income for government incentives is not material.

Foreign Currency Translation
Exchange adjustments related to foreign currency transactions and remeasurement adjustments for foreign subsidiaries whose functional currency is the U.S. dollar are reflected in the consolidated statements of income (loss). Translation adjustments of foreign subsidiaries for which local currency is the functional currency are reflected in the consolidated balance sheets as a component of "Accumulated other comprehensive loss". Transaction gains and losses arising from fluctuations in currency exchange rates on transactions denominated in currencies other than the functional currency are recognized in earnings as incurred, except for those intercompany balances for which settlement is not planned or anticipated in the foreseeable future. The amounts recorded in "Cost of sales (exclusive of depreciation and amortization)" in the consolidated statements of income (loss) for foreign currency transactions included a gain of $4 million for the period January 1, 2022 to November 16, 2022 and losses of $8 million, $20 million, and $17 million for the period November 17, 2022 to December 31, 2022, the year ended December 31, 2021, and the year ended December 31, 2020.

Derivative Financial Instruments
For derivative instruments to qualify as hedging instruments, they must be designated as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation. Gains and losses related to a hedge are either recognized in income immediately to offset the gain or loss on the hedged item or are deferred and reported as a component of accumulated other comprehensive income (loss) and subsequently recognized in earnings when the hedged item affects earnings. The change in fair value of the ineffective portion of a derivative financial instrument, determined using the hypothetical derivative method, is recognized in earnings immediately. The gain or loss related to derivative financial instruments not designated as hedges are recognized immediately in earnings. Cash flows related to hedging activities are included in the operating section of the consolidated statements of cash flows.

Adoption of New Accounting Standards
In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers." ASU 2021-08 requires contract assets and contract liabilities acquired in a business combination to be recognized in accordance with ASC Topic 606 as if the acquirer had originated the contracts. This new guidance is effective for business entities fiscal years beginning after December 15, 2022, including interim periods within those fiscal years and non-public business entities fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company adopted this ASU effective January 1, 2022, on a prospective basis and the effects of the adoption were not material on the consolidated financial statements. Contract assets and liabilities of the predecessor and successor company were the same.

Subsequent Events
Subsequent events have been evaluated by management through May 24, 2023, the date the audited consolidated financial statements were available to be issued.

3. Merger

On November 17, 2022, all of the Company's outstanding shares of common stock were acquired by affiliates of certain investment funds managed by affiliates of Apollo. Pursuant to the Merger Agreement, Merger Sub merged with and into Tenneco Inc. with Tenneco Inc. continuing as the surviving corporation. As a result of the Merger, each share of the Company's class A voting common stock that was issued and outstanding immediately prior to the effective time of the Merger, with customary exceptions set forth in the Merger Agreement, was converted into the right to receive $20.00 in cash, without interest. In addition, subject to the terms and conditions set forth in the Merger Agreement, each restricted share unit award ("RSU") and each performance share unit award ("PSU") of Tenneco was automatically cancelled and converted into the holder's right to receive a cash amount (subject to any applicable withholding taxes) calculated based on the $20.00 per-share Merger consideration.

Parent contributed $1,723 million as equity to fund the purchase price for Tenneco in conjunction with the Merger. The remaining purchase price for Tenneco was financed through the issuance of debt and cash on hand at Tenneco. Refer to Note 10, "Debt and Other Financing Arrangements" for further information.

Transaction costs incurred were $273 million and $99 million, which included expense from accelerated vesting of share-based compensation awards of $82 million and $18 million, for the Successor period and the Predecessor period which were included in "Selling, general, and administrative" in the consolidated statements of income (loss). Refer to Note 16, "Share-Based Compensation" for further information on share-based compensation awards.

The following table summarizes the purchase price (in millions):

Cash consideration	$	1,670
Share-based compensation consideration		103
Total cash consideration		1,773
Repayment of Predecessor debt and accrued interest		5,622
Total consideration	$	7,395

The following table summarizes the preliminary fair value of assets acquired and liabilities assumed at the Merger Date:

Cash and cash equivalents	$	785
Restricted cash		39
Receivables		2,632
Inventories		2,262
Prepayments and other current assets		689
Property, plant and equipment		2,855
Goodwill		893
Intangibles		2,490
Investments in nonconsolidated affiliates		357
Deferred income taxes		249
Other assets		567
Total assets acquired		13,818
Short-term debt, including current maturities of long-term debt		134
Accounts payable		3,080
Accrued compensation and employee benefits		379
Accrued income taxes		52
Accrued expenses and other current liabilities		1,083
Long-term debt		20
Deferred income taxes		307
Pension and postretirement benefits		511
Deferred credits and other liabilities		429
Total liabilities assumed		5,995
Redeemable noncontrolling interests		120
Noncontrolling interests		308
Net assets and noncontrolling interests acquired	$	7,395

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed, including the residual amount recognized as goodwill, is based upon estimated information and is subject to change within the measurement period. The measurement period is a period not to exceed one year from the acquisition date during which the Company may adjust estimated or provisional amounts recorded during purchase accounting if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in revised estimated values of those assets or liabilities as of that date. Measurement period adjustments are recorded in the period identified. Any adjustments to amounts recorded in purchase accounting that do not qualify as measurement period adjustments are included in earnings in the period identified.

The preliminary allocation of the purchase price assumes an Internal Revenue Code Section 338(g) election ("338(g) election") will be made to step up the U.S. tax basis of the acquired assets and liabilities to the book basis. The Company is currently evaluating the 338(g) election to optimize the tax effects of the Merger that could result in a measurement period adjustment.

The fair values of the assets acquired and liabilities assumed are based on preliminary estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. While the Company believes these preliminary estimates provide a reasonable basis for estimating the fair value of the assets acquired and liabilities assumed, it will continue to evaluate available information prior to finalization of the amounts. The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the fair value of inventory, property, plant and equipment, intangible assets, unconsolidated affiliates, deferred income tax assets and liabilities, U.S. income taxes payable as a result of finalizing the 338(g) election, redeemable noncontrolling interests, noncontrolling interests, and goodwill.

The goodwill of $893 million resulting from the Merger consists primarily of the future economic benefits arising from assets acquired that are not individually identified and separately recognized. Based on preliminary estimates and assumptions, the majority of the goodwill is expected to be deductible for tax purposes. Refer to Note 7, "Goodwill and Other Intangible Assets" for the goodwill by reportable segment.

Other intangible assets acquired include the following:

	Useful Lives (in Years)	Estimated Fair Value
Definite-lived intangible assets:		
Customer relationships and platforms	3 to 10	1,798
Technology	10	162
Packaged kits know-how	10	22
Catalogs	4	58
Licensing agreements	1 to 5	38
		2,078
Indefinite-lived intangible assets:		
Trade names, trademarks and other		412
Total		$ 2,490

The Company has certain land use rights where it is permitted to use the land without the ownership rights. These land use rights were previously included in other intangible assets and, as a result of the Merger, are now included in right of use operating lease assets; refer to Note 15, "Leases" for additional information.

The Company also recorded a $159 million step-up of inventory to its fair value at the Merger Date based on the preliminary valuation and recognized $111 million as a non-cash charge included in "Cost of sales (exclusive of depreciation and amortization)" in the consolidated statements of income (loss) for the period from November 17, 2022 to December 31, 2022 related to the amortization of this step-up as the acquired inventory was sold. The Company recognized the remaining amortization of the inventory step-up during the first quarter of 2023.

Pro Forma Results (Unaudited)

The following table presents unaudited supplemental pro forma information as if the Merger had occurred at January 1, 2021, after giving effect to certain adjustments related to the transaction. The pro forma results exclude any benefits that may result from potential cost savings and certain non-recurring costs. As a result, the pro forma information below does not purport to present what actual results would have been had the Merger been consummated on the date indicated and it is not necessarily indicative of the results of operations that may result in the future.

	Successor	Predecessor	
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021
Pro forma net sales	$ 2,125	$ 16,729	$ 18,035
Pro forma net income (loss)	(99)	(500)	(821)

These pro forma results presented above primarily reflect: (i) depreciation adjustments relating to fair value adjustments to property, plant, and equipment; (ii) amortization adjustments relating to fair value estimates of intangible assets; (iii) incremental interest expense associated with the Merger; (iv) removal of certain non-recurring transaction costs, and (v) cost of goods sold adjustments relating to fair value adjustments to inventory. Pro forma adjustments described above have been tax affected using the Company's effective rate during the respective periods.

4. Restructuring Charges, Net and Asset Impairments

The Company's restructuring activities are undertaken as necessary to execute management's strategy and streamline operations, consolidate and take advantage of available capacity and resources, and ultimately achieve net cost reductions. Restructuring activities include efforts to integrate and rationalize the Company's businesses and to relocate operations to best cost locations.

The Company's restructuring charges consist primarily of employee costs (principally severance and/or termination benefits), and facility closure and exit costs. Restructuring charges, net and asset impairments by segment are as follows:

November 17, 2022 to December 31, 2022 (Successor)

	Successor					
	November 17, 2022 to December 31, 2022					
	DRiV	Performance Solutions	Clean Air	Powertrain	Corporate	Total
Severance and other charges, net	$ 9	$ 12	$ 17	$ 13	$ 52	$ 103

Severance and other charges, net

In connection with the Merger, the Company incurred $41 million related to severance and other compensation arrangements to be paid pursuant to existing agreements with certain former executives and employees within its corporate component for the period from November 17, 2022 to December 31, 2022.

In addition, the Company initiated a global reduction in force initiative and began implementing these actions during the fourth quarter of 2022 and expects to complete them during 2024. The Company recognized charges of $58 million in severance and other charges related to these actions for the period from November 17, 2022 to December 31, 2022, of which $11 million was incurred within its corporate component.

In addition to the actions above, the Company recognized net charges of $1 million in severance and other charges expected to be paid for cost reduction initiatives aimed at optimizing the Company's cost structure across all segments and regions for the period from November 17, 2022 to December 31, 2022. The Company also recognized net charges of $3 million in severance and other charges related to plant consolidations, relocations, and closures for the period from November 17, 2022 to December 31, 2022.

DRiV recognized severance and other charges, and revisions to estimates as follows:

- $9 million in connection with the global reduction in force initiative; and
- $1 million, along with a reduction of $1 million in revisions to estimates, in severance and other charges related to plant consolidations, relocations, and closures, primarily in Europe.

Performance Solutions recognized severance and other charges, and revisions to estimates as follows:
- $13 million in connection with the global reduction in force initiative; and
- $1 million reduction in severance and other charges due to a revision in estimates in connection with cost reduction initiatives primarily in Europe.

Clean Air recognized severance and other charges as follows:
- $15 million in connection with the global reduction in force initiative; and
- $2 million related to plant consolidations, relocations, and closures, primarily in Asia Pacific.

Powertrain recognized severance and other charges as follows:
- $10 million in connection with the global reduction in force initiative;
- $1 million in connection with other cost reduction initiatives primarily in Europe; and
- $1 million related to plant consolidations, relocations, and closures, primarily in Europe.

Prior to the Merger, Powertrain had an approved voluntary termination program at one of its European bearings' plants aimed at reducing headcount. At December 31, 2022, the inception-to-date severance related restructuring charges for this program aggregate to $28 million, $23 million under the current voluntary program and $5 million related to other cost reduction initiatives. Total severance related charges are expected to be approximately $36 million. Restructuring charges incurred related to this program were $1 million for the period from November 17, 2022 to December 31, 2022.

January 1, 2022 to November 16, 2022 (Predecessor)

	Predecessor					
	January 1, 2022 to November 16, 2022					
	DRiV	Performance Solutions	Clean Air	Powertrain	Corporate	Total
Severance and other charges, net	$ 8	$ 4	$ 10	$ 23	$ 2	$ 47
Other non-restructuring asset impairments	2	—	1	—	—	3
Impairment of assets held for sale	—	—	—	2	—	2
Total asset impairment charges	2	—	1	2	—	5
Total restructuring charges, asset impairments, and other	$ 10	$ 4	$ 11	$ 25	$ 2	$ 52

Severance and other charges, net

The Company recognized net charges of $22 million in severance and other charges expected to be paid for cost reduction initiatives aimed at optimizing the Company's cost structure across all segments and regions during the period from January 1, 2022 to November 16, 2022. The Company also recognized net charges of $25 million in severance and other charges related to plant consolidations, relocations, and closures during the period from January 1, 2022 to November 16, 2022.

DRiV recognized severance and other charges, and revisions to estimates as follows:
- $1 million in connection with its supply chain rationalization and distribution network initiative to achieve efficiencies and improve throughput to its customers in North America;
- $9 million, along with a reduction of $1 million in revisions to estimates in connection with cost reduction initiatives, primarily in North America and Asia Pacific; and
- $1 million reduction in severance and other charges due to a revision in estimates related to plant consolidations, relocations, and closures, primarily in Europe.

Performance Solutions recognized severance and other charges, and revisions to estimates as follows:
- $7 million, along with a reduction of $4 million in revisions to estimates in connection with cost reduction initiatives in Europe; and
- $2 million, along with a reduction of $1 million in revisions to estimates related to plant consolidations, relocations, and closures, primarily in North America.

Clean Air recognized severance and other charges, and revisions to estimates as follows:
- $4 million in connection with cost reduction initiatives, primarily in Europe; and
- $7 million, along with a reduction of $1 million in revisions to estimates related to plant consolidations, relocations, and closures, in North America and Asia Pacific.

Powertrain recognized severance and other charges, and revisions to estimates as follows:
- $7 million related to an approved voluntary termination program at one of its European bearings' plants aimed at reducing headcount;
- $19 million related to plant consolidations, relocations, and closures, primarily in Europe; and
- $3 million reduction in severance and other charges due to a revision in estimates in connection with other cost reduction initiatives, primarily in Asia Pacific and Europe.

The Company also incurred $3 million in cash severance costs within its corporate component, along with a reduction of $1 million in revisions to estimates for the period from January 1, 2022 to November 16, 2022.

Asset impairments
Other non-restructuring asset impairments
During the period from January 1, 2022 to November 16, 2022, the DRiV and Clean Air segments recognized asset impairment charges of $2 million and $1 million related to write-down of property, plant and equipment.

Impairment of assets held for sale
Refer to Note 2, "Summary of Significant Accounting Policies" for information on the impairment of assets held for sale.

Year Ended December 31, 2021 (Predecessor)

	Predecessor					
	Year Ended December 31, 2021					
	DRiV	Performance Solutions	Clean Air	Powertrain	Corporate	Total
Severance and other charges, net	$ 5	$ 12	$ 7	$ 22	$ 2	$ 48
Asset impairments related to restructuring actions	2	—	—	—	—	2
Other non-restructuring asset impairments	1	—	1	—	7	9
Impairment of assets held for sale	—	—	10	—	—	10
Total asset impairment charges	3	—	11	—	7	21
Total restructuring charges, asset impairments, and other	$ 8	$ 12	$ 18	$ 22	$ 9	$ 69

Severance and other charges, net
In response to the COVID-19 global pandemic, and in conjunction with the Company's previously announced Project Accelerate, the Company executed global headcount reductions. The Company recognized a reduction of $4 million in revisions to estimates in connection with cash and severance payments expected to be paid in connection with these actions for the year ended December 31, 2021.

The Company recognized a net charge of $27 million in severance and other charges expected to be paid for cost reduction initiatives aimed at optimizing the Company's cost structure across all segments and regions for the year ended December 31, 2021.

The Company also recognized severance and other charges of $25 million related to plant consolidations, relocations, and closures for the year ended December 31, 2021.

During the year ended December 31, 2021, the Company made revisions to previously recorded estimates and reduced its restructuring reserves by $36 million due to various changes in the business, including natural attrition and changes in demand.

DRiV recognized severance and other charges, and revisions to estimates as follows:

- $3 million in connection with its supply chain rationalization and distribution network initiative to achieve efficiencies and improve throughput to its customers in North America;
- $2 million, along with a reduction of $7 million in revisions to estimates, in connection with cost reduction initiatives primarily in Europe; and
- $7 million related to plant consolidations, relocations, and closures, primarily in Europe.

