UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission File Number: 001-38636

Garrett Motion Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	**82-4873189** (I.R.S. Employer Identification No.)
La Pièce 16, Rolle, Switzerland **(Address of principal executive offices)**	**1180** **(Zip Code)**

+41 21 695 30 00
(Registrant's telephone number, including area code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	GTX	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	
Non-accelerated filer	☐	Smaller reporting company	
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of July 21, 2023, the registrant had 258,800,758 shares of Common Stock, $0.001 par value per share, outstanding.

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

GARRETT MOTION INC.
CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions, except per share amounts)			
Net sales (Note 3)	$ 1,011	$ 859	$ 1,981	$ 1,760
Cost of goods sold	809	690	1,590	1,416
Gross profit	202	169	391	344
Selling, general and administrative expenses	63	54	119	107
Other expense, net	1	—	2	1
Interest expense	30	20	58	43
Loss on extinguishment of debt	—	5	—	5
Non-operating expense (income)	7	(16)	3	(44)
Reorganization items, net	—	1	—	2
Income before taxes	101	105	209	230
Tax expense (Note 5)	30	20	57	57
Net income	71	85	152	173
Less: preferred stock dividends (Note 15)	(40)	(39)	(80)	(77)
Less: preferred stock deemed dividends (Note 15)	(232)	—	(232)	—
Net (loss) income available for distribution	$ (201)	$ 46	$ (160)	$ 96
(Loss) Earnings per common share				
Basic	$ (1.88)	$ 0.15	$ (1.86)	$ 0.31
Diluted	(1.88)	0.15	(1.86)	0.31
Weighted average common shares outstanding				
Basic	107,408,432	64,839,157	86,269,694	64,689,673
Diluted	107,408,432	65,102,162	86,269,694	64,907,289

The Notes to the Consolidated Interim Financial Statements are an integral part of this statement.

GARRETT MOTION INC.
CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Net income	$ 71	$ 85	$ 152	$ 173
Foreign exchange translation adjustment	(8)	1	(6)	3
Changes in fair value of effective cash flow hedges, net of tax (Note 16)	2	9	(1)	17
Changes in fair value of net investment hedges, net of tax (Note 16)	3	29	(2)	42
Total other comprehensive (loss) income, net of tax	(3)	39	(9)	62
Comprehensive income	$ 68	$ 124	$ 143	$ 235

The Notes to the Consolidated Interim Financial Statements are an integral part of this statement.

GARRETT MOTION INC.
CONSOLIDATED INTERIM BALANCE SHEETS
(Unaudited)

	June 30, 2023	December 31, 2022
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 478	$ 246
Restricted cash	1	2
Accounts, notes and other receivables – net (Note 6)	864	803
Inventories – net (Note 8)	312	270
Other current assets	87	110
Total current assets	1,742	1,431
Investments and long-term receivables	29	30
Property, plant and equipment – net	452	470
Goodwill	193	193
Deferred income taxes	230	232
Other assets (Note 9)	246	281
Total assets	$ 2,892	$ 2,637
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,136	$ 1,048
Current maturities of long-term debt (Note 14)	60	7
Accrued liabilities (Note 11)	322	320
Total current liabilities	1,518	1,375
Long-term debt (Note 14)	1,772	1,148
Deferred income taxes	21	25
Other liabilities (Note 12)	204	205
Total liabilities	$ 3,515	$ 2,753
COMMITMENTS AND CONTINGENCIES (Note 20)		
EQUITY (DEFICIT)		
Series A Preferred Stock, par value $0.001; zero and 245,089,671 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	$ —	$ —
Common Stock, par value $0.001; 1,000,000,000 and 1,000,000,000 shares authorized, 264,653,768 and 64,943,238 issued and 264,403,053 and 64,832,609 outstanding as of June 30, 2023 and December 31, 2022, respectively	—	—
Additional paid–in capital	1,184	1,333
Retained deficit	(1,834)	(1,485)
Accumulated other comprehensive income (Note 17)	27	36
Total deficit	(623)	(116)
Total liabilities and deficit	$ 2,892	$ 2,637

The Notes to the Consolidated Interim Financial Statements are an integral part of this statement.