Performance Solutions recognized severance and other charges, and revisions to estimates as follows:

- $13 million, along with a reduction of $5 million in revisions to estimates, in connection with cost reduction initiatives primarily in Europe;
- $6 million, along with a reduction of $1 million in revisions to estimates, related to plant consolidations, relocations, and closures, primarily in North America; and
- $1 million reduction as a result of revisions to estimates in connection with Project Accelerate.

Clean Air recognized severance and other charges, and revisions to estimates as follows:

- $18 million, along with a reduction of $12 million in revisions to estimates, in connection with the other cost reduction initiatives primarily in Europe;
- $5 million, along with a reduction of $1 million in revisions to estimates, related to plant consolidations, relocations, and closures, primarily in North America and Asia Pacific; and
- $3 million reduction as a result of revisions to estimates in connection with Project Accelerate.

Powertrain recognized severance and other charges, and revisions to estimates as follows:

- $12 million, along with a reduction of $6 million in revisions to estimates, in connection with cost reduction initiatives primarily in Europe;
- $9 million related to plant consolidations, relocations, and closures, primarily in Europe; and
- $7 million restructuring costs incurred related to an approved voluntary termination program at one of its European bearings plants aimed at reducing headcount.

The Company also incurred $2 million in cash severance costs within its corporate component for the year ended December 31, 2021.

Asset impairments

Asset impairments related to restructuring actions

During the year ended December 31, 2021, as a result of actions in the DRiV segment, asset impairment charges of $2 million were recognized related to the write-down of property, plant and equipment. Refer to Note 5, "Inventories" for additional information related to this action.

Other non-restructuring asset impairments

During the year ended December 31, 2021, the DRiV and Clean Air segments recognized asset impairment charges of $1 million and $1 million related to write-down of property, plant and equipment.

During the year ended December 31, 2021, the Company assessed and concluded an impairment trigger had occurred in its corporate component and recognized an impairment charge of $7 million. The asset impairment charge included $3 million related to property, plant and equipment and $4 million related to operating lease right-of-use assets.

Year Ended December 31, 2020 (Predecessor)

	Predecessor					
	Year Ended December 31, 2020					
	DRiV	Performance Solutions	Clean Air	Powertrain	Corporate	Total
Severance and other charges, net	$ 17	$ 25	$ 22	$ 50	$ 5	$ 119
Asset impairments related to restructuring actions	26	—	—	3	—	29
Other non-restructuring asset impairments	—	455	—	—	17	472
Impairment of assets held for sale	1	—	—	1	—	2
Total asset impairment charges	27	455	—	4	17	503
Total restructuring charges, asset impairments, and other	$ 44	$ 480	$ 22	$ 54	$ 22	$ 622

Severance and other charges, net
In conjunction with the Company's previously announced Project Accelerate, and in response to the COVID-19 global pandemic, the Company executed global headcount reductions. The Company began implementing these actions during the second quarter of 2020. The Company recognized charges of $26 million in connection with the cash severance costs expected to be paid in connection with these actions for the year ended December 31, 2020.

In addition to the actions above, the Company initiated several other cost reduction initiatives across all segments and regions aimed at optimizing the Company's cost structure. The Company recognized cash severance charges of $65 million expected to be paid under these programs for the year ended December 31, 2020.

The Company recognized severance and other charges of $28 million related to plant consolidations, relocations, and closures for the year ended December 31, 2020.

DRiV recognized severance and other charges, and revisions to estimates as follows:
- $5 million in connection with Project Accelerate;
- $7 million, along with a reduction of $2 million in revisions to estimates, in connection with cost reduction initiatives primarily in Europe;
- $4 million, along with a reduction of $1 million in revisions to estimates related to plant consolidations, relocations, and closures primarily in Europe; and
- $4 million in connection with its supply chain rationalization and distribution network initiative to achieve efficiencies and improve throughput to its customers in North America.

Performance Solutions recognized severance and other charges, and revisions to estimates as follows:
- $3 million in connection with Project Accelerate;
- $11 million, along with a reduction of $3 million in revisions to estimates, in connection with cost reduction initiatives primarily in Europe; and
- $15 million, along with a reduction of $1 million in revisions to estimates, related to plant consolidations, relocations, and closures, primarily in North America.

Clean Air recognized severance and other charges, and revisions to estimates as follows:
- $9 million in connection with Project Accelerate;
- $16 million, along with a reduction of $2 million in revisions to estimates, in connection with cost reduction initiatives primarily in Europe; and
- $5 million, along with a reduction of $6 million in revisions to estimates, related to plant consolidations and closures primarily in Europe and Asia Pacific.

Powertrain recognized severance and other charges, and revisions to estimates as follows:
- $8 million in connection with Project Accelerate;
- $23 million, along with a reduction of $1 million in revisions to estimates, in connection with cost reduction initiatives primarily in Europe;
- $17 million, along with a reduction of $5 million in revisions to estimates, related to plant consolidations, relocations, and closures, primarily in North America; and
- On June 30, 2020, the Company approved a voluntary termination program within the Powertrain segment at one of its European bearings' plants aimed at reducing headcount, as negotiated with the works council and union. During the year ended December 31, 2020, restructuring costs incurred related to this program were $8 million.

The Company also incurred $4 million in cash severance costs for the elimination of certain redundant positions and $1 million in cash severance costs in connection with Project Accelerate within its corporate component for the year ended December 31, 2020.

Asset impairments
Asset impairments related to restructuring actions
In the second quarter of 2020, the DRiV segment initiated a rationalization of its supply chain and distribution network resulting in asset impairment charges of $25 million, which included $16 million related to the write-down of property, plant and equipment to its fair value, and $9 million of impairment charge to its operating lease right-of-use assets.

During the year ended December 31, 2020, as a result of actions in the DRiV and Powertrain segments, asset impairment charges of $1 million and $3 million was recognized related to the write-down of property, plant and equipment.

Other non-restructuring asset impairments
The Company evaluates its long-lived assets for impairment whenever events or circumstances indicate the value of these long-lived asset groups are not recoverable. During the first quarter of 2020, the Company concluded impairment triggers had occurred for certain long-lived asset groups in the Performance Solutions segment as a result of the effects of the COVID-19 global pandemic on the Company's projected financial information. Accordingly, the Company tested these long-lived asset groups for recoverability by performing undiscounted cash flow analyses. Based on these analyses, the net carrying values of these asset groups exceeded their undiscounted future cash flows. As such, the Company estimated the fair values of these asset groups at March 31, 2020 and compared them to their carrying values. As the net carrying values of these long-lived asset groups exceeded their fair values, the Company recorded long-lived asset impairment charges for property, plant and equipment of $455 million during the year ended December 31, 2020. Refer to Note 9, "Financial Instruments and Fair Value" for additional information on the fair value estimates used in these analyses.

As a result of changes in the business, during the first quarter of 2020, the Company assessed and concluded an impairment trigger had occurred for certain long-lived asset groups in its corporate component. Accordingly, the Company tested these long-lived asset groups for recoverability. The Company estimated the fair value of these asset groups and compared it to the carrying value. As the net carrying value exceeded fair value, the Company recorded long-lived asset impairment charges of $17 million for the year ended December 31, 2020. Included in the asset impairment charges for the year ended December 31, 2020 are $11 million related to property, plant and equipment and $6 million related to operating lease right-of-use assets.

Restructuring Reserve Rollforward
The following table provides a summary of the Company's consolidated restructuring liabilities and related activity for each type of exit costs:

	Employee Costs	Facility Closure and Other Costs	Total
Predecessor			
Balance at December 31, 2019	$ 97	$ 4	$ 101
Provisions	124	16	140
Revisions to estimates	(18)	(3)	(21)
Payments	(106)	(16)	(122)
Foreign currency	2	—	2
Balance at December 31, 2020	99	1	100
Provisions	74	10	84
Revisions to estimates	(36)	—	(36)
Payments	(72)	(11)	(83)
Foreign currency	(2)	—	(2)
Balance at December 31, 2021	63	—	63
Provisions	54	5	59
Revisions to estimates	(12)	—	(12)
Payments	(31)	(5)	(36)
Foreign currency	(2)	—	(2)
Balance at November 16, 2022	$ 72	$ —	$ 72
Successor			
Balance at November 17, 2022	$ 72	$ —	$ 72
Provisions	103	2	105
Revisions to estimates	(2)	—	(2)
Payments	(40)	(2)	(42)
Foreign currency	2	—	2
Balance at December 31, 2022	$ 135	$ —	$ 135

5. Inventories

Inventory by major classification was as follows:

	Successor	Predecessor
	December 31, 2022	December 31, 2021
Finished goods	$ 797	$ 747
Work in process	617	508
Raw materials	527	510
Materials and supplies	79	81
Total inventories	$ 2,020	$ 1,846

In the second quarter of 2020, the DRiV segment initiated a rationalization of its supply chain and distribution network to achieve supply chain efficiencies and improve throughput to its customers. As a result, it was determined that certain assets, including inventory, real estate, and personal property, would no longer be utilized. During the year ended December 31, 2020, the DRiV segment recognized an $82 million non-cash charge to write-down inventory to its net realizable value. As part of management's ongoing efforts related to this initiative, during the year ended December 31, 2021, the DRiV segment recognized a non-cash charge of $44 million to write-down inventory to its net realizable value. Refer to Note 4, "Restructuring Charges, Net and Asset Impairments" for additional information.

6. Property, Plant and Equipment, Net

The components of property, plant, and equipment, net were as follows:

	Successor		Predecessor
	Useful Lives (in Years)	December 31, 2022	December 31, 2021
Land	—	$ 386	$ 251
Buildings and improvements	15 to 40	998	984
Machinery, equipment and tooling	3 to 12	1,336	3,990
Capitalized software	3 to 7	39	248
Other, including construction in progress	—	230	351
Property, plant and equipment, cost		2,989	5,824
Less: Accumulated depreciation and amortization		(50)	(2,952)
Property, plant and equipment, net		$ 2,939	$ 2,872

The depreciation and amortization related to property, plant and equipment was $50 million, $389 million, $465 million, and $509 million for the period November 17, 2022 to December 31, 2022, the period January 1, 2022 to November 16, 2022, the year ended December 31, 2021, and the year ended December 31, 2020.

7. Goodwill and Other Intangible Assets

The Company performs an annual goodwill and indefinite-lived asset impairment analysis during the fourth quarter. An impairment test includes an assessment of qualitative factors and if it is more likely than not that an impairment exists, then a quantitative assessment is performed. A quantitative assessment requires the Company to estimate the fair value of its reporting units with goodwill, refer to Note 9, "Financial Instruments and Fair Value", for additional information on the fair value measurements used in this type of analysis.

At December 31, 2022 and 2021, goodwill consisted of the following:

	December 31, 2022				
	DRiV	Performance Solutions	Clean Air	Powertrain	Total
Period from November 17, 2022 to December 31, 2022 (Successor)					
Merger Date [(a)]	$ 433	$ 414	$ 35	$ 11	$ 893
Foreign exchange	—	6	1	—	7
Carrying value at end of period	$ 433	$ 420	$ 36	$ 11	$ 900
Period from January 1, 2022 to November 16, 2022 (Predecessor)					
Gross carrying amount at beginning of period	$ 623	$ 546	$ 22	$ 59	$ 1,250
Foreign exchange	(3)	(9)	(1)	—	(13)
Gross carrying amount at end of period	620	537	21	59	1,237
Accumulated impairment loss at beginning of period	(310)	(374)	—	(59)	(743)
Foreign exchange	3	9	—	—	12
Accumulated impairment loss at end of period	(307)	(365)	—	(59)	(731)
Net carrying value at end of period	$ 313	$ 172	$ 21	$ —	$ 506

(a) The Merger on November 17, 2022 resulted in goodwill of $893 million based on the preliminary purchase price allocation. Refer to Note 3, "Merger" for further information.

	Predecessor				
	December 31, 2021				
	DRiV	Performance Solutions	Clean Air	Powertrain	Total
Gross carrying amount at beginning of period	$ 623	$ 549	$ 23	$ 59	$ 1,254
Foreign exchange	—	(3)	(1)	—	(4)
Gross carrying amount at end of period	623	546	22	59	1,250
Accumulated impairment loss at beginning of period	(310)	(377)	—	(59)	(746)
Foreign exchange	—	3	—	—	3
Accumulated impairment loss at end of period	(310)	(374)	—	(59)	(743)
Net carrying value at end of period	$ 313	$ 172	$ 22	$ —	$ 507

At December 31, 2022 and 2021, intangible assets consisted of the following:

		Successor			Predecessor		
		December 31, 2022			December 31, 2021		
	Useful Lives (in Years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-lived intangible assets:							
Customer relationships and platforms	3 to 10	$ 1,820	$ (23)	$ 1,797	$ 993	$ (374)	$ 619
Customer contract	10	—	—	—	8	(7)	1
Patents	10 to 17	—	—	—	1	(1)	—
Technology	10	164	(2)	162	135	(62)	73
Packaged kits know-how	10	22	—	22	54	(18)	36
Catalogs	4	58	(2)	56	47	(15)	32
Licensing agreements	1 to 5	39	(1)	38	64	(47)	17
Land use rights	28 to 46	—	—	—	51	(6)	45
		$ 2,103	$ (28)	2,075	$ 1,353	$ (530)	823
Indefinite-lived intangible assets:							
Trade names, trademarks and other				414			233
Total				$ 2,489			$ 1,056

Included in the table above are definite-lived and indefinite-lived intangible assets of $2,078 million and $412 million, identified in connection with the Merger on November 17, 2022. Refer to Note 3, "Merger" for additional information.

The amortization expense associated with definite-lived intangible assets for the period November 17, 2022 to December 31, 2022, the period January 1, 2022 to November 16, 2022, the year ended December 31, 2021, and the year ended December 31, 2020 was $28 million, $107 million, $128 million, and $130 million and is included in "Depreciation and amortization" in the consolidated statements of income (loss).

The expected future amortization expense for the Company's definite-lived intangible assets is as follows:

	2023	2024	2025	2026	2027	2028 and thereafter	Total
Expected amortization expense	$ 228	$ 226	$ 225	$ 219	$ 206	$ 971	$ 2,075

Period from January 1, 2022 to November 16, 2022

For the annual impairment test performed in the fourth quarter of 2022, a qualitative assessment indicated it was not more likely than not the carrying value of the reporting units with goodwill and indefinite-lived intangible assets exceeded their fair values. As such, no impairment expense was recognized for the period from January 1, 2022 to November 16, 2022.

Year Ended December 31, 2021

For the annual impairment test performed in the fourth quarter of 2021, a quantitative assessment indicated the estimated fair value of all reporting units with goodwill exceeded their carrying values and the estimated fair value of all indefinite-lived intangible assets exceeded their carrying values. As such, no impairment expense was recognized for the year ended December 31, 2021.

Year Ended December 31, 2020

Impairment charges for goodwill and intangible assets recognized by segment for the year ended December 31, 2020 consist of the following:

	Predecessor			
	Year Ended December 31, 2020			
	DRiV	Performance Solutions	Powertrain	Total
Goodwill impairment charges	$ 70	$ 156	$ 41	$ 267
Trade names and trademarks intangible asset impairment charges	40	11	—	51
Definite-lived intangible asset impairment charges	—	65	—	65
	$ 110	$ 232	$ 41	$ 383

During the first quarter of 2020, the Company concluded it was more likely than not that the fair values of certain of its reporting units and its indefinite-lived intangible assets had declined below their carrying values as a result of the effects of the COVID-19 global pandemic on the Company's projected financial information. The Company completed a goodwill impairment analysis for four of its reporting units with goodwill in the DRiV, Performance Solutions, and Powertrain segments. The difference between the reporting units' carrying values and fair values were recognized as impairment charges. The Company recognized $267 million in non-cash impairment charges related to its goodwill during the year ended December 31, 2020, which represented full impairments of the goodwill in one reporting unit in the Performance Solutions segment and one reporting unit in the Powertrain segment, and partial impairments of goodwill in one reporting unit in the DRiV segment and one reporting unit in the Performance Solutions segment.

During the first quarter of 2020, the Company also completed an analysis to determine the fair value of its trade names and trademarks for its reporting units in the DRiV and Performance Solutions segments. It was determined that their carrying values exceeded their fair values and the Company recognized $51 million in non-cash impairment charges related to these indefinite-lived intangible assets during the year ended December 31, 2020, which represented a full impairment of certain trade names and trademarks in the DRiV segment, and a partial impairment of certain trade names and trademarks in the DRiV and Performance Solutions segments.

As discussed in more details in Note 4, "Restructuring Charges, Net and Asset Impairments", the Company concluded impairment triggers had occurred during the first quarter of 2020 for certain long-lived asset groups within the Performance Solutions segment. As a result, the Company recorded non-cash impairment charges of $65 million related to its definite-lived intangible assets during the year ended December 31, 2020, which represented full impairments of the definite-lived intangible assets in two reporting units.

For the annual impairment test performed in the fourth quarter of 2020, the estimated fair value of all reporting units with goodwill exceeded their carrying values and the estimated fair value of all indefinite-lived intangible assets exceeded their carrying values. As such, no additional impairment expense was recognized in the fourth quarter of 2020.

8. Investment in Nonconsolidated Affiliates

The Company's ownership interest in affiliates accounted for under the equity method is as follows:

	Successor	Predecessor
	December 31, 2022	December 31, 2021
Anqing TP Goetze Piston Ring Company Limited (China)	35.7 %	35.7 %
Anqing TP Powder Metallurgy Co., Ltd (China)	20.0 %	20.0 %
Dongsuh Federal-Mogul Industrial Co. Ltd. (Korea)	50.0 %	50.0 %
Farloc Argentina SAIC Y F (Argentina)	23.9 %	23.9 %
Federal-Mogul Powertrain Otomotiv A.S. (Turkey)	50.0 %	50.0 %
Federal-Mogul TP Liner Europe Otomotiv Ltd. Sti. (Turkey)	25.0 %	25.0 %
Federal-Mogul TP Liners, Inc. (USA)	46.0 %	46.0 %
Frenos Hidraulicos Automotrices, S.A. de C.V. (Mexico)	49.0 %	49.0 %
JURID do Brasil Sistemas Automotivos Ltda. (Brazil)	19.9 %	19.9 %
KB Autosys Co., Ltd. (Korea)	— %	20.6 %
Montagewerk Abgastechnik Emden GmbH (Germany)	50.0 %	50.0 %

The carrying amount of the Company's investments in its nonconsolidated affiliates accounted for under the equity method exceeded its share of the underlying net assets by $100 million and $258 million at December 31, 2022 and 2021. The carrying amount at December 31, 2022 is based on the preliminary estimate of the fair value performed as part of the Merger which is allocated to identifiable tangible assets, intangible assets, and goodwill. This amount is subject to change as part of finalizing purchase accounting related to the Merger; refer to Note 3, "Merger" for additional information.

During the year ended December 31, 2021, the Company sold a portion of its investment in KB Autosys Co., Ltd. for cash proceeds of $8 million and recognized a loss on the sale of $4 million. The Company continued to sell shares of this investment and during the second quarter of 2022, the Company's ownership fell below 20%. As a result, the Company no longer had the ability to exercise significant influence over KB Autosys and the equity method of accounting was no longer used to account for this investment. The Company's cash proceeds from the sale of its remaining investment in KB Autosys Co., Ltd. during the period January 1, 2022 to November 16, 2022 were $7 million. The loss recognized on the sale during the period January 1, 2022 to November 16, 2022 was $8 million, which included a loss of $5 million as a result of the change in accounting to fair value. These losses were recognized in "Other income (expense), net" in the consolidated statements of income (loss).

The following tables present summarized aggregated financial information of the Company's nonconsolidated affiliates. The amounts represent 100% of the interest in the nonconsolidated affiliates and not the Company's proportionate share:

	Year Ended December 31								
	2022			2021			2020		
Statements of Income	Otomotiv A.S.	Other	Total	Otomotiv A.S.	Other	Total	Otomotiv A.S.	Other	Total
Sales	$ 354	$ 515	$ 869	$ 347	$ 621	$ 968	$ 285	$ 555	$ 840
Gross profit	$ 71	$ 102	$ 173	$ 102	$ 136	$ 238	$ 84	$ 115	$ 199
Income from continuing operations	$ 61	$ 54	$ 115	$ 86	$ 90	$ 176	$ 71	$ 74	$ 145
Net income	$ 47	$ 50	$ 97	$ 80	$ 78	$ 158	$ 65	$ 65	$ 130

	December 31, 2022			December 31, 2021		
Balance Sheets	Otomotiv A.S.	Other	Total	Otomotiv A.S.	Other	Total
Current assets	$ 149	$ 379	$ 528	$ 112	$ 489	$ 601
Noncurrent assets	$ 213	$ 250	$ 463	$ 166	$ 375	$ 541
Current liabilities	$ 85	$ 119	$ 204	$ 51	$ 178	$ 229
Noncurrent liabilities	$ 78	$ 12	$ 90	$ 80	$ 36	$ 116

The following table is a summary of transactions with the Company's nonconsolidated affiliates:

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Net sales	$ 10	$ 63	$ 75	$ 89
Purchases	$ 48	$ 344	$ 385	$ 320
Royalty and other income (expense)	$ 1	$ 9	$ 9	$ 8

The following table is a summary of amounts due to and from the Company's nonconsolidated affiliates:

	Successor	Predecessor
	December 31, 2022	December 31, 2021
Receivables	$ 15	$ 10
Payables and accruals	$ 65	$ 69

9. Financial Instruments and Fair Value

The Company is exposed to market risk, such as fluctuations in foreign currency exchange rates, commodity prices, and changes in interest rates, which may result in cash flow risks. For exposures not offset within its operations, the Company may enter into various derivative or other financial instrument transactions pursuant to its risk management policies, which prohibit holding or issuing derivative financial instruments for speculative purposes. In certain cases, the Company may or may not designate certain derivative instruments as hedges for accounting purposes. Designation of derivative instruments is performed on a transaction basis to support hedge accounting. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value or cash flows of the underlying exposures being hedged. The Company assesses the initial and ongoing effectiveness of its hedging relationships in accordance with its documented policy. Prior to the Merger, the Company was also exposed to equity price risk associated with its share-based compensation awards.

Market Risks

Foreign Currency Exchange Rate Risk

The Company manufactures and sells its products globally. As a result, the Company's financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets in which the Company manufactures and sells its products. The Company generally tries to use natural hedges within its foreign currency activities to minimize foreign currency risk. Where natural hedges are not in place, the Company considers managing certain aspects of its foreign currency activities and larger transactions through the use of foreign currency options or forward contracts.

Concentrations of Credit Risk

Financial instruments, including cash equivalents and derivative contracts, expose the Company to counterparty credit risk for non-performance. The Company's counterparties for cash equivalents and derivative contracts are banks and financial institutions that meet the Company's requirement of high credit standing. The Company's concentration of credit risk related to derivative contracts at December 31, 2022 and 2021 is not considered material to the consolidated financial statements.

Interest Rate Risk

The Company has market risk exposure arising from changes in interest rates in its New Senior Secured Facilities and Senior Bridge Facilities (as subsequently defined in Note 10, "Debt and Other Financing Arrangements"). The interest rates on these debt facilities will reprice periodically, which will affect the Company's earnings and cash flow. The interest rate per annum for the Senior Bridge Facilities are capped in accordance with debt agreements entered into upon the Merger. In addition, on November 17, 2022, the Company executed interest rate cap agreements that will effectively cap its SOFR exposure on a portion of the New Senior Secured Facilities at 5%. A change in interest rates would not materially affect the fair value of the Company's variable rate debt as the debt reprices periodically. Refer to Note 10, "Debt and Other Financing Arrangements" for further detail.

Equity Price Risk

The Company had certain cash-settled share-based incentive compensation awards that were dependent upon the Company's stock price prior to the Merger. The related cash payouts increased as the stock price increased and decreased as the stock price decreased. The Company had entered into certain financial instruments that moved in the opposite direction of the cash settlement of these awards. These financial instruments mitigated the market risk related to the final settlement of the cash-settled share-based incentive compensation awards. Refer to "*Other Financial Instruments*" section below for additional details on these liabilities and the related financial instruments used to reduce the Company's equity price risk.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Asset and Liability Instruments

The carrying value of cash and cash equivalents, restricted cash, short and long-term receivables, accounts payable, and short-term debt approximates fair value.

Derivative Instruments

The Company presents its derivative positions and any related material collateral under master netting agreements on a net basis.

Foreign Currency Forward Contracts

The Company enters into foreign currency forward purchase and sale contracts to mitigate its exposure to changes in exchange rates on certain intercompany and third-party trade receivables and payables and intercompany loans. The Company calculates the fair value of its foreign currency contracts using currency forward rates (level 2), to calculate forward values, and then discounts the forward values. The discount rates for all derivative contracts are based on bank deposit rates. Derivative gains and losses associated with these foreign currency forward contracts are recognized in "Cost of sales (exclusive of depreciation and amortization)" in the consolidated statements of income (loss). The fair value of these derivative instruments at December 31, 2022 and 2021 is not considered material to the consolidated financial statements.

The following table summarizes by position the notional amounts for foreign currency forward contracts at December 31, 2022, all of which mature in the next twelve months:

	Successor Notional Amount
Long positions	$ 356
Short positions	$ 358

Other Financial Instruments

Cash-Settled Share and Index Swap Transactions (Predecessor)

Prior to the Merger, the Company had certain employee compensation arrangements, including cash-settled share-based units granted under its long-term incentive plan, that were valued based on the Company's stock price. These were settled as part of the Merger and are no longer outstanding at December 31, 2022.

The share equivalents outstanding at December 31, 2021 were as follows:

Restricted Stock Units (RSUs)	1,451,422
Performance Share Units (PSUs)	2,951,316
	4,402,738

The Company had entered into financial instruments to mitigate the risk associated with both the vested and unvested portions of its cash-settled share-based incentive compensation awards. The number of common share equivalents under these agreements at December 31, 2021 was 3,100,000. These financial instruments were settled for cash during the period from January 1, 2022 to November 16, 2022.

These financial instruments used the Company's stock price as an observable input (level 2) in determining fair value. The estimated fair value of these financial instruments as of December 31, 2021was as follows:

	Balance sheet classification	December 31, 2021
Other financial instruments in asset positions	Prepayments and other current assets	$ 35

The gains and losses associated with these financial instruments were recognized in "Selling, general, and administrative" in the consolidated statements of income (loss).

Hedging Instruments

Cash Flow Hedges—Commodity Price Risk

The Company's production processes are dependent upon the supply of certain raw materials that are exposed to price fluctuations on the open market. Commodity rate price forward contracts are executed to offset a portion of the exposure to potential change in prices for raw materials. The Company monitors its commodity price risk exposures regularly to maximize the overall effectiveness of its commodity forward contracts.

The Company has designated these contracts as cash flow hedging instruments. The Company records unrecognized gains and losses in other comprehensive income (loss) ("OCI" or "OCL") and makes reclassifying adjustments into "Cost of sales (exclusive of depreciation and amortization)" in the consolidated statements of income (loss) when the underlying hedged transaction is recognized in earnings. The Company had commodity derivatives outstanding with an equivalent notional amount of $41 million and $34 million at December 31, 2022 and 2021. Substantially all of the commodity price hedge contracts mature within one year.

The Company calculates the fair value of its commodity contracts using commodity forward rates (level 2), to calculate forward values, and then discounts the forward values. The discount rates for all derivative contracts are based on bank deposit rates. The fair value of these derivative instruments at December 31, 2022 and 2021 is not considered material to the consolidated financial statements.

Cash Flow Hedges—Interest Rate Risk
On November 17, 2022, the Company executed three interest rate cap agreements with an aggregate notional value of $1.5 billion associated with its outstanding New Senior Secured Facilities. The interest rate cap agreements have an effective date of November 17, 2022 and a quarterly designated maturity date starting on February 17, 2023 up to and including the termination date of November 17, 2025. The interest rate caps were designated as cash flow hedge instruments and the fair values are recorded in accumulated OCI or OCL in the consolidated balance sheet. The changes in fair value are reclassified from accumulated OCI or OCL to interest expense in the consolidated statements of income (loss) in the same period that the hedged items affect earnings. Amounts reclassified from accumulated OCI or OCL to interest expense during the period November 17, 2022 to December 31, 2022 were not material.

The fair values of the interest rate cap agreements are determined using quotes that are based on models whose inputs are observable SOFR forward interest rate curves. The Company has determined that the inputs used to value these agreements fall within Level 2 of the fair value hierarchy. The fair value of the interest rate caps at December 31, 2022 is not considered material to the consolidated financial statements.

Net Investment Hedge—Foreign Currency Borrowings
On March 17, 2021, all of the outstanding foreign currency borrowings designated as a net investment hedge were discharged. As a result, there were no outstanding foreign currency borrowings designated as a net investment hedge at December 31, 2022 and 2021. The Company's debt instruments are discussed further in Note 10, "Debt and Other Financing Arrangements".

The following table represents the amount of gain (loss) recognized in accumulated other comprehensive income (loss) before any reclassifications into net income (loss) of derivative and non-derivative instruments designated as hedges:

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Designated as cash flow hedges:				
Commodity price hedge contracts	$ 5	$ (12)	$ 6	$ 4
Interest rate cap agreements	$ (3)	$ —	$ —	$ —
Foreign currency borrowings designated as net investment hedges	$ —	$ —	$ —	$ (74)

The Company estimates approximately $1 million included in accumulated OCI or OCL at December 31, 2022 will be reclassified into net income (loss) within the following twelve months. Refer to Note 17, "Shareholders' Equity" for further information.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis
Assets may be measured at fair value on a nonrecurring basis. These assets include long-lived assets and intangible assets, which may be written down to fair value as a result of impairment.

Long-Lived Assets
The Company evaluates its long-lived assets for impairment whenever events or circumstances indicate the value of these long-lived asset groups are not recoverable. During the first quarter of 2020, the Company concluded certain impairment triggers had occurred for certain long-lived asset groups as a result of the effects of the COVID-19 global pandemic on the Company's projected financial information. After failing the undiscounted cash flow recoverability test, the Company estimated the fair values of these long-lived asset groups and compared them to their net carrying values. The fair value measurements related to these long-lived asset groups rely primarily on Company-specific inputs and the Company's assumptions about the use of the assets, as observable inputs are not available (level 3). To determine the fair value of the long-lived asset groups, the Company utilized an asset-based approach. The Company believes the assumptions and estimates used to determine the estimated fair values of the long-lived asset groups are reasonable; however, these estimates and assumptions are subject to a high degree of uncertainty. Due to the many variables inherent in estimating fair value, differences in assumptions could have a material effect on the results of the analyses.

As the net carrying values of the long-lived asset groups exceeded their fair values, the Company recorded long-lived asset impairment charges consisting of $65 million of definite-lived intangible assets and $455 million of property, plant and equipment, during the year ended December 31, 2020. Refer to Note 4, "Restructuring Charges, Net and Asset Impairments" for additional information on asset impairments and refer to Note 7, "Goodwill and Other Intangible Assets", for additional information on the definite-lived intangible asset impairments.