GARRETT MOTION INC.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)

(Dollars in millions)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
	(Dollars in millions)	
Cash flows from operating activities:		
Net income	$ 152	$ 173
Adjustments to reconcile net income to net cash provided by operating activities		
Deferred income taxes	8	15
Depreciation	43	43
Amortization of deferred issuance costs	5	4
Interest payments, net of debt discount accretion	—	(19)
Loss on extinguishment of debt	—	5
Loss on remeasurement of forward purchase contract	13	—
Foreign exchange (gain) loss	(11)	2
Stock compensation expense	8	5
Pension expense	1	—
Change in fair value of derivatives	19	(35)
Other	9	(4)
Changes in assets and liabilities:		
Accounts, notes and other receivables	(69)	(33)
Inventories	(47)	(64)
Other assets	(10)	1
Accounts payable	105	86
Accrued liabilities	32	2
Other liabilities	(2)	(4)
Net cash provided by operating activities	$ 256	$ 177
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(33)	(52)
Re-couponing of cross-currency swap contract	9	—
Net cash used for investing activities	$ (24)	$ (52)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt, net of debt financing costs	667	—
Payments of long-term debt	(4)	(4)
Redemption of Series B Preferred Stock	—	(381)
Repurchases of Series A Preferred Stock	(580)	(3)
Repurchases of Common Stock	(15)	—
Payments of Additional Amounts for conversion of Series A Preferred Stock	(25)	—
Payments for preference dividends	(42)	—
Payments for debt and revolving facility financing costs	(2)	(5)
Other	(1)	—
Net cash used for financing activities	$ (2)	$ (393)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	1	(17)
Net increase (decrease) in cash, cash equivalents and restricted cash	231	(285)
Cash, cash equivalents and restricted cash at beginning of the period	248	464
Cash, cash equivalents and restricted cash at end of the period	$ 479	$ 179
Supplemental cash flow disclosure:		
Income taxes paid (net of refunds)	$ 27	$ 24
Interest paid	24	47

The Notes to the Consolidated Interim Financial Statements are an integral part of this statement

GARRETT MOTION INC.
CONSOLIDATED INTERIM STATEMENTS OF EQUITY (DEFICIT)
(Unaudited)

	Series A Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Income	Total Deficit
	Shares	Amount	Shares	Amount				
					(in millions)			
Balance at December 31, 2022	246	$ —	64	$ —	$ 1,333	$ (1,485)	$ 36	$ (116)
Net income	—	—	—	—	—	81	—	81
Other comprehensive loss, net of tax	—	—	—	—	—	—	(6)	(6)
Dividends	—	—	—	—	—	(42)	—	(42)
Stock-based compensation	—	—	—	—	3	—	—	3
Balance at March 31, 2023	246	$ —	64	$ —	$ 1,336	$ (1,446)	$ 30	$ (80)
Net income	—	—	—	—	—	71	—	71
Repurchases of Series A Preferred Stock	(70)	—	—	—	(366)	(201)	—	(567)
Repurchases of Common Stock	—	—	(2)	—	—	(18)	—	(18)
Excise tax on share repurchases	—	—	—	—	—	(6)	—	(6)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(3)	(3)
Issuance of Common Stock for preference dividends	—	—	26	—	209	(209)	—	—
Conversion of Series A Preferred Stock to Common Stock	(176)	—	176	—	—	(25)	—	(25)
Stock-based compensation	—	—	—	—	5	—	—	5
Balance at June 30, 2023	—	$ —	264	$ —	$ 1,184	$ (1,834)	$ 27	$ (623)

	Series A Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive (Loss)/Income	Total Deficit
	Shares	Amount	Shares	Amount				
					(in millions)			
Balance at December 31, 2021	246	$ —	64	$ —	$ 1,326	$ (1,790)	$ (4)	$ (468)
Net income	—	—	—	—	—	88	—	88
Repurchases of Series A Preferred Stock	—	—	—	—	(1)	(1)	—	(2)
Other comprehensive income, net of tax	—	—	—	—	—	—	23	23
Stock-based compensation	—	—	—	—	2	—	—	2
Balance at March 31, 2022	246	—	64	—	$ 1,327	$ (1,703)	$ 19	$ (357)
Net income	—	—	—	—	—	85	—	85
Repurchases of Series A Preferred Stock	—	—	—	—	(1)	—	—	(1)
Other comprehensive income, net of tax	—	—	—	—	—	—	39	39
Stock-based compensation	—	—	—	—	3	—	—	3
Balance at June 30, 2022	246	$ —	64	$ —	$ 1,329	$ (1,618)	$ 58	$ (231)

The Notes to the Consolidated Interim Financial Statements are an integral part of this statement.