Goodwill and Indefinite-Lived Intangible Assets

During the first quarter of 2020, the Company concluded it was more likely than not that the fair values of certain of its reporting units and its trade names and trademarks had declined below their carrying values as a result of the effects of the COVID-19 global pandemic on the Company's projected financial information. The Company completed analyses to estimate the fair values of these reporting units and trade names and trademarks. The Company believes the assumptions and estimates used to determine the estimated fair value are reasonable; however, these estimates and assumptions are subject to a high degree of uncertainty. Due to the many variables inherent in estimating fair value, differences in assumptions could have a material effect on the results of the analyses.

The basis of the goodwill impairment and indefinite-lived intangible asset analyses is the Company's current forecast of its annual budget and three-year strategic plan. This includes a projection of future cash flows, which requires the Company to make significant assumptions and estimates about the extent and timing of future cash flows and revenue growth rates. These represent Company-specific inputs and assumptions about the use of the assets, as observable inputs are not available (level 3). Due to the many variables inherent in estimating fair value and the relative size of the goodwill and indefinite-lived intangible assets, differences in assumptions could have a material effect on the results of the analyses.

In the quantitative goodwill impairment analysis, for reporting units with goodwill, fair values are estimated using a combination of the income approach and market approach. The Company applies a 75% weighting to the income approach and a 25% weighting to the market approach. The most significant inputs in estimating the fair value of the Company's reporting units under the income approach are (i) projected operating margins, (ii) the revenue growth rate, and (iii) the discount rate, which is risk-adjusted based on the aforementioned inputs.

For the indefinite-lived asset impairment analysis, the fair value is based upon the prospective stream of hypothetical after-tax royalty cost savings discounted at rates that reflect the rates of return appropriate for these intangible assets. The primary inputs utilized in determining fair values of trade names and trademarks are (i) projected branded product sales, (ii) the revenue growth rate, (iii) the royalty rate, and (iv) the discount rate, which is risk-adjusted based on the projected branded sales.

Refer to Note 7, "Goodwill and Other Intangible Assets", for additional information on the goodwill and indefinite-lived intangible asset impairments.

Financial Instruments Not Carried at Fair Value

Estimated fair value of the Company's outstanding debt is as follows:

		Successor		Predecessor	
		December 31, 2022		December 31, 2021	
	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including current maturities):					
Term loans and senior notes	Level 2	$ 5,162	$ 5,162	$ 4,998	$ 5,060

The Company estimates that the carrying value of its Successor borrowings under its New Revolving Credit Facility (as subsequently defined in Note 10, "Debt and Other Financing Arrangements") and Senior Bridge Facilities at December 31, 2022 approximates the fair value. The fair value of the Company's Predecessor borrowings under its senior notes and term loan facilities at December 31, 2021 was based on observable inputs, and any borrowings on the revolving credit facility approximated fair value.

The Company also had $164 million and $77 million at December 31, 2022 and 2021 in other debt whose carrying value approximates fair value, which consists primarily of foreign debt with maturities of one year or less.

10. Debt and Other Financing Arrangements

Long-Term Debt

A summary of the Company's long-term debt obligations is set forth in the following table:

	Successor			Predecessor		
	December 31, 2022			December 31, 2021		
	Principal	Carrying Amount[(a)]	Effective Interest Rate	Principal	Carrying Amount[(a)]	Effective Interest Rate
Credit Facilities						
Revolver Borrowings						
Due 2027	$ —	$ —	— %	$ —	$ —	— %
Due 2023[(b)]	—	—	— %	—	—	— %
Term Loans						
SOFR plus 4.75% Term Loan A due 2023 through 2028[(c)]	1,300	1,207	11.330 %	—	—	— %
SOFR plus 5.00% Term Loan B due 2023 through 2028[(c)]	1,400	1,285	11.930 %	—	—	— %
LIBOR plus 1.75% Term Loan A due 2019 through 2023[(b)]	—	—	— %	1,403	1,396	2.081 %
LIBOR plus 3.00% Term Loan B due 2019 through 2025[(b)]	—	—	— %	1,649	1,606	3.911 %
Bridge Loans						
SOFR plus 8.75% Senior Unsecured Bridge Loans due 2029[(d)]	1,000	971	11.760 %	—	—	— %
SOFR plus 5.75% Senior Secured Bridge Loans due 2028[(e)]	1,750	1,699	8.760 %	—	—	— %
Senior Unsecured Notes						
$225 million of 5.375% Senior Notes due 2024[(b)]	—	—	— %	225	223	5.560 %
$500 million of 5.000% Senior Notes due 2026[(b)]	—	—	— %	500	496	5.171 %
Senior Secured Notes						
$500 million of 7.875% Senior Secured Notes due 2029[(b)]	—	—	— %	500	490	8.049 %
$800 million of 5.125% Senior Secured Notes due 2029[(b)]	—	—	— %	800	787	5.306 %
Other debt, primarily foreign instruments	25	25		26	26	
		5,187			5,024	
Less - maturities classified as current		34			6	
Total long-term debt		$ 5,153			$ 5,018	

(a) Carrying amount is net of unamortized debt issuance costs and debt discounts of $288 million and $79 million at December 31, 2022 and 2021.
(b) In connection with the Merger, Predecessor debt was repaid in full.
(c) Principal and interest payable in 23 consecutive quarterly installments beginning March 31, 2023, with the principal quarterly payment equal to 0.25% of the original principal amount of Term Loan A and Term Loan B and the remainder at maturity.
(d) On November 17, 2022, the Company issued $1,000 million aggregate principal amount of senior unsecured bridge loan due November 17, 2029. The loan bears interest at a rate per annum at SOFR plus 8.75% not in excess of 11.00%.
(e) On November 17, 2022, the Company issued $1,750 million aggregate principle amount of senior secured bridge loan due November 17, 2028. The loan bears interest at a rate per annum at SOFR plus 5.75% not in excess of 8.00%.

The aggregate maturities applicable to the long-term debt outstanding at December 31, 2022:

	Successor
	Aggregate Maturities
2023	$ 34
2024	$ 33
2025	$ 35
2026	$ 31
2027	$ 27

Short-Term Debt

The Company's short-term debt consists of the following:

	Successor	Predecessor
	December 31, 2022	December 31, 2021
Maturities classified as current	$ 34	$ 6
Short-term borrowings[a]	139	51
Total short-term debt	$ 173	$ 57
Weighted average interest rate on outstanding short-term borrowings at end of year	5.2 %	3.2 %

[a] Includes borrowings under both committed credit facilities and uncommitted lines of credit and similar arrangements.

Credit Facilities

Financing Arrangements

The table below shows the Company's borrowing capacity on committed credit facilities at December 31, 2022 (in millions):

	Successor	
	December 31, 2022	
	Term	Available[b]
Tenneco Inc. revolving credit facility [a]	2027	$ 496
Tenneco Inc. Term Loan A	2028	—
Tenneco Inc. Term Loan B	2028	—
Subsidiaries' credit agreements	2023-2028	—
		$ 496

[a] The Company is required to pay commitment fees under the revolving credit facility on the unused portion of the total commitment.

[b] At December 31, 2022, the Company had $104 million of outstanding letters of credit under the New Revolving Credit facility as defined below, which reduces the available borrowings under the revolving credit facility. The Company also had $67 million of outstanding letters of credit under uncommitted facilities at December 31, 2022.

In November 2022, the Company issued a $57 million letter of credit under its New Revolving Credit facility (as defined below) and is included in the $104 million of total outstanding letters of credit at December 31, 2022, which reduces the available borrowings under its revolving credit facility. This letter of credit was issued to satisfy the escrow obligation in connection with the tender offer to acquire the shares the Company does not own for a subsidiary in India. Refer to Note 2, "Summary of Significant Accounting Policies", for additional information related to the tender offer of this noncontrolling interest.

During the fourth quarter of 2021, the Company issued a $42 million letter of credit under its Predecessor revolving credit facility. This letter of credit was increased to $47 million during the fourth quarter of 2022 and is now under its New Revolving Credit facility as defined below and included in the $104 million of total outstanding letters of credit at December 31, 2022. The letter of credit supports a 1.7 billion Mexican peso (approximately $87 million using the exchange rate at December 31, 2022) surety bond issued to the Mexican tax authority. The surety bond is required in order for the Company to enter into the judicial process to appeal a tax assessment and covers the amount of the assessment plus interest. The Company also received a second assessment during the fourth quarter of 2021 from the Mexican tax authority of 0.6 billion Mexican peso (approximately $30 million using the exchange rate at December 31, 2022) for a separate matter, which has not required the issuance of a surety bond at this time. The Company does not believe it is probable it will have to pay these assessments or related interests.

At December 31, 2022 and 2021, the unamortized debt issuance costs related to the revolver of $13 million and $11 million are included in "Other assets" in the consolidated balance sheets.

Successor Debt

New Senior Secured Facilities

On November 17, 2022, in connection with the Merger, the Company entered into a first lien credit agreement (the "Agreement"), by and among Parent, Merger Sub, the lenders party thereto and Citibank, N.A., as administrative agent, which provides for first lien senior secured financing of up to $3.3 billion (the "New Senior Secured Facilities"), consisting of: (i) a six-year term Loan A facility ("Term Loan A") in an aggregate principal amount of $1.3 billion, (ii) a six-year term loan B facility ("Term Loan B") in an aggregate principal amount of $1.4 billion, and (iii) a five-year revolving credit facility in an aggregate principal amount of $600 million including both a letter of credit sub-facility and a swingline loan sub-facility ("New Revolving Credit Facility").

At December 31, 2022, the interest rate on the Term Loan A is a variable rate calculated as an elected Secured Overnight Financing Rate ("SOFR") plus an applicable margin of 4.75% per annum or a margin of 3.75% per annum in the case of an alternate base rate ("ABR") loan. As of December 31, 2022, the interest rate on the Term Loan B is a variable rate calculated as an elected SOFR plus an applicable margin of 5.00% per annum or an applicable margin of 4.00% per annum in the case of an ABR loan. With respect to the New Revolving Credit Facility, the applicable interest rate margin is 4.75% per annum in the case of any SOFR Loan or alternate currency loan and 3.75% per annum in the case of any ABR Loan; provided, however, that on and after the first Adjustment Date (as defined in the Agreement) occurring after delivery of the financial statements and certificates required by Section 5.04 of the Agreement upon the completion of one full fiscal quarter of the borrower after the closing date, the applicable margin with respect to an initial revolving loan will be determined pursuant to the pricing grid as provided in the Agreement.

The maturity date of both the Term Loan A and Term Loan B facilities is November 17, 2028.

New Senior Secured Facilities — Other Terms and Conditions
All obligations under the New Senior Secured Facilities are unconditionally guaranteed by Parent on a limited-recourse basis and unconditionally guaranteed by each of the Company's existing and future direct and indirect, wholly-owned material domestic subsidiaries and by certain of its non-domestic subsidiaries which guarantee the ABL Facility (as defined below), subject to certain exceptions. The obligations under the New Senior Secured Facilities are secured by first-priority liens on substantially all of the assets of the Company and the subsidiary guarantors (other than the ABL Priority Collateral (as defined below)), as further described in the Agreement, and second-priority liens on the ABL Priority Collateral.

The New Senior Secured Facilities contain certain customary affirmative covenants and negative covenants. The New Revolving Credit Facility requires that the Company, commencing as of the last day of the second full fiscal quarter beginning after the closing date of the New Revolving Credit Facility and subject to a testing threshold, comply on a quarterly basis with a maximum net first lien leverage ratio of 4.50 to 1.00. The testing threshold will be satisfied (and therefore the covenant must be complied with at the end of such quarter) if the aggregate amount of funded loans and drawn and unreimbursed letters of credit (excluding letters of credit that do not exceed $100 million and cash collateralized letters of credit) under the New Revolving Credit Facility on such date exceeds an amount equal to 35% of the then-outstanding commitments under the New Revolving Credit Facility.

The New Senior Secured Facilities contain certain customary affirmative covenants. The negative covenants in the New Senior Secured Facilities include, among other things, limitations (none of which are absolute) on the Company's ability to:
- incur additional debt or issue certain preferred shares;
- create liens on certain assets;
- make certain loans or investments (including acquisitions);
- pay dividends on or make distributions in respect of the Company's capital stock or make other restricted payments;
- consolidate, merge, sell or otherwise dispose of all or substantially all of the Company's assets;
- sell certain assets;
- enter into certain transactions with the Company's affiliates;
- enter into certain sale-leaseback transactions;
- change Company's lines of business;
- restrict dividends from the Company's subsidiaries or restrict liens and negative pledges;
- change the Company's fiscal year; and
- prepay subordinated debt or modify the terms of certain debt or organizational agreements.

The New Senior Secured Facilities contain a customary passive holding company covenant with respect to Parent.

The New Senior Secured Facilities contain certain customary events of default, including relating to a change of control. If an event of default occurs, the lenders under the New Senior Secured Facilities will be entitled to take various actions, including the acceleration of amounts due under the New Senior Secured Facilities and all actions permitted to be taken by a secured creditor in respect to the collateral securing the New Senior Secured Facilities.

With respect to the New Senior Secured Facilities, at December 31, 2022, the net first lien leverage ratio calculation would begin with the end of the second full fiscal quarter after the Merger closing date. Until after the second quarter of 2023, a financial ratio calculation is not required.

At December 31, 2022, the Company was in compliance with all required financial covenants of the New Senior Secured Facilities.

Senior Secured Bridge Facility
On November 17, 2022, in connection with the Merger, the Company entered into a senior secured interim credit agreement, by and among Parent, Merger Sub, the lenders party thereto and Bank of America, N.A., as administrative agent, which provides for a $1,750 million senior secured first lien bridge term loan facility (the "Senior Secured Bridge Facility").

At December 31, 2022, the interest rate on the Senior Secured Bridge Facility is a variable rate calculated as an elected SOFR plus an applicable margin of 5.75% per annum. In the event the variable interest rate exceeds 8.00% per annum, the rate shall be capped at 8.00%.

The ultimate maturity date of the Senior Secured Bridge Facility is November 17, 2028.

Senior Secured Bridge Facility — Other Terms and Conditions
All obligations under the Senior Secured Bridge Facility are unconditionally guaranteed by each of the Company's existing and future direct and indirect, wholly-owned material domestic subsidiaries and by certain of its non-domestic subsidiaries which guarantee the ABL Facility, subject to certain exceptions. The obligations under the Senior Secured Bridge Facility are secured by the same first-priority liens on the assets of the Company and the subsidiary guarantors, and the same second-priority liens on the ABL Priority Collateral, that secure the New Senior Secured Facilities.

The affirmative covenants, negative covenants, and events of default contained in the Senior Secured Bridge Facility are substantially similar to those contained in the credit agreement governing the New Senior Secured Facilities, with customary changes for an agreement of this type.

Senior Unsecured Bridge Facility
On November 17, 2022, in connection with the Merger, the Company entered into a senior unsecured bridge credit agreement, by and among Parent, Merger Sub, the lenders party thereto and Bank of America, N.A., as administrative agent, which provides for a $1,000 million senior secured first lien bridge term loan facility (the "Senior Unsecured Bridge Facility" and, together with the Senior Secured Bridge Facility, the "Senior Bridge Facilities").

At December 31, 2022, the interest rate on the Senior Unsecured Bridge Facility is a variable rate calculated as an elected SOFR plus an applicable margin of 8.75% per annum. In the event the variable interest rate exceeds 11.00% per annum, the rate shall be capped at 11.00%.

The ultimate maturity date of the Senior Unsecured Bridge Facility is November 17, 2029.

Senior Unsecured Bridge Facility — Other Terms and Conditions
All obligations under the Senior Unsecured Bridge Facility are unsecured and shall be unconditionally guaranteed by each of the Company's existing and future direct and indirect, wholly-owned material domestic subsidiaries and by certain of its non-domestic subsidiaries which guarantee the ABL Facility, subject to certain exceptions.

The affirmative covenants, negative covenants, and events of default contained in the Senior Unsecured Bridge Facility are substantially similar to those contained in the credit agreement governing the New Senior Secured Facilities, with appropriate changes for an unsecured facility.

ABL Facility
On April 6, 2023, the Company entered into an Asset Based Revolving Credit Facility, by and among Parent, the Company, the other borrowers and guarantors party thereto, the lenders party thereto and Citibank, N.A., as administrative agent, which provides for first lien senior secured financing of up to $1,200 million (the "ABL Facility"), consisting of (i) a five-year asset based revolving credit facility in an aggregate principal amount of $1,075 million including both a letter of credit sub-facility and a swingline loan sub-facility (the "ABL Revolving Credit Facility") and (ii) a five-year "first-in-last-out" term loan in an aggregate principal amount of $125 million (the "FILO Term Loan"). In connection with the entry into the ABL Facility, all loans outstanding under the New Revolving Credit Facility were repaid and all commitments thereunder were terminated.

The borrowing base under the ABL Revolving Credit Facility will be, at any time of determination, an amount (net of reserves) equal to the sum of:

- 85% of the net amount of eligible accounts receivables; plus
- The lesser of:
    - 85% of the net orderly liquidation value of eligible inventory, and
    - 75% of the value (at the lower of cost and market on a "first-in-first-out" basis) of eligible inventory.

The borrowing base under the FILO Term Loan will be, at any time of determination, an amount (net of reserves) equal to the sum of:

- 10% of the net amount of eligible accounts receivables; plus
- 10% of the net orderly liquidation value of eligible inventory.

The ABL Facility includes borrowing capacity available for letters of credit and bank guarantees and for borrowings on same-day notice, referred to as swing line loans.

At April 6, 2023, the interest rate on the ABL Revolving Credit Facility is a variable rate plus an applicable margin of 2.00% per annum in the case of a SOFR Revolving Loan, a CDOR Revolving Loan, a EURIBOR Revolving Loan or a Daily Simple RFR Revolving Loan (each as defined in the agreement governing the ABL Facility) or a margin of 1.00% per annum in the case of an ABR Revolving Loan or Canadian Prime Rate Loan (each as defined in the agreement governing the ABL Facility); and the interest rate on the FILO Term Loan is a variable rate plus an applicable margin of 3.50% per annum in the case of a SOFR Term Loan or a margin of 2.50% per annum in the case of an ABR Term Loan (each as defined in the agreement governing the ABL Facility); in each case, provided that on and after the first Adjustment Date (as defined in the agreement governing the ABL Facility) occurring after delivery of the financial statements and certificates required by the agreement governing the ABL Facility upon the completion of one full fiscal quarter of the borrower after the closing date, the applicable margin will be determined pursuant to the pricing grid as provided in the agreement governing the ABL Facility.

The maturity date of both the ABL Revolving Credit Facility and the FILO Term Loan is April 6, 2028. The Company is required to pay certain commitment and participation fees under the ABL Revolving Credit Facility and FILO Term Loan, as applicable, following the last business day of March, June, September and December.

ABL Facility — Other Terms and Conditions
All obligations under the ABL Facility are unconditionally guaranteed by Parent on a limited-recourse basis, by each of the Company's existing and future direct and indirect, wholly-owned material domestic subsidiaries and by certain of our non-domestic subsidiaries, subject to certain exceptions. The obligations under the ABL Facility are secured by first-priority liens on substantially all of the inventory, accounts receivable, and related assets of the Company, the additional borrower parties and the guarantors (the "ABL Priority Collateral") and second-priority liens on substantially all of the other assets of such parties that secure the New Senior Secured Facilities.

The affirmative covenants, negative covenants and events of default contained in the ABL Facility are substantially similar to those contained in the credit agreement governing the New Senior Secured Facilities with customary changes for an asset based revolving facility.

The ABL Facility requires that the Company, commencing as of the last day of the first fiscal quarter beginning after the closing date of the ABL Facility and subject to a testing threshold, comply on a quarterly basis with a minimum fixed charge coverage ratio of 1.00 to 1.00. The testing threshold will be satisfied (and therefore the covenant must be complied with at the end of such quarter) if excess availability (including suppressed availability of up to 5% of the ABL Facility) under the ABL Facility on such date is less than the greater of (a) 10% of the borrowing base and (b) the ABL Facility.

Amendment to the New Senior Secured Facilities and the Senior Bridge Facilities
On April 6, 2023, the Company entered into an amendment to the New Senior Secured Facilities, an amendment to the Senior Secured Bridge Facility and an amendment to the Senior Unsecured Bridge Facility, in each case, to make certain changes to the affirmative and negative covenants therein and provide that its non-domestic subsidiaries that guarantee its obligations under the ABL Facility will guarantee the Company's obligations under the New Senior Secured Facilities and the Senior Bridge Facilities.

Predecessor Debt

In connection with the Merger, the Company terminated its then existing debt agreements and repaid in full all outstanding principal balances totaling $5,562 million. The Company recorded a loss on the early extinguishment of debt in the Predecessor period of $92 million. The loss included a $26 million redemption premium and a $66 million charge to write-off unamortized debt issuance costs.

Other Debt

Other debt consists primarily of subsidiary debt and finance lease obligations. Refer to Note 15, "Leases" for additional information.

Factoring Arrangements

In the Company's accounts receivable factoring programs, accounts receivables are transferred in their entirety to the acquiring entities and are accounted for as a sale. The fair value of assets received as proceeds in exchange for the transfer of accounts receivable under these factoring programs approximates the fair value of such receivables. Some of these programs have deferred purchase price arrangements with the banks.

The Company is the servicer of the receivables under some of these arrangements and is responsible for performing all accounts receivable administration functions. Where the Company receives a fee to service and monitor these transferred accounts receivables, such fees are sufficient to offset the costs and as such, a servicing asset or liability is not recorded as a result of such activities.

At December 31, 2022 and 2021, the amount of accounts receivable outstanding and derecognized for factoring arrangements was $1.1 billion and $1.0 billion, of which $0.6 billion and $0.5 billion relate to accounts receivable where the Company has continuing involvement. In addition, the deferred purchase price receivable was $77 million and $51 million at December 31, 2022 and 2021.

For the period November 17, 2022 to December 31, 2022, the period January 1, 2022 to November 16, 2022, the year ended December 31, 2021, and the year ended December 31, 2020, proceeds from the factoring of accounts receivable qualifying as sales were $0.9 billion, $5.5 billion, $5.2 billion and $4.1 billion, of which $0.6 billion, $4.1 billion, $3.9 billion and $3.3 billion were received on accounts receivable where the Company has continuing involvement.

For the period November 17, 2022 to December 31, 2022, the period January 1, 2022 to November 16, 2022, the year ended December 31, 2021, and the year ended December 31, 2020, the Company's financing charges associated with the factoring of receivables, which are included in "Interest expense" in the consolidated statements of income (loss), were $7 million, $35 million, $19 million, and $20 million.

If the Company were not able to factor receivables under these programs, its borrowings under its revolving credit agreement might increase. These programs provide the Company with access to cash at costs that are generally favorable to alternative sources of financing and allow the Company to reduce borrowings under its revolving credit agreement.

11. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities included the following:

	Successor	Predecessor
	December 31, 2022	December 31, 2021
Accrued rebates	$ 181	$ 190
Accrued professional services	129	40
Restructuring liabilities	122	55
Accrued factoring payable	100	70
Accrued freight	91	91
Non-income tax payable	85	69
Operating lease liability	79	92
Accrued interest	66	41
Product return reserves	58	64
Accrued warranty	43	53
Pension and postretirement benefits liability	35	38
Environmental reserve	9	8
Legal reserves	7	7
Other	358	409
	$ 1,363	$ 1,227

12. Pension Plans, Postretirement and Other Employee Benefits

Defined Contribution Plans

The Company sponsors defined contribution plans that provide Company matching contributions for eligible U.S. salaried and hourly employees. Contributions are also made to certain non-U.S. defined contribution plans. The Company recorded expense for these defined contribution plans of approximately $10 million, $69 million, $78 million and $77 million for the period November 17, 2022 to December 31, 2022, the period January 1, 2022 to November 16, 2022, the year ended December 31, 2021, and the year ended December 31, 2020.

Defined Benefit Plans

The Company sponsors defined benefit pension plans and health care and life insurance benefits for certain employees and retirees around the world. There are also unfunded nonqualified pension plans primarily covering U.S. executives, which are frozen with respect to future benefit accruals. The funding policy for defined benefit pension plans is to contribute the minimum required by applicable laws and regulations or to directly pay benefit payments where appropriate. At December 31, 2022, all legal funding requirements had been met. The Company expects to contribute $3 million to its U.S. pension plans, $36 million to its non-U.S. pension plans, and $16 million to its other postretirement plans in 2023.

Other Benefits

The Company also provides benefits to former or inactive employees paid after employment but before retirement. The liabilities for these postemployment benefits were $79 million and $82 million at December 31, 2022 and 2021.

Significant Events

In December 2021 and 2020, the Company recognized amendments to one of its U.S. postretirement health care benefit plans for certain retirees who would receive a fixed subsidy payment to purchase health care benefits on a marketplace exchange in lieu of the original plan's medical benefits. The amendments to the plan resulted in negative plan amendments for the years ended December 31, 2021 and 2020. The Company reduced its obligation by $20 million with a corresponding decrease of $20 million in accumulated other comprehensive loss (net of taxes of $0 million) at December 31, 2021 and by $57 million with a corresponding decrease of $57 million in accumulated other comprehensive loss (net of taxes of $0 million) at December 31, 2020. The prior service credits generated by these negative plan amendments are being amortized on a straight-line basis as a reduction to net periodic postretirement benefit cost over participants' average remaining life expectancy.

During the year ended December 31, 2020, the Company paid lump sums out of certain pension plans in connection with a previously announced plant closure. These lump sums were paid out of the pension plan assets and resulted in a non-cash settlement charge of $6 million for the year ended December 31, 2020.

In September 2020, the Company renegotiated one of its collective bargaining agreements in the U.S. which eliminated health care benefits in retirement if benefits were not commenced by September 24, 2021 for participants covered by the union agreement. This amendment resulted in a non-cash curtailment gain of $21 million for the year ended December 31, 2020.

The following provides a reconciliation of the plans' benefit obligations, plan assets, and funded status at December 31, 2022 and 2021:

	Pension Plans					
	U.S.			Non-U.S.		
	Successor	Predecessor		Successor	Predecessor	
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021
Change in benefit obligation:						
Benefit obligation, beginning of year[(a)]	$ 934	$ 1,278	$ 1,383	$ 647	$ 1,024	$ 1,122
Service cost	—	1	2	3	21	26
Interest cost	9	29	31	5	15	17
Settlement	—	—	—	—	—	(5)
Curtailment	—	—	—	(2)	—	—
Administrative expenses/taxes paid	—	—	—	—	(4)	(5)
Actuarial (gain)/loss	35	—	(45)	(1)	—	(39)
Benefits paid	(13)	(72)	(93)	(7)	(43)	(43)
Participants' contributions	—	—	—	—	1	1
Currency rate conversion and other	—	—	—	41	(127)	(50)
Benefit obligation, end of year	965	1,236	1,278	686	887	1,024
Change in plan assets:						
Fair value of plan assets, beginning of year[(a)]	920	1,210	1,145	389	571	571
Settlement	—	—	—	—	—	(5)
Actual return on plan assets	25	48	154	1	12	24
Administrative expenses/taxes paid	—	—	—	—	(4)	(5)
Employer contributions	—	3	4	7	30	41
Participants' contributions	—	—	—	—	1	1
Benefits paid	(13)	(72)	(93)	(7)	(43)	(43)
Currency rate conversion and other	—	—	—	19	(71)	(13)
Fair value of plan assets, end of year	932	1,189	1,210	409	496	571
(Un)Funded status of the plans	$ (33)	$ (47)	$ (68)	$ (277)	$ (391)	$ (453)

(a) Successor beginning balance includes the application of the acquisition method accounting. Refer to Note 3, "Merger" for further information.

The following provides a reconciliation of the plans' benefit obligations, plan assets, and funded status at December 31, 2022 and 2021:

	Other Postretirement Benefits Plans		
	Successor	Predecessor	
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021
Change in benefit obligation:			
Benefit obligation, beginning of year[a]	$ 134	$ 190	$ 237
Interest cost	1	5	6
Plan amendments	—	—	(20)
Actuarial (gain)/loss	2	—	(16)
Benefits paid	(2)	(13)	(18)
Participants' contributions	—	—	1
Benefit obligation, end of year	135	182	190
Change in plan assets:			
Fair value of plan assets, beginning of year[a]	—	—	—
Employer contributions	2	13	17
Participants' contributions	—	—	1
Benefits paid	(2)	(13)	(18)
Fair value of plan assets, end of year	—	—	—
(Un)Funded status of the plans	$ (135)	$ (182)	$ (190)

[a] Successor beginning balance includes the application of the acquisition method accounting. Refer to Note 3, "Merger" for further information.

The actuarial loss arising during the period from November 17, 2022 to December 31, 2022 is primarily attributable to an increase in discount rates, which was partially offset by asset returns exceeding the Company's expected return on assets. The actuarial gain arising during the year ended December 31, 2021 is primarily attributable to a decrease in discount rates and asset returns exceeding the Company's expected return on assets.

Amounts recognized on the consolidated balance sheets consist of the following at December 31, 2022 and 2021:

	Pension Plans				Other Postretirement Benefits Plans	
	U.S.		Non-U.S.			
	Successor	Predecessor	Successor	Predecessor	Successor	Predecessor
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Noncurrent assets	$ —	$ —	$ 55	$ 75	$ —	$ —
Current liabilities	(3)	(3)	(16)	(17)	(16)	(18)
Noncurrent liabilities[a]	(30)	(65)	(316)	(511)	(119)	(172)
	$ (33)	$ (68)	$ (277)	$ (453)	$ (135)	$ (190)

[a] Included in "Pension and postretirement benefits" in the consolidated balance sheets are postemployment benefits of $79 million and $82 million at December 31, 2022 and 2021 which are not included in the tables above.

Amounts recognized in accumulated other comprehensive loss for pension and postretirement benefits, pre-tax, consist of the following components:

	Pension Plans				Other Postretirement Benefits Plans	
	U.S.		Non-U.S.			
	Successor	Predecessor	Successor	Predecessor	Successor	Predecessor
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Actuarial (gain) loss	$ 20	$ 144	$ —	$ 108	$ 1	$ 14
Prior service cost/(credit)	—	1	—	3	—	(109)
Total	$ 20	$ 145	$ —	$ 111	$ 1	$ (95)

Information for defined benefit plans with projected benefit obligations in excess of plan assets:

	Pension Plans				Other Postretirement Benefits Plans	
	Successor		Predecessor		Successor	Predecessor
	December 31, 2022		December 31, 2021		December 31, 2022	December 31, 2021
	U.S.	Non-U.S.	U.S.	Non-U.S.		
Projected benefit obligation	$ 965	$ 462	$ 1,278	$ 645	$ 135	$ 190
Fair value of plan assets	$ 932	$ 131	$ 1,210	$ 117	$ —	$ —

Information for pension plans with accumulated benefit obligations in excess of plan assets:

	Successor		Predecessor	
	December 31, 2022		December 31, 2021	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Projected benefit obligation	$ 965	$ 421	$ 1,278	$ 602
Accumulated benefit obligation	$ 965	$ 406	$ 1,278	$ 561
Fair value of plan assets	$ 932	$ 97	$ 1,210	$ 81

The accumulated benefit obligation for all pension plans is $1,617 million and $2,247 million at December 31, 2022 and 2021.