Note 1. Background and Basis of Presentation

Background

Garrett Motion Inc., (the "Company" or "Garrett") designs, manufactures and sells highly engineered turbocharger and electric-boosting technologies for light and commercial vehicle original equipment manufacturers ("OEMs") and the global vehicle independent aftermarket, as well as automotive software solutions. These OEMs in turn ship to consumers globally. We are a global technology leader with significant expertise in delivering products across gasoline, diesel, natural gas and electric (hybrid and fuel cell) power trains. These products are key enablers for fuel economy and emission standards compliance.

Basis of Presentation

The accompanying unaudited Consolidated Interim Financial Statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission applicable to interim financial statements. While these statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by United States generally accepted accounting principles ("GAAP") for complete financial statements. The unaudited Consolidated Interim Financial Statements should therefore be read in conjunction with the Consolidated Financial Statements and accompanying notes for the year ended December 31, 2022 included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on February 14, 2023 (our "2022 Form 10-K"). The results of operations for the three and six months ended June 30, 2023 and cash flows for the six months ended June 30, 2023 should not necessarily be taken as indicative of the entire year. All amounts presented are in millions, except per share amounts.

We report our quarterly financial information using a calendar convention: the first, second and third quarters are consistently reported as ending on March 31, June 30 and September 30. It has been our practice to establish actual quarterly closing dates using a predetermined fiscal calendar, which requires our businesses to close their books on a Saturday to minimize the potentially disruptive effects of quarterly closing on our business processes. For differences in actual closing dates that are material to year-over-year comparisons of quarterly or year-to-date results have been adjusted for the three months ended June 30, 2023. Our actual closing dates for the three months ended June 30, 2023 and 2022 were July 1, 2023 and July 2, 2022, respectively.

We evaluate segment reporting in accordance with ASC 280, *Segment Reporting*. We concluded that Garrett operates in a single operating segment and a single reportable segment based on the operating results available and evaluated regularly by the chief operating decision maker ("CODM"), which is our Chief Executive Officer, to make decisions about resource allocation and performance assessment. The CODM makes operational performance assessments and resource allocation decisions on a consolidated basis, inclusive of all of the Company's products across channels and geographies.

The preparation of the financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases these estimates on assumptions that it believes to be reasonable under the circumstances. Actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

Capital Structure Transformation

On April 12, 2023, the Company entered into separate definitive agreements with each of Centerbridge Partners, L.P. and funds managed by Oaktree Capital Management, L.P. to effect a series of integrated transactions (the "Transaction") designed to increase the attractiveness of the Company to investors, including simplifying the Company's capital stock by converting all outstanding Series A Preferred Stock into a single class of Common Stock, subject to certain conditions.

Under the Transaction, the Company repurchased 69,707,719 shares of Series A Preferred Stock and converted the remaining 175,337,712 shares of Series A Preferred Stock into an equivalent number of Common Stock. Total consideration paid to holders of Series A Preferred Stock under the Transaction amounted to cash payments of $605 million and the issuance of an additional 25,577,517 shares of Common Stock in settlement of accumulated and unpaid preference dividends on the Series A Preferred Stock through June 30, 2023. The Transaction was financed through a new Term Loan B for an aggregate principal amount of $700 million under the framework of the Company's existing credit agreement.

The Company recorded the following amounts in the Consolidated Interim Financial Statements related to the repurchase and conversion of its Series A Preferred Stock:

		Movements for the Six Months Ended June 30, 2023
Consolidated Interim Balance Sheet:		*(Dollars in millions)*
Cash and cash equivalents	$	(605)
Preferred stock, Common stock and Additional Paid-in capital		(157)
Retained earnings		(441)

		Six Months Ended June 30, 2023
Consolidated Interim Statement of Operations:		*(Dollars in millions)*
Non-operating expenses	$	13

The Company also incurred $7 million of Transaction-related costs for the six months ended June 30, 2023, primarily for legal and advisory services that are included in Selling, general and administrative expenses in the Consolidated Interim Statement of Operations. See Note 14, *Long-term Debt and Credit Agreement* for discussion on the new Term Loan B and Note 15, *Series A Preferred Stock* for further discussion of the Transaction.