Net periodic pension and postretirement benefits costs consist of the following components:

	Pension Plans							
	U.S.				Non-U.S.			
	Successor	Predecessor			Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Service cost	$ —	$ 1	$ 2	$ 1	$ 3	$ 21	$ 26	$ 25
Interest cost	9	29	31	41	5	15	17	18
Expected return on plan assets	(9)	(48)	(65)	(64)	(2)	(12)	(16)	(17)
Curtailment loss (gain)	—	—	—	—	(2)	—	—	—
Settlement loss	—	—	—	1	—	—	1	6
Net amortization:								
Actuarial loss	—	6	12	6	—	4	8	8
Prior service cost (credit)	—	—	—	—	—	—	1	—
Net periodic costs	$ —	$ (12)	$ (20)	$ (15)	$ 4	$ 28	$ 37	$ 40

	Other Postretirement Benefits Plans			
	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Service cost	$ —	$ —	$ —	$ —
Interest cost	1	5	6	9
Curtailment loss (gain)	—	—	—	(21)
Net amortization:				
Actuarial loss	—	1	2	2
Prior service cost (credit)	—	(10)	(10)	(7)
Net periodic costs	$ 1	$ (4)	$ (2)	$ (17)

The following assumptions were used in the accounting for the pension and other postretirement benefits plans:

	Pension Plans							
	U.S.				Non-U.S.			
	Successor	Predecessor			Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Weighted average assumptions used to determine benefit obligations: [a]								
Discount rate	5.5 %	2.8 %	2.8 %	2.3 %	4.6 %	1.9 %	1.9 %	1.5 %
Interest crediting rate	4.2 %	4.2 %	4.2 %	4.2 %	1.8 %	1.8 %	1.8 %	1.8 %
Weighted average assumptions used to determine net periodic benefit cost:								
Discount rate	5.9 %	2.8 %	2.3 %	3.2 %	4.6 %	1.9 %	1.5 %	1.7 %
Expected long-term return on plan assets	6.2 %	5.6 %	6.2 %	6.3 %	4.0 %	2.7 %	2.9 %	3.5 %
Rate of compensation increase	n/a	n/a	n/a	n/a	2.0 %	1.9 %	1.8 %	2.0 %
Interest crediting rate	4.2 %	4.2 %	4.2 %	4.2 %	1.8 %	1.8 %	1.8 %	1.8 %

[a] Determined at the end of the period.

	Other Postretirement Benefits Plans			
	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Weighted average assumptions used to determine benefit obligations: [a]				
Discount rate	5.7 %	2.9 %	2.9 %	2.5 %
Weighted average assumptions used to determine net periodic benefit cost:				
Discount rate	6.1 %	2.9 %	2.5 %	3.2 %

[a] Determined at the end of the period.

Estimated future benefit payments are as follows:

Year	Pension Plans U.S.	Pension Plans Non-U.S.	Other Postretirement Benefits Plans
2023	$ 92	$ 45	$ 16
2024	$ 92	$ 44	$ 15
2025	$ 87	$ 45	$ 15
2026	$ 86	$ 47	$ 13
2027	$ 83	$ 46	$ 13
2028-2031	$ 366	$ 253	$ 52

Health Care Trend

The weighted average assumed health care cost trend rates used in determining next year's postretirement health care benefits are as follows:

	Other Postretirement Benefits Plans			
	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Initial health care cost trend rate	6.3 %	6.1 %	6.1 %	6.3 %
Ultimate health care cost trend rate	4.8 %	4.9 %	4.9 %	4.9 %
Year ultimate health care cost trend rate reached	2030	2027	2027	2027

Long-term Rate of Return
The Company's expected return on assets is established annually through analysis of anticipated future long-term investment performance for the plan based upon the asset allocation strategy and is primarily a long-term prospective rate. An analysis was performed in December 2022 resulting in changes to the expected long-term rate of return on assets. The weighted average long-term rate of return on assets for the U.S. pension plans increased from 5.6% at December 31, 2021 to 6.2% at December 31, 2022. The expected long-term rate of return on plan assets used in determining pension expense for non-U.S. plans is determined in a similar manner to the U.S. plans and increased from 2.7% at December 31, 2021 to 4.0% at December 31, 2022.

Plan Assets
Certain pension plans sponsored by the Company invest in a diversified portfolio consisting of an array of asset classes that attempts to maximize returns while minimizing volatility. These asset classes include developed market equities, emerging market equities, private equity, global high quality and high yield fixed income, real estate, and absolute return strategies.

U.S. Plans: The U.S. investment strategy mitigates risk by incorporating diversification across appropriate asset classes to meet the plans' objectives. It is intended to reduce risk, provide long-term financial stability for the plan, and maintain funded levels that meet long-term plan obligations while preserving sufficient liquidity for near-term benefit payments. Risk assumed is considered appropriate for the return anticipated and consistent with the diversification of plan assets. The Company's investment strategy for the U.S. plans currently includes a target asset allocation of 52% equity investments and 48% fixed income investments.

Non-U.S. Plans: The Company's non-U.S. plans are individually managed to different target levels depending on the investing environment in each country and the funded status of each plan, with a reduction in the allocation of assets to equity and an increase in the allocation of assets to fixed income securities at higher funded ratios. The insurance contracts guarantee a minimum rate of return. The Company has no input into the investment strategy of the assets underlying the contracts, but they are typically heavily invested in active bond markets and are highly regulated by local law.

Pension plan assets were invested in the following classes of securities:

	Percentage of Fair Market Value	
	Successor	
	December 31, 2022	
	U.S.	Non-U.S.
Equity securities	51 %	5 %
Fixed income securities	46 %	44 %
Insurance contracts	— %	43 %
Other	3 %	8 %

The assets of some of the Company's pension plans are invested in trusts that permit commingling of the assets of more than one employee benefit plan for investment and administrative purposes. Each of the plans participating in the trust has interests in the net assets of the underlying investment pools.

The following table presents the Company's defined benefit plan assets measured at fair value by asset class:

	Successor							
	Fair Value Level at December 31, 2022							
	U.S.				Non-U.S.			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments with registered investment companies:								
Equity securities	$ 369	$ —	$ —	$ 369	$ —	$ 1	$ —	$ 1
Fixed income securities	43	—	—	43	12	—	—	12
Equity securities	—	—	—	—	4	—	—	4
Debt securities:								
Corporate and other	—	175	—	175	—	—	—	—
Government	114	29	—	143	4	46	—	50
Real Estate and other	—	—	—	—	1	6	—	7
Insurance contracts	—	—	—	—	—	—	174	174
Cash and equivalents	28	—	—	28	25	—	—	25
Total	$ 554	$ 204	$ —	$ 758	$ 46	$ 53	$ 174	$ 273
Plan assets measured at net asset value:								
Equity securities				$ 104				$ 16
Government debt securities				—				82
Corporate and other debt securities				70				38
Total plan assets measured at net asset value				174				136
Net plan assets				$ 932				$ 409

	Predecessor							
	Fair Value Level at December 31, 2021							
	U.S.				Non-U.S.			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments with registered investment companies:								
Equity securities	$ 488	$ —	$ —	$ 488	$ 1	$ —	$ —	$ 1
Fixed income securities	106	—	—	106	11	—	—	11
Equity securities	4	—	—	4	4	38	—	42
Debt securities:								
Corporate and other	—	163	—	163	—	—	—	—
Government	115	46	—	161	4	176	—	180
Real Estate and other	—	—	—	—	1	29	—	30
Insurance contracts	—	—	—	—	—	—	113	113
Hedge funds	—	—	11	11	—	—	—	—
Cash and equivalents	62	—	—	62	12	—	—	12
Total	$ 775	$ 209	$ 11	$ 995	$ 33	$ 243	$ 113	$ 389
Plan assets measured at net asset value:								
Equity securities				$ 149				$ 31
Government debt securities				—				103
Corporate and other debt securities				66				48
Total plan assets measured at net asset value				215				182
Net plan assets				$ 1,210				$ 571

The Company's level 1 assets were valued using market prices based on daily NAV or prices available daily through a public stock exchange. Its level 2 assets were valued primarily using market prices, sometimes net of estimated realization expenses, and based on broker/dealer markets or in commingled funds where NAV is not available daily or publicly. For insurance contracts, the estimated surrender value of the policy was used to estimate fair market value.

As part of the Company's on-going de-risking activities, certain pension plans in the United Kingdom purchased an annuity contract during the period January 1, 2022 to November 16, 2022. The activity attributable to U.S. and non-U.S. Level 3 defined benefit pension plan investments was not significant in the period November 17, 2022 to December 31, 2022, the year ended December 31, 2021, and the year ended December 31, 2020.

13. Income Taxes

The U.S. and non-U.S. components of the Company's earnings (loss) before income taxes and noncontrolling interests are as follows:

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
U.S. earnings (loss)	$ (529)	$ (679)	$ (395)	$ (884)
Non-U.S. earnings (loss)	(29)	448	677	(117)
Earnings (loss) before income taxes and noncontrolling interests	$ (558)	$ (231)	$ 282	$ (1,001)

The following table is a comparative analysis of the components of income tax expense (benefit):

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Current —				
U.S. federal	$ —	$ —	$ (4)	$ (11)
U.S. state and local	1	(1)	1	1
Non-U.S.	26	164	173	168
	27	163	170	158
Deferred —				
U.S. federal	—	—	(1)	336
U.S. state and local	—	—	—	35
Non-U.S.	(10)	1	13	(70)
	(10)	1	12	301
Income tax expense (benefit)	$ 17	$ 164	$ 182	$ 459

The following table is a reconciliation of income taxes computed at the statutory U.S. federal income tax rate (21% for 2022, 2021 and 2020) to the income tax expense (benefit) reflected in the consolidated statements of income (loss):

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Income tax expense (benefit) computed at the statutory U.S. federal income tax rate	$ (117)	$ (49)	$ 59	$ (210)
Increases (reductions) in income tax expense resulting from:				
Non-U.S. income taxed at different rates	2	10	17	2
U.S. state and local taxes on income, net of U.S. federal income tax benefit	(19)	(25)	(33)	(26)
Changes in valuation allowance	154	185	175	605
Tax credits and R&D incentives	(4)	(12)	(21)	(15)
Non-U.S. earnings subject to U.S. federal income tax	13	48	69	18
Non-deductible expenses / non-taxable items	44	13	24	15
Goodwill impairment and other tax impairments	(77)	—	—	65
Tax contingencies	(13)	—	(72)	2
Nonconsolidated affiliates	(1)	(3)	(11)	(10)
Other	35	(3)	(25)	13
Income tax expense (benefit)	$ 17	$ 164	$ 182	$ 459

The tax expense recorded for the period from November 17, 2022 to December 31, 2022 includes valuation allowances in U.S. federal and state, as well as certain non-U.S., jurisdictions resulting in the Company's inability to realize an income tax benefit for losses incurred.

The tax expense recorded for the period from January 1, 2022 to November 16, 2022 includes nondeductible expenses as a result of valuation allowances in U.S. federal and state, as well as certain non-U.S., jurisdictions resulting in the Company's inability to realize an income tax benefit for losses incurred.

The tax expense recorded for the year ended December 31, 2021 includes valuation allowances in U.S. federal and state, as well as certain non-U.S. jurisdictions resulting in the Company's inability to realize an income tax benefit for losses incurred. The Company has released $54 million of unrecognized tax benefits with a corresponding adjustment of $54 million to the Company's valuation allowance as a result of the conclusion of income tax examinations in the first quarter of 2021.

The tax expense recorded for the year ended December 31, 2020 included a $507 million tax expense relating to the full valuation allowance established for the U.S. deferred tax assets. The remaining $98 million of tax expense for changes in valuation allowances for deferred taxes relates to non-U.S. jurisdictions for which a reserve had been established in a previous year. During the first quarter of 2020, the Company concluded it was more likely than not that the fair values of certain of its indefinite-lived intangible assets had declined to below their carrying values as a result of the effects of the COVID-19 global pandemic and completed a goodwill impairment analysis. As a result, the Company recorded $65 million of tax effect relating to goodwill and indefinite-lived intangible impairment.

The components of the Company's net deferred tax assets (liabilities) were as follows:

	Successor	Predecessor
	December 31, 2022	December 31, 2021
Deferred tax assets —		
Tax loss carryforwards:		
U.S. federal	$ 12	$ 11
U.S. state	9	45
Non-U.S.	745	736
Tax credits	88	305
Postretirement benefits other than pensions	18	19
Pensions	11	80
Payroll accruals	27	33
Property, plant and equipment	159	205
Research expense capitalized for tax	—	121
Interest expense carryforward	20	56
Intangibles	—	25
Other accruals	175	205
Total deferred tax assets before valuation allowance	1,264	1,841
Less: Valuation allowance	(967)	(1,589)
Total deferred tax assets	297	252
Deferred tax liabilities —		
Intangibles	153	—
Unremitted foreign earnings	89	—
Other liabilities	107	91
Total deferred tax liabilities	349	91
Net deferred tax assets (liabilities)	$ (52)	$ 161

The material changes in deferred tax account balances are primarily a result of the Merger, further adjustments may be made to the deferred tax balances as the purchase price allocation is finalized during the measurement period.

Non-U.S. tax loss carryforwards have been presented net of uncertain tax positions that, if realized, would reduce tax loss carryforwards at December 31, 2022 and 2021 by $27 million and $29 million.

The Company evaluates its deferred income taxes quarterly to determine if valuation allowances are required or should be adjusted. This assessment considers, among other matters, the nature, frequency and amount of recent losses, the duration of statutory carryforward periods, and tax planning strategies. In making such judgments, significant weight is given to evidence that can be objectively verified. The Company established a full valuation allowance against the deferred tax assets in the U.S. during 2020 after concluding that it was more likely than not that it would not be able to utilize the U.S. deferred tax assets.

The Company's U.S. operations remain in a cumulative loss for the three-year periods ended December 31, 2022. Under the current tax laws, the valuation allowance will not limit the Company's ability to utilize the U.S. deferred tax assets provided it can generate sufficient future taxable income in the U.S. The Company anticipates it will continue to record a valuation allowance against the deferred tax assets until such time as they are able to determine it is "more-likely-than-not" the deferred tax asset will be realized. This position is dependent on whether there will be sufficient future taxable income to realize such deferred tax assets.

As a result of the valuation allowances recorded for $967 million and $1,589 million at December 31, 2022 and 2021, the Company has potential tax assets that were not recognized on its consolidated balance sheets. These unrecognized tax assets at December 31, 2022 resulted primarily from non-U.S. tax loss carryforwards and non-U.S. tax credit carryforwards that are available to reduce future tax liabilities. The unrecognized tax assets at December 31, 2021 resulted primarily from non-U.S. tax loss carryforwards, U.S. federal and non-U.S. tax credit carryforwards, U.S. interest expense carryforward, and U.S. federal and state net operating losses ("NOLs") that were available to reduce future tax liabilities.

The Company's state NOLs expire at various tax years from 2027 or have unlimited carryforward potential. The Company's non-U.S. NOLs expire at various tax years from 2023 through 2051 or have unlimited carryforward potential. The Company's U.S. federal NOL has an unlimited carryforward potential.

The Company has tax credit carryforwards in various U.S. and non-U.S. jurisdictions, these tax credit carryforwards expire at various times from 2026 through 2052 or have unlimited carryforward potential.

Up to the Merger Date, the Company did not provide for U.S. income taxes on unremitted earnings of foreign subsidiaries, except for the earnings of certain operations in China, Korea, India, and Spain, as its intention was to reinvest the unremitted earnings in the Company's non-U.S. operations. While the Company may reinvest a portion of its foreign subsidiaries' earnings into its non-U.S. operations after the closing of the Merger, the Company determined a portion of its foreign subsidiaries' earnings may be needed to meet U.S. cash needs going forward. As a result, the Company is no longer permanently reinvested on foreign earnings of approximately $2.5 billion, for which an estimated amount of associated U.S. and non-U.S. income taxes to be either accrued or paid upon remittance of such earnings is approximately $89 million as recorded at December 31, 2022.

The Company has not yet finalized its estimate of acquisition date deferred taxes associated with its repatriation plans and further adjustments of this estimate may be made as the purchase price allocation is finalized during the measurement period.

Tax benefits from uncertain tax positions may be recognized when it is "more likely than not" that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The Company recognizes interest and penalties relating to uncertain tax positions as part of income tax expense (benefit).

A reconciliation of the Company's uncertain tax positions is as follows:

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Uncertain tax positions —				
Balance at beginning of period	$ 112	$ 128	$ 208	$ 215
Gross increases in tax positions due to Merger	23	—	—	—
Gross increases in tax positions in current period	4	2	6	4
Gross increases in tax positions in prior period	—	7	2	14
Gross decreases in tax positions in prior period	6	(13)	(67)	(7)
Gross decreases — settlements	—	(2)	—	—
Gross decreases — statute of limitations expired	(9)	(10)	(21)	(18)
Balance at end of period	$ 136	$ 112	$ 128	$ 208

At December 31, 2022 and 2021, there were $35 million and $44 million of unrecognized tax benefits that if recognized would favorably affect the Company's effective tax rate in the future.

Total interest and penalties related to uncertain tax positions recognized as part of income tax benefit was $1 million, $2 million, and $1 million for the period November 17, 2022 to December 31, 2022, the period January 1, 2022 to November 16, 2022, and the year ended December 31, 2021, and as part of income tax expense was $2 million for the year ended December 31, 2020. At December 31, 2022 and 2021, the Company had accrued liabilities for interest and penalties of $13 million and $17 million related uncertain tax positions.

The Company's uncertain tax position at December 31, 2022 and 2021 included exposures relating to the disallowance of deductions, global transfer pricing, and various other issues. The Company believes it is reasonably possible that a decrease of up to $34 million in unrecognized tax benefits related to the expiration of U.S. and non-U.S. statute of limitations and the conclusion of income tax examinations may occur within the next twelve months.

The Company is subject to taxation in the U.S. and various state and non-U.S. jurisdictions. At December 31, 2022, the Company's tax years open to examination in primary jurisdictions are as follows:

	Open To Tax Year
United States	2014
Belgium	2019
China	2013
France	2014
Germany	2012
India	2009
Italy	2016
Mexico	2016
Poland	2017
Spain	2018

14. Commitments and Contingencies

Capital Commitments
The Company estimates expenditures aggregating to approximately $92 million will be required after December 31, 2022 to complete facilities and projects authorized at such date, and it has made substantial commitments in connection with these facilities and projects.

Environmental Matters
The Company is subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which it operates. The Company has been notified by the U.S. Environmental Protection Agency, other national environmental agencies, and various provincial and state agencies that it may be a potentially responsible party ("PRP") under such laws for the cost of remediating hazardous substances pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and other national and state or provincial environmental laws. PRP designation typically requires the funding of site investigations and subsequent remedial activities. Many of the sites that are likely to be the costliest to remediate are often current or former commercial waste disposal facilities to which numerous companies sent wastes. Despite the potential joint and several liability which might be imposed on the Company under CERCLA, and some of the other laws pertaining to these sites, its share of the total waste sent to these sites generally has been small. The Company believes its exposure for liability at these sites is not material.

On a global basis, the Company has also identified certain other present and former properties at which it may be responsible for cleaning up or addressing environmental contamination, in some cases, as a result of contractual commitments and/or federal or state environmental laws. The Company is actively seeking to resolve these actual and potential statutory, regulatory, and contractual obligations.

At December 31, 2022, the Company has an obligation to remediate or contribute towards the remediation of certain sites, including the sites discussed above at which it may be a PRP.

The Company's estimated share of environmental remediation costs for all these sites is recognized in the consolidated balance sheets as follows:

	Successor	Predecessor
	December 31, 2022	December 31, 2021
Accrued expenses and other current liabilities	$ 9	$ 8
Deferred credits and other liabilities	21	23
	$ 30	$ 31

The Company expenses or capitalizes, as appropriate, expenditures for ongoing compliance with environmental regulations. In addition to amounts in the table above, the Company estimates it will make expenditures for property, plant and equipment for environmental matters of approximately $7 million in 2023 and $1 million in 2024.

Based on information known to the Company from site investigations and the professional judgment of consultants, the Company has established reserves it believes are adequate for these costs. Although the Company believes these estimates of remediation costs are reasonable and are based on the latest available information, the costs are estimates, difficult to quantify based on the complexity of the issues, and are subject to revision as more information becomes available about the extent of remediation required. At some sites, the Company expects other parties will contribute to the remediation costs. In addition, certain environmental statutes provide the Company's liability could be joint and several, meaning the Company could be required to pay amounts in excess of its share of remediation costs. The financial strength of the other PRPs at these sites has been considered, where appropriate, in the determination of the estimated liability. The Company does not believe any potential costs associated with its current status as a PRP, or as a liable party at the other locations referenced herein, will be material to its consolidated financial position, results of operations, or liquidity.

At December 31, 2022 and 2021, the Company has indemnifications in place on certain of these environmental reserves, which is not considered material to its consolidated financial statements.

Other Legal Proceedings, Claims and Investigations

For many years, the Company has been and continues to be subject to lawsuits initiated by claimants alleging health problems as a result of exposure to asbestos. The Company's current docket of active and inactive cases is approximately 500 cases in the U.S. and less than 50 in Europe.

With respect to the claims filed in the U.S., the substantial majority of the claims are related to alleged exposure to asbestos in the Company's exhaust automotive products although a significant number of those claims appear also to involve occupational exposures sustained in industries other than automotive. A small number of claims have been asserted against one of the Company's subsidiaries by railroad workers alleging exposure to asbestos products in railroad cars. The Company believes, based on scientific and other evidence, it is unlikely that U.S. claimants were exposed to asbestos by the Company's former products and that, in any event, they would not be at increased risk of asbestos-related disease based on their work with these products. Further, many of these cases involve numerous defendants. Additionally, in many cases the plaintiffs either do not specify any, or specify the jurisdictional minimum, dollar amount for damages.

With respect to the claims filed in Europe, the substantial majority relate to occupational exposure claims brought by current and former employees of facilities in France and amounts paid out were not material. A small number of occupational exposure claims have also been asserted against entities in Italy and Spain.

As major asbestos manufacturers and/or users continue to go out of business or file for bankruptcy, the Company may experience an increased number of these claims. The Company vigorously defends itself against these claims as part of its ordinary course of business. In future periods, the Company could be subject to cash costs or charges to earnings if any of these matters are resolved unfavorably to the Company. To date, with respect to claims that have proceeded sufficiently through the judicial process, the Company has regularly achieved favorable resolutions. Accordingly, the Company presently believes that these asbestos-related claims will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

The Company is also from time to time involved in other legal proceedings, claims or investigations. Some of these matters involve allegations of damages against the Company relating to environmental liabilities (including toxic tort, property damage and remediation), intellectual property matters (including patent, trademark and copyright infringement, and licensing disputes), personal injury claims (including injuries due to product failure, design or warning issues, and other product liability related matters), taxes, unclaimed property, employment matters, and commercial or contractual disputes, sometimes related to acquisitions or divestitures. Additionally, some of these matters involve allegations relating to legal compliance.

While the Company vigorously defends itself against all of these legal proceedings, claims, and investigations and takes other actions to minimize its potential exposure, in future periods, the Company could be subject to cash costs or charges to earnings if any of these matters are resolved on unfavorable terms. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on current information, including the Company's assessment of the merits of the particular claim, the Company does not expect these legal proceedings, claims or investigations currently pending against it will have any material adverse effect on its consolidated financial position, results of operations or liquidity.

Asset Retirement Obligations

The Company's primary Asset Retirement Obligation ("ARO") activities relate to the removal of hazardous building materials at its facilities. The Company records an ARO at fair value upon initial recognition when the amount is probable and can be reasonably estimated. ARO fair values are determined based on the Company's determination of what a third party would charge to perform the remediation activities, generally using a present value technique.

The Company maintains ARO liabilities in the consolidated balance sheets as follows:

	Successor	Predecessor
	December 31, 2022	December 31, 2021
Accrued expenses and other current liabilities[a]	$ 11	$ 10
Deferred credits and other liabilities	3	4
	$ 14	$ 14

[a] Includes liabilities held for sale for $8 million and $9 million at December 31, 2022 and 2021. Refer to Note 2, "Summary of Significant Accounting Policies", for additional information on assets and liabilities held for sale.

Warranty Matters

The Company provides warranties on some of its products. The warranty terms vary but range from one year up to limited lifetime warranties on some of its aftermarket products. Provisions for estimated expenses related to product warranty are made at the time products are sold or when specific warranty issues are identified with the Company's products. These estimates are established using historical information about the nature, frequency, and average cost of warranty claims. The Company believes the warranty reserve is appropriate; however, actual claims incurred could differ from the original estimates, requiring adjustments to the reserve. The reserve is included in both current and long-term liabilities in the consolidated balance sheets.

The following represents the changes in the Company's warranty accrual accounts:

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at beginning of period	$ 54	$ 69	$ 62	$ 54
Accruals and revisions to estimates	(2)	31	52	28
Settlements	(3)	(43)	(44)	(21)
Foreign currency	1	(3)	(1)	1
Balance at end of period	$ 50	$ 54	$ 69	$ 62

15. Leases

The Company has operating and finance leases for real estate and equipment. Leases with an initial term of 12 months or less, which do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise, are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term. Some of the Company's leases include options to renew or terminate the initial lease term. These options are only included in the lease term when they are reasonably certain to be exercised.

Some leasing arrangements require variable payments that are dependent on usage, output, or may vary for other reasons, such as insurance and tax payments. The variable portion of lease payments is not included in the computation of the right-of-use assets or lease liabilities. Variable payments are expensed when the obligation for those payments is incurred.

In December 2022, the Company entered into sale and leaseback transactions for five properties for total cash proceeds of $125 million, which approximated the net book values of these properties. The initial term of the leaseback is for 20 years with five options to extend the initial term for 5 years each.

During 2021, the Company entered into sale and leaseback transactions for two properties and recognized a gain of $32 million, which is included in "Other income (expense)" in the consolidated statements of income (loss). Cash proceeds for the transactions were $38 million. The initial term for the first leaseback was for 5 years with one option to extend the initial term for additional 5 years. The initial term of the second leaseback was for 2 years with an option for an additional renewal with negotiation.

All operating lease expense is included in Cost of sales (exclusive of depreciation and amortization), Selling, general, and administrative, and Engineering, research, and development and all finance lease expense is included in Depreciation and amortization within the consolidated statements of income (loss).

The components of lease expense were as follows:

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Operating lease expense	$ 13	$ 97	$ 126	$ 122
Finance lease amortization expense	1	6	5	2
Short-term lease expense	1	8	8	6
Variable lease expense	1	7	6	24
Sublease income	—	(7)	(4)	(1)
Total lease expense	$ 16	$ 111	$ 141	$ 153

Other information related to leases was as follows:

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 10	$ 103	$ 126	$ 143
Financing cash flows from finance leases	$ 1	$ 7	$ 4	$ 2
Lease obligations in exchange for right-of-use assets and non-cash measurement adjustments:				
Operating leases	$ 113	$ 45	$ 94	$ 98
Finance leases	$ 1	$ 6	$ 6	$ 7

Supplemental balance sheet information related to leases was as follows:

	Successor	Predecessor
	December 31, 2022	December 31, 2021
Operating leases		
Other assets	$ 439	$ 319
Accrued expenses and other current liabilities	$ 79	$ 92
Deferred credits and other liabilities	295	240
Total operating lease liabilities	$ 374	$ 332
Finance leases		
Other assets	$ 17	$ —
Property, plant and equipment, net	—	14
Total finance lease right-of-use assets	$ 17	$ 14
Short-term debt, including current maturities of long-term debt	$ 6	$ 4
Long-term debt	11	9
Total finance lease liabilities	$ 17	$ 13

All finance lease right of use assets were included in Property, plant and equipment prior to the Merger, and have been included in Other assets subsequent to the Merger.

Maturities of lease liabilities under non-cancellable leases at December 31, 2022 were as follows:

Year ending December 31	Operating leases	Finance leases
2023	$ 110	$ 7
2024	80	6
2025	60	4
2026	48	2
2027	36	—
Thereafter	324	—
Total future undiscounted lease payments	658	19
Less: imputed interest	(284)	(2)
Total reported lease liability	$ 374	$ 17

	Successor		Predecessor	
	December 31, 2022		December 31, 2021	
	Weighted average remaining lease *term (in years)*	Weighted average *discount rate*	Weighted average remaining lease *term (in years)*	Weighted average *discount rate*
Operating leases	10.28	10.53 %	6.16	3.42 %
Finance leases	3.06	8.71 %	3.35	2.66 %

16. Share-Based Compensation

Successor

In December 2022, the Company adopted the Pegasus Parent, L.P. 2022 Equity Unit Incentive Plan under which it granted approximately 8.6 million Class B Unit awards. The awards granted are in the form of Class B units of Pegasus Parent, L.P., a parent entity of the Company. Under the grant, two-thirds of the awards contain performance-based vesting conditions and one-third are service-based awards with graded vesting on each grant date anniversary for five years. The performance-based awards will vest upon the attainment of certain return on investment and internal rate of return thresholds. During the Successor period, the expense related to the successor plan incurred was not material to the consolidated financial statements of the Company.

Predecessor

Prior to the Merger, the Company had outstanding awards under the Tenneco Inc. 2021 Long-Term Incentive Plan ("2021 LTIP") and the Tenneco Inc. 2006 Long-Term Incentive Plan ("2006 LTIP", and together with the 2021 LTIP, the "LTIP Plans"). The types of awards granted under these plans included restricted stock units ("RSUs"), performance stock units ("PSUs")), and cash incentive awards (including long-term performance units ("LTPUs")). In connection with the Merger, all the outstanding awards under these plans were cancelled and converted into the right to receive $20.00 in cash and the LTIP Plans were terminated. The expense from accelerated vesting of these share-based compensation awards totaling $18 million was recognized in the consolidated statements of income (loss) in the period from January 1, 2022 to November 16, 2022. Total expense of $82 million was recognized in the period from November 17, 2022 to December 31, 2022 and total cash paid for share-based awards related to the LTIP plans was $185 million. All share-based compensation expense is included in "Selling, general, and administrative" in the consolidated statements of income (loss).

RSUs (both cash-settled and share-settled) were time-based service awards and generally vested according to a three-year graded vesting schedule, one-third on each of the first, second, and third anniversary of the grant date. The Company recognized compensation cost on a straight-line basis for awards with service only conditions that had a graded vesting schedule.

The fair values of restricted stock and RSUs (cash-settled and share-settled) were determined using the average of the high and low trading price of the Company's common stock on the date of measurement. The fair value of PSUs was determined using the probability weighted factors for performance conditions combined with a Monte Carlo simulation model for market conditions.

Cash-Settled Awards

The Company granted RSUs and PSUs to certain key employees that were payable in cash upon vesting. These awards were classified as liabilities and were valued based on the fair value of the award at the grant date and remeasured at each reporting date until settlement with compensation expense being recognized in proportion to the completed requisite period up until the date of settlement. Additionally, compensation expense for PSUs was recognized ratably over the requisite service period if it was probable the performance target related to the PSUs would be achieved and adjusted if the probability assessment changed. The PSUs had the potential to pay out between zero and 200% based on performance target achievement.

Total cash-settled share-based compensation expense as well as cash paid for cash-settled awards was as follows for the Predecessor periods:

	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Total compensation expense - cash-settled (net of tax)	$ 70	$ 14	$ 2
Cash paid for cash-settled awards	$ 13	$ 9	$ 4

Share-Settled Awards
The Company granted RSUs and PSUs to certain key employees that were payable in common stock upon vesting. These awards were valued at the grant date fair value with compensation expense being recognized in proportion to the completed requisite period up until the date of settlement. Additionally, compensation expense for PSUs was recognized ratably over the requisite service period if it was probable the performance target related to the PSUs would be achieved and subsequently adjusted if this probability assessment changed.