Note 2. Summary of Significant Accounting Policies

The accounting policies of the Company are set forth in Note 3 to the Consolidated Financial Statements for the year ended December 31, 2022 included in our 2022 Form 10-K.

Recently Adopted Accounting Pronouncements

In September 2022, the FASB issued ASU 2022-04, *Disclosure of Supplier Finance Program Obligations (Topic 405-50): Disclosure of Supplier Finance Purchase Obligations*. The amendment in this update requires companies to disclose key terms of supplier financing programs used in connection with the purchase of goods and services, along with information about their obligations under these programs including a rollforward of those obligations. The Company adopted the new guidance as of January 1, 2023. See Note 10, *Supplier Financing* for disclosure related to the Company's supplier financing program obligations.

Note 3. Revenue Recognition and Contracts with Customers

Disaggregated Revenue

Net sales by region (determined based on country of shipment) and channel are as follows:

	Three Months Ended June 30, 2023				Three Months Ended June 30, 2022			
	OEM	Aftermarket	Other	Total	OEM	Aftermarket	Other	Total
	(Dollars in millions)							
United States	$ 142	$ 47	$ 1	$ 190	$ 118	$ 54	$ 1	$ 173
Europe	437	48	9	494	394	38	8	440
Asia	292	13	4	309	211	10	6	227
Other	12	6	—	18	13	6	—	19
	$ 883	$ 114	$ 14	$ 1,011	$ 736	$ 108	$ 15	$ 859

	Six Months Ended June 30, 2023				Six Months Ended June 30, 2022			
	OEM	Aftermarket	Other	Total	OEM	Aftermarket	Other	Total
	(Dollars in millions)							
United States	$ 265	$ 96	$ 2	$ 363	$ 220	$ 105	$ 1	$ 326
Europe	883	91	17	991	800	76	15	891
Asia	559	25	7	591	477	20	12	509
Other	24	12	—	36	22	12	—	34
	$ 1,731	$ 224	$ 26	$ 1,981	$ 1,519	$ 213	$ 28	$ 1,760

Contract Balances

The following table summarizes our contract assets and liabilities balances:

	2023	2022
	(Dollars in millions)	
Contract assets—January 1	$ 46	$ 63
Contract assets—June 30	47	58
Change in contract assets—(Decrease)/Increase	$ 1	$ (5)
Contract liabilities—January 1	$ (8)	$ (5)
Contract liabilities—June 30	(9)	(6)
Change in contract liabilities—(Increase)/Decrease	$ (1)	$ (1)

Note 4. Research, Development & Engineering

Garrett conducts research, development and engineering ("RD&E") activities, which consist primarily of the development of new products and product applications. RD&E costs are charged to expense as incurred unless the Company has a contractual guarantee for reimbursement from the customer. Customer reimbursements are netted against gross RD&E expenditures as they are considered a recovery of cost. Such costs are included in Cost of goods sold as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Research and development costs	$ 46	$ 38	$ 86	$ 74
Engineering-related expenses [(1)]	(4)	3	(5)	9
	$ 42	$ 41	$ 81	$ 83

(1) Engineering-related expenses include customer reimbursements of $13 million and $6 million for the three months ended June 30, 2023 and 2022, respectively, and $24 million and $9 million for the six months ended June 30, 2023 and 2022, respectively.

Note 5. Income Taxes

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Tax expense	$ 30	$ 20	$ 57	$ 57
Effective tax rate	29.7 %	19.0 %	27.3 %	24.8 %

The effective tax rates for the three months ended June 30, 2023 and 2022 were 29.7% and 19.0%, respectively. The effective tax rates for the six months ended June 30, 2023 and 2022 were 27.3% and 24.8%, respectively.

The change in the effective tax rate for the three and six months ended June 30, 2023 compared to the prior period is primarily related to non-deductible Transaction-related expenses and a one-time benefit in 2022 related to a change in assertion to permanently reinvest a portion of undistributed earnings in China.

The effective tax rate for the three and six months ended June 30, 2023 was higher than the U.S. federal statutory rate of 21% primarily because of U.S. taxes on international operations, withholding taxes and non-deductible Transaction related expenses, partially offset by lower taxes on non-U.S. earnings and global research and development benefits.

The effective tax rate can vary from quarter to quarter due to changes in the Company's global mix of earnings, the resolution of income tax audits, changes in tax laws (including updated guidance on U.S. tax reform), deductions related to employee share-based payments, internal restructurings, and pension mark-to-market adjustments.

Note 6. Accounts, Notes and Other Receivables—Net

	June 30, 2023	December 31, 2022
	(Dollars in millions)	
Trade receivables	$ 678	$ 619
Notes receivable	102	105
Other receivables	91	88
	871	812
Less—Allowance for expected credit losses	(7)	(9)
	$ 864	$ 803

Trade receivables include $47 million and $46 million of unbilled customer contract asset balances as of June 30, 2023 and December 31, 2022, respectively. These amounts are billed in accordance with the terms of customer contracts to which they relate. See Note 3*, Revenue Recognition and Contracts with Customers*.

Notes receivable is related to guaranteed bank notes without recourse that the Company receives in settlement of accounts receivables, primarily in the Asia Pacific region. See Note 7, *Factoring and Notes Receivable* for further information.

Note 7. Factoring and Notes Receivable

The Company enters into arrangements with financial institutions to sell eligible trade receivables. The receivables are sold without recourse and the Company accounts for these arrangements as true sales. The Company also receives guaranteed bank notes without recourse, in settlement of accounts receivables, primarily in the Asia Pacific region. The Company can hold the bank notes until maturity, exchange them with suppliers to settle liabilities, or sell them to third-party financial institutions in exchange for cash. Bank notes sold to third-party financial institutions without recourse are likewise accounted for as true sales.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Eligible receivables sold without recourse	$ 218	$ 226	$ 400	$ 370
Guaranteed bank notes sold without recourse	—	38	—	66

The expenses related to the sale of trade receivables and guaranteed bank notes are recognized within Other expense, net in the Consolidated Interim Statements of Operations, and were immaterial for the three and six months ended June 30, 2023 and 2022.

	June 30, 2023	December 31, 2022
	(Dollars in millions)	
Receivables sold but not yet collected by the bank from the customer	$ 5	$ 5
Guaranteed bank notes sold but not yet collected by the bank from the customer	—	—

As of June 30, 2023 and December 31, 2022, the Company had no guaranteed bank notes pledged as collateral.

Note 8. Inventories—Net

	June 30, 2023	December 31, 2022
	(Dollars in millions)	
Raw materials	$ 205	$ 203
Work in process	23	18
Finished products	121	80
	349	301
Less—Reserves	(37)	(31)
	$ 312	$ 270

Note 9. Other Assets

	June 30, 2023	December 31, 2022
	(Dollars in millions)	
Advanced discounts to customers, non-current	$ 46	$ 51
Operating right-of-use assets (Note 13)	43	44
Income tax receivable	22	22
Pension and other employee related	4	4
Designated cross-currency swaps	47	74
Designated and undesignated derivatives	71	76
Other	13	10
	$ 246	$ 281

Note 10. Supplier Financing

The Company has supplier financing arrangements with two third-party financial institutions under which certain suppliers may factor their receivables from Garrett. The Company also enters into arrangements with banking institutions to issue bankers acceptance drafts in settlement of accounts payables, primarily in the Asia Pacific region. The bankers acceptance drafts, or guaranteed bank notes, have a contractual maturity of six months or less, and may be held by suppliers until maturity, transferred to their suppliers, or discounted with financial institutions in exchange for cash. The supplier financing obligations and guaranteed bank notes outstanding are recorded within Accounts payable in our Consolidated Interim Balance Sheet.

	June 30, 2023	December 31, 2022
	(Dollars in millions)	
Supplier financing obligations outstanding with financial institutions	$ 76	$ 33
Guaranteed bank notes outstanding	176	171

Note 11. Accrued Liabilities

	June 30, 2023	December 31, 2022
	(Dollars in millions)	
Customer pricing reserve	$ 63	$ 50
Compensation, benefit and other employee related	68	69
Repositioning	12	9
Product warranties and performance guarantees - short-term (Note 20)	18	18
Income and other taxes	62	39
Advanced discounts from suppliers, current	6	8
Customer advances and deferred income [(1)]	18	29
Accrued interest	22	13
Short-term lease liability (Note 13)	9	9
Accrued freight	10	9
Dividends payable	—	42
Designated and undesignated derivatives	17	8
Other (primarily operating expenses) [(2)]	17	17
	$ 322	$ 320

(1) Customer advances and deferred income include $9 million and $8 million of contract liabilities as of June 30, 2023 and December 31, 2022, respectively. See Note 3, *Revenue Recognition and Contracts with Customers*.

(2) Includes $4 million and $3 million of environmental liabilities as of June 30, 2023 and December 31, 2022, respectively.

The Company accrues repositioning costs related to projects to optimize its product costs and right-size our organizational structure. Expenses related to the repositioning accruals are included in Cost of goods sold and Selling, general and administrative expenses in our Consolidated Interim Statements of Operations.

	Severance Costs	Other Costs	Total
	(Dollars in millions)		
Balance at December 31, 2022	$ 9	$ —	$ 9
Charges	7	2	9
Usage—cash	(4)	—	(4)
Non-cash asset write-offs	—	(2)	(2)
Balance at June 30, 2023	$ 12	$ —	$ 12

	Severance Costs	Other Costs	Total
		(Dollars in millions)	
Balance at December 31, 2021	$ 10	$ —	$ 10
Charges	2	—	2
Usage—cash	(4)	—	(4)
Balance at June 30, 2022	$ 8	$ —	$ 8

Note 12. Other Liabilities

	June 30, 2023	December 31, 2022
	(Dollars in millions)	
Income taxes	$ 103	$ 99
Designated and undesignated derivatives	2	—
Pension and other employee related	18	21
Long-term lease liability (Note 13)	35	36
Advanced discounts from suppliers	4	6
Product warranties and performance guarantees – long-term (Note 20)	10	10
Environmental remediation – long term	13	14
Long-term accounts payable	8	8
Other	11	11
	204	205

Note 13. Leases

We have operating leases that primarily consist of real estate, machinery and equipment. Our leases have remaining lease terms of up to 15 years, some of which include options to extend the leases for up to two years, and some of which include options to terminate the leases within the year.

The components of lease expense are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Operating lease cost	$ 4	$ 4	$ 8	$ 8

Supplemental cash flow information related to operating leases is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash outflows from operating leases	$ 3	$ 3	$ 7	$ 6
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	2	1	2	2

Supplemental balance sheet information related to operating leases is as follows:

	June 30, 2023	December 31, 2022
	(Dollars in millions)	
Other assets	$ 43	$ 44
Accrued liabilities	9	9
Other liabilities	35	36

	June 30, 2023	December 31, 2022
Weighted-average remaining lease term (in years)	8.19	8.41
Weighted-average discount rate	5.71 %	5.61 %

Maturities of operating lease liabilities as of June 30, 2023 were as follows:

	(Dollars in millions)
2023	$ 6
2024	10
2025	7
2026	6
2027	5
Thereafter	21
Total lease payments	55
Less imputed interest	(11)
	$ 44

Note 14. Long-term Debt and Credit Agreements

The principal outstanding and carrying amounts of our long-term debt as of June 30, 2023 and December 31, 2022 are as follows:

	Due	Interest Rate	June 30, 2023	December 31, 2022
2021 Dollar Term Facility	4/30/2028	SOFR plus 351 bps	$ 703	$ 706
2023 Dollar Term Facility	4/30/2028	SOFR plus 450 bps	700	—
Euro Term Facility	4/30/2028	EURIBOR plus 350 bps	488	480
Total principal outstanding			1,891	1,186
Less: unamortized deferred financing costs			(59)	(31
Less: current portion of long-term debt			(60)	(7
Total long-term debt			$ 1,772	$ 1,148

Credit Facilities

On April 30, 2021, the Company entered into a credit agreement (as amended from time to time, the "Credit Agreement") providing for senior secured financing, consisting of a seven-year secured first-lien U.S. Dollar term loan facility initially in the amount of $715 million (the “2021 Dollar Term Facility”), a seven-year secured first-lien Euro term loan facility initially in the amount of €450 million (the “Euro Term Facility”) and a five-year senior secured first-lien revolving credit facility initially in the amount of $300 million providing for multi-currency revolving loans (the “Revolving Facility”). The maximum amount of borrowings available under the Revolving Facility was increased to $475 million in 2022.

On April 27, 2023, the Company entered into Amendment No. 3 (the "Third Amendment") to the Credit Agreement, which provided for additional financing consisting of a five-year secured first-lien U.S. Dollar term loan facility initially in the amount of $700 million (the “2023 Dollar Term Facility”, together with the 2021 Dollar Term Facility and Euro Term Facility, the "Term Loan Facilities", and together with the Revolving Facility, the "Credit Facilities"). The full amount of the 2023 Dollar Term Facility was drawn on June 6, 2023 (the "Closing Date"), and the proceeds were primarily used to finance the repurchases of the Series A Preferred Stock as part of the Transaction, and pay fees and expenses incurred in connection with the Third Amendment.

The 2023 Dollar Term Facility will mature on April 30, 2028. Prior to maturity, the 2023 Dollar Term Facility will be repaid quarterly in an amount equal to, during the first two years occurring after the Closing Date, 7.50% per annum of the aggregate principal amount, and thereafter, 10.00% per annum. The Term Borrowers may also prepay the 2023 Dollar Term Facility at any time in whole or in part without premium or penalty, subject to certain exceptions (including for (i) customary breakage and redeployment costs in the case of prepayment of term benchmark rate loans and (ii) 2023 Dollar Term Facility repricing events occurring during the period from the Closing Date to the date that is twelve months following the Closing Date).

The Third Amendment also provided for (i) an increase in the maximum borrowing amount under the Revolving Facility by $95 million (the “Incremental Revolving Commitment”) to an aggregate amount of $570 million; and (ii) an extension of the maturity date for the Revolving Facility by two years from April 30, 2026 to April 30, 2028 (or January 30, 2028 if any of the currently outstanding term loans or term loans under the 2023 Dollar Term Facility maturing as of April 30, 2028 remain outstanding as of such date). The Incremental Revolving Commitment has the same terms and is generally subject to the same conditions applicable to the existing revolving facility under the Credit Agreement, except for fees paid in connection with the arrangement of the increased amount.

Under the Revolving Facility, the Company may use up to $125 million for the issuance of letters of credit to its subsidiaries. Letters of credit are available for issuance under the Credit Agreement on terms and conditions customary for financings of this kind, which issuances reduce availability under the Revolving Facility. As of June 30, 2023, the Company had no loans outstanding under the Revolving Facility, no outstanding letters of credit, and available borrowing capacity of approximately $570 million.

Separate from the Revolving Facility, the Company has a bilateral letter of credit facility in the amount of $15 million, which matures on April 30, 2026. As of June 30, 2023, the Company had $12 million utilized and $3 million of remaining available capacity under such facility.

Minimum scheduled principal repayments of the Credit Facilities as of June 30, 2023 are as follow:

	June 30, 2023
	(Dollars in millions)
2023	$ 30
2024	60
2025	68
2026	77
2027	77
Thereafter	1,579
Total debt payments	$ 1,891

Interest Rate and Fees

The 2021 Dollar Term Facility is subject to an interest rate, at our option, of either (a) an alternate base rate (“ABR”) (which shall not be less than 1.50%) or (b) an adjusted SOFR rate (“SOFR”) (which shall not be less than 0.50%), in each case, plus an applicable margin equal to 3.51% in the case of SOFR loans and 2.25% in the case of ABR loans. The Euro Term Facility is subject to an interest rate equal to an adjusted EURIBOR rate (which shall not be less than zero) plus an applicable margin equal to 3.50%. Interest payments with respect to the 2021 Dollar and Euro Term Facilities are required either on a quarterly basis (for ABR loans) or at the end of each interest period (for SOFR and EURIBOR loans) or, if the duration of the applicable interest period exceeds three months, then every three months.

The 2023 Dollar Term Facility will bear interest, at the Term Borrowers’ election, at a rate per annum equal to (i) SOFR (subject to a 0.50% floor) plus the applicable margin or (ii) the base rate plus the applicable margin. The applicable margin for loans under the 2023 Dollar Term Facility is 4.50% for SOFR loans and 3.50% for base rate loans.

The Revolving Facility is subject to an interest rate comprised of an applicable benchmark rate as provided under the Credit Agreement (which shall not be less than 1.00% if such benchmark is the ABR rate and not less than 0.00% in the case of other applicable benchmark rates) that is selected based on the currency in which borrowings are outstanding thereunder, in each case, plus an applicable margin, that may vary based on our leverage ratio.

In addition to paying interest on outstanding borrowings under the Revolving Facility, we are also required to pay a quarterly commitment fee based on the average daily unused portion of the Revolving Facility during such quarter, which is determined by our leverage ratio and ranges from 0.25% to 0.50% per annum.

Prepayments

The Credit Agreement contains certain mandatory prepayment provisions in the event that we incur certain types of indebtedness, receive net cash proceeds from certain non-ordinary course asset sales or other dispositions of property, or have excess cash flow (calculated on an annual basis with the required prepayment equal to 50%, 25% or 0% of such excess cash flow, subject to compliance with certain leverage ratios), in each case subject to terms and conditions customary for financings of this kind.

Certain Covenants

The Credit Agreement contains certain affirmative and negative covenants customary for financings of this type. The Revolving Facility also contains a financial covenant requiring the maintenance of a consolidated total leverage ratio of not greater than 4.7 times as of the end of each fiscal quarter if, on the last day of any such fiscal quarter, the aggregate amount of loans and letters of credit (excluding backstopped or cash collateralized letters of credit and other letters of credit with an aggregate face amount not exceeding $30 million) outstanding under the Revolving Facility exceeds 35% of the aggregate commitments in effect thereunder on such date. As of June 30, 2023, the Company was in compliance with all covenants.

Note 15. Series A Preferred Stock

On April 12, 2023 (the “Transaction Date”), the Company entered into separate definitive agreements (the “Agreements”) with each of Centerbridge Partners, L.P. and funds managed by Oaktree Capital Management, L.P. (collectively, the “C&O Investors”) to effect a series of integrated transactions (the “Transaction”) designed to increase the attractiveness of the Company to investors, including by simplifying the Company’s capital structure by converting all outstanding Series A Preferred Stock into a single class of Common Stock, subject to certain conditions.

As part of the Agreements, the holders of a majority of the outstanding shares of the Series A Preferred Stock authorized and approved the amendment and restatement of the certificate of designations for the Series A Preferred Stock (as amended, the “Certificate of Designations”) to, among other things, require the conversion of all shares of Series A Preferred Stock into shares of the Company’s common stock (the “2023 Conversion”), subject to the repurchase by the Company of a portion of the shares of Series A Preferred Stock held by the C&O Investors (the “Series A Repurchase”).

Under the terms of the Agreements, the Company would repurchase a total of $570 million (“Base Repurchase Price”) from the C&O Investors at a cash price of $8.10 per share which will be adjusted to equal the volume-weighted average price of the Common Stock for the fifteen trading days following the announcement of the transactions (the “15 Days VWAP”), subject to a minimum price of $7.875 per share and a maximum price of $8.50 per share. The 15 Days VWAP was subsequently established at a value of $8.177 per share.

As part of the Transaction, all holders of Series A Preferred Stock, including the C&O Investors, would receive an amount equal to $0.853509 per share of Series A Preferred Stock, representing accumulated and unpaid preference dividends through June 30, 2023 (the “Accumulated Dividends”), as well as $0.144375 per share of Series A Preferred Stock, representing the preference dividends that would have accrued on the Series A Preferred Stock from July 1, 2023, through September 30, 2023 (the “Additional Amounts”).

As part of the Transaction, following the effectiveness of the Certificate of Designations which occurred on June 6, 2023, the Company completed all steps of the Transaction as follows:

- The Company paid $580 million to the C&O Investors in connection with the repurchase of 69,707,719 shares of Series A Preferred Stock, comprising of the Base Repurchase Price as well as $10 million ($0.144375 for each repurchased share) in consideration of the Additional Amounts on the repurchased shares of Series A Preferred Stock.

- The remaining 175,337,712 shares of Series A Preferred Stock were converted into 175,337,712 shares of Common Stock in accordance with the customary procedures of the Company's transfer agent, for shares held in registered form, and of the Depository Trust Company, for shares held in street name;
- As part of the 2023 Conversion, the Company also paid $25 million ($0.144375 for each converted share) to the holders of Series A Preferred Stock in consideration of the Additional Amounts