Total share-settled share-based predecessor compensation expense was as follows:

	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Total compensation expense - share-settled (net of tax)	$ 19	$ 18	$ 13

17. Shareholders' Equity

On November 17, 2022, the Company amended and restated its certificate of incorporation, and the Company is authorized to issue 1,000 shares of common stock. In connection with the Merger, pursuant to the terms and conditions set forth in the Merger Agreement, all common stock issued and outstanding prior to the Merger was converted into the right to receive $20.00 per share and all common stock, preferred stock and treasury shares were cancelled. All outstanding shares of common stock of Merger Sub held immediately prior to the Merger were converted into and became (in the aggregate) 100 shares of issued common stock of the Company.

The Company has 1,000 shares of common stock authorized ($0.01 par value) and 100 shares of common stock issued at December 31, 2022.

Accumulated Other Comprehensive Income (Loss)
The following represents the Company's changes in accumulated other comprehensive income (loss) by component:

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Foreign currency translation adjustment:				
Balance at beginning of period[a]	$ —	$ (471)	$ (395)	$ (369)
Other comprehensive income (loss) before reclassifications	100	(294)	(76)	(26)
Balance at end of period	100	(765)	(471)	(395)
Defined benefit plans:				
Balance at beginning of period[a]	—	(126)	(353)	(342)
Other comprehensive income (loss) before reclassifications	(20)	—	221	(8)
Reclassification from other comprehensive income (loss)	—	1	14	(5)
Income tax benefit (provision)	—	—	(8)	2
Balance at end of period	(20)	(125)	(126)	(353)
Cash flow hedges:				
Balance at beginning of period[a]	—	2	4	—
Other comprehensive income (loss) before reclassifications	2	(12)	6	4
Reclassification from other comprehensive income (loss)	(1)	1	(8)	—
Balance at end of period	1	(9)	2	4
Accumulated other comprehensive loss at end of period	$ 81	$ (899)	$ (595)	$ (744)
Other comprehensive income (loss) attributable to noncontrolling interests, net of tax	$ 12	$ (46)	$ (7)	$ 14

[a] Upon application of acquisition method accounting due to the Merger, the Company eliminated the Successor beginning balance of accumulated other comprehensive income (loss). Refer to Note 3, "Merger" for further details.

18. Segment and Geographic Area Information

Tenneco consists of four operating segments, DRiV, Performance Solutions, Clean Air, and Powertrain:

- The DRiV segment designs, manufactures, sources, markets, and distributes a broad portfolio of brand-name products in the global vehicle aftermarket while also servicing the OES market that provides aftermarket repairs through dealer networks. DRiV products are organized into categories, including shocks and struts, steering and suspension, braking, sealing, emissions control, engine, and maintenance;
- The Performance Solutions segment designs, manufactures, markets, and distributes a variety of products and systems designed to optimize the ride experience to a global OE customer base, including noise, vibration, and harshness performance materials, advanced suspension technologies, ride control, braking, and systems protection. Performance Solutions is agnostic to powertrain technologies;
- The Clean Air segment designs, manufactures, and distributes a variety of products and systems designed to reduce pollution and optimize engine performance, acoustic tuning, and weight on a vehicle for light vehicle, commercial truck, and off-highway OE customers; and
- The Powertrain segment designs, manufactures, and distributes a variety of OE powertrain products for light vehicle, commercial truck, off-highway, and industrial applications to OE customers for use in new vehicle production and OES parts to support their service and distribution channels.

Costs related to other business activities, primarily corporate headquarter functions, are disclosed separately from the four operating segments as "Corporate."

Management uses EBITDA including noncontrolling interests as the key performance measure of segment profitability and uses the measure in its financial and operational decision-making processes, for internal reporting, and for planning and forecasting purposes to effectively allocate resources. EBITDA including noncontrolling interests is defined as earnings before interest expense, income taxes, noncontrolling interests, and depreciation and amortization. Segment assets are not presented as it is not a measure reviewed by the Chief Operating Decision Maker in allocating resources and assessing performance.

EBITDA including noncontrolling interests should not be considered a substitute for results prepared in accordance with U.S. GAAP and should not be considered an alternative to net income, which is the most directly comparable financial measure to EBITDA including noncontrolling interests that is in accordance with U.S. GAAP. EBITDA including noncontrolling interests, as determined and measured by the Company, should not be compared to similarly titled measures reported by other companies.

Segment results are as follows:

	Reportable Segments						
	DRiV	Performance Solutions	Clean Air	Powertrain	Total	Reclass & Elims	Total
Successor							
November 17, 2022 to December 31, 2022							
Revenues from external customers	$ 324	$ 400	$ 960	$ 441	$ 2,125	$ —	$ 2,125
Intersegment revenues	$ 4	$ 7	$ 2	$ 16	$ 29	$ (29)	$ —
Equity in earnings of nonconsolidated affiliates, net of tax	$ 1	$ —	$ —	$ (2)	$ (1)	$ —	$ (1)
Predecessor							
January 1, 2022 to November 16, 2022							
Revenues from external customers	$ 2,505	$ 2,853	$ 7,796	$ 3,575	$ 16,729	$ —	$ 16,729
Intersegment revenues	$ 34	$ 69	$ 16	$ 149	$ 268	$ (268)	$ —
Equity in earnings of nonconsolidated affiliates, net of tax	$ 13	$ (1)	$ (2)	$ 17	$ 27	$ —	$ 27
Year Ended December 31, 2021							
Revenues from external customers	$ 2,991	$ 2,908	$ 8,135	$ 4,001	$ 18,035	$ —	$ 18,035
Intersegment revenues	$ 44	$ 92	$ 19	$ 193	$ 348	$ (348)	$ —
Equity in earnings of nonconsolidated affiliates, net of tax	$ 12	$ 1	$ —	$ 44	$ 57	$ —	$ 57
Year Ended December 31, 2020							
Revenues from external customers	$ 2,725	$ 2,502	$ 6,721	$ 3,431	$ 15,379	$ —	$ 15,379
Intersegment revenues	$ 31	$ 105	$ 21	$ 141	$ 298	$ (298)	$ —
Equity in earnings of nonconsolidated affiliates, net of tax	$ 9	$ 1	$ —	$ 37	$ 47	$ —	$ 47

Segment EBITDA including noncontrolling interests and the reconciliation to earnings (loss) before interest expense, income taxes, and noncontrolling interests are as follows:

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
EBITDA including noncontrolling interests by Segments:				
DRiV	$ (37)	$ 243	$ 375	$ 155
Performance Solutions	(3)	79	119	(634)
Clean Air	8	384	584	440
Powertrain	(10)	221	346	169
Total reportable segments	(42)	927	1,424	130
Corporate	(352)	(373)	(275)	(215)
Depreciation and amortization	(79)	(496)	(593)	(639)
Earnings (loss) before interest expense, income taxes, and noncontrolling interests	(473)	58	556	(724)
Interest expense	(85)	(289)	(274)	(277)
Income tax (expense) benefit	(17)	(164)	(182)	(459)
Net income (loss)	$ (575)	$ (395)	$ 100	$ (1,460)

The following customers each accounted for 10% or more of the Company's net sales in the last three years. The net sales to both customers were across all segments.

	Successor	Predecessor		
Customer	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
General Motors Company	15 %	14 %	11 %	11 %
Ford Motor Company	11 %	11 %	10 %	10 %

	Revenues from external customers[b]				Long-lived assets[c]	
	Successor	Predecessor			Successor	Predecessor
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	December 31, 2022	December 31, 2021
United States	$ 723	$ 6,065	$ 6,159	$ 5,151	$ 1,105	$ 954
China	328	2,426	3,219	2,817	691	738
Germany	233	1,913	2,202	1,793	543	483
Mexico	156	1,160	1,014	900	244	243
Poland	121	1,000	988	822	240	313
India	100	706	617	414	137	165
Belgium	60	420	501	437	72	47
United Kingdom	32	261	305	361	121	126
Other Foreign[a]	372	2,778	3,030	2,684	838	911
Consolidated	$ 2,125	$ 16,729	$ 18,035	$ 15,379	$ 3,991	$ 3,980

(a) Revenues from external customers and long-lived assets for individual foreign countries other than China, Germany, Mexico, Poland, India, Belgium, and United Kingdom are not individually material.

(b) Revenues are attributed to countries based on the origin of sales.

(c) Long-lived assets include all long-term assets except goodwill, intangibles, and deferred tax assets.

The following table shows cash payments for property, plant and equipment by reportable segment:

	Successor	Predecessor		
	November 17, 2022 to December 31, 2022	January 1, 2022 to November 16, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Cash payments for property, plant and equipment:				
DRiV	$ 6	$ 56	$ 39	$ 23
Performance Solutions	14	94	84	89
Clean Air	15	58	129	109
Powertrain	16	90	128	159
Other unallocated assets	2	1	7	14
Total	$ 53	$ 299	$ 387	$ 394

The Other unallocated assets are comprised of software additions not included in segment information.

Disaggregation of revenue

Original Equipment

Value Added Sales

OE revenue is generated from providing OE manufacturers and servicers with products for automotive, commercial truck, off-highway, and industrial applications. Supply relationships typically extend over the life of the related vehicle, subject to interim design and technical specification revisions, and do not require the customer to purchase a minimum quantity.

Substrate/Passthrough Sales

Generally, in connection with the sale of exhaust systems to certain OE manufacturers, the Company purchases catalytic converters and diesel particulate filters or components thereof including precious metals ("substrates") on behalf of its customers which are used in the assembled system. These substrates are included in inventory and are "passed through" to the customer at cost, plus a small margin. Since the Company takes title to the substrate inventory and has responsibility for both the delivery and quality of the finished product including the substrates, the revenues and related expenses are recorded at gross amounts.

Aftermarket

Aftermarket revenue is generated from providing products for the global vehicle aftermarket to a wide range of warehouse distributors, retail parts stores, and mass merchants that distribute these products to customers ranging from professional service providers to "do-it-yourself" consumers.

Revenue from contracts with customers is disaggregated by customer type and geography, as it depicts the nature and amount of the Company's revenue that is aligned with the Company's key growth strategies. In the following table, revenue is disaggregated accordingly:

	Reportable Segments				
By Customer Type	DRiV	Performance Solutions	Clean Air	Powertrain	Total
Successor					
November 17, 2022 to December 31, 2022					
OE - Substrate	$ —	$ —	$ 506	$ —	$ 506
OE - Value add	—	388	454	441	1,283
Aftermarket	324	12	—	—	336
Total	$ 324	$ 400	$ 960	$ 441	$ 2,125
Predecessor					
January 1, 2022 to November 16, 2022					
OE - Substrate	$ —	$ —	$ 4,177	$ —	$ 4,177
OE - Value add	—	2,786	3,619	3,575	9,980
Aftermarket	2,505	67	—	—	2,572
Total	$ 2,505	$ 2,853	$ 7,796	$ 3,575	$ 16,729
Year Ended December 31, 2021					
OE - Substrate	$ —	$ —	$ 4,291	$ —	$ 4,291
OE - Value add	—	2,832	3,844	4,001	10,677
Aftermarket	2,991	76	—	—	3,067
Total	$ 2,991	$ 2,908	$ 8,135	$ 4,001	$ 18,035
Year Ended December 31, 2020					
OE - Substrate	$ —	$ —	$ 3,355	$ —	$ 3,355
OE - Value add	—	2,446	3,366	3,431	9,243
Aftermarket	2,725	56	—	—	2,781
Total	$ 2,725	$ 2,502	$ 6,721	$ 3,431	$ 15,379

	Reportable Segments				
By Geography	DRiV	Performance Solutions	Clean Air	Powertrain	Total
Successor					
November 17, 2022 to December 31, 2022					
North America	$ 191	$ 113	$ 439	$ 142	$ 885
Europe, Middle East, Africa and South America	106	166	268	216	756
Asia Pacific	27	121	253	83	484
Total	$ 324	$ 400	$ 960	$ 441	$ 2,125
Predecessor					
January 1, 2022 to November 16, 2022					
North America	$ 1,559	$ 913	$ 3,583	$ 1,215	$ 7,270
Europe, Middle East, Africa and South America	762	1,161	2,225	1,767	5,915
Asia Pacific	184	779	1,988	593	3,544
Total	$ 2,505	$ 2,853	$ 7,796	$ 3,575	$ 16,729
Year Ended December 31, 2021					
North America	$ 1,868	$ 893	$ 3,210	$ 1,226	$ 7,197
Europe, Middle East, Africa and South America	900	1,254	2,383	2,020	6,557
Asia Pacific	223	761	2,542	755	4,281
Total	$ 2,991	$ 2,908	$ 8,135	$ 4,001	$ 18,035
Year Ended December 31, 2020					
North America	$ 1,798	$ 768	$ 2,639	$ 1,078	$ 6,283
Europe, Middle East, Africa and South America	749	1,109	1,976	1,684	5,518
Asia Pacific	178	625	2,106	669	3,578
Total	$ 2,725	$ 2,502	$ 6,721	$ 3,431	$ 15,379

19. Related Party Transactions

Successor

As a result of the Merger, on November 17, 2022, the Company became a direct wholly-owned subsidiary of Parent.

In conjunction with the Merger, the Company entered into a management consulting agreement with an affiliate of Parent on November 17, 2022, pursuant to which the Company pays quarterly management consulting fees. Management consulting fees of $1 million were incurred by the Company for the period from November 17, 2022 to December 31, 2022. In addition, the Company incurred transaction related costs with an affiliate of Parent consisting of a one-time fee of $50 million and out-of-pocket expenses reimbursement of $6 million for the period from November 17, 2022 to December 31, 2022. All of these related party expenses were included in "Selling, general, and administrative" of Successor's consolidated statements of income (loss).

At December 31, 2022, the one-time fee of $50 million as described above was included in "Accrued expenses and other current liabilities" in the consolidated balance sheets.

In November 2022, prior to the Merger, the Company entered into an accounts receivable factoring program with an affiliate of Parent, which was accounted for as a sale. Proceeds from the factoring of accounts qualifying as sales were $268 million and financing charges were $4 million for this program which are included in "Interest expense" in the consolidated statements of income (loss) for the predecessor period January 1, 2022 to November 16, 2022. At December 31, 2022, the amount of remaining accounts receivable outstanding and derecognized was $13 million. In addition, the deferred purchase price receivable was $2 million at December 31, 2022.

Predecessor

During the second quarter of 2021, Icahn Enterprises L.P. ("IEP") and its subsidiaries, including Icahn Automotive Group LLC, were no longer considered related parties of the Company as IEP no longer owned 5% or more of the Company's then Class A Common Stock. The Company's net sales with Icahn Automotive Group LLC, which represent net sales with IEH Auto Parts LLC and Pep Boys—Manny, Moe & Jack, were $71 million for the six months ended June 30, 2021, and $144 million for the year ended December 31, 2020. The Company also had royalty and other income (expense) with Icahn Automotive Group LLC and PSC Metals of $2 million for the six months ended June 30, 2021, and $5 million for the year ended December 31, 2020. During the year ended December 31, 2020, the Company paid an amount owed to IEP of $3 million, related to the allocation of certain tax credits.

As part of the Federal-Mogul LLC acquisition, the Company acquired a redeemable noncontrolling interest related to a subsidiary in India. In accordance with local regulations, the Company initiated a process to make a tender offer of the shares it did not own due to the change in control triggered by the Federal-Mogul LLC acquisition. The Company entered into separate agreements with IEP subsequent to the purchase agreement whereby IEP agreed to fund and execute the tender offer for the shares on behalf of the Company. During the first quarter of 2020, the tender offer for the shares was completed. Since the transaction was funded and executed by IEP, the completion of the tender offer resulted in an adjustment to additional paid-in capital during the first quarter of 2020. Immediately following the completion of the tender offer, the shares of this noncontrolling interest not owned by the Company were no longer redeemable, or probable of becoming redeemable; therefore, the noncontrolling interest was reclassified from temporary equity to permanent equity during the first quarter of 2020. Refer to Note 2, "Summary of Significant Accounting Policies" for further information on this noncontrolling interest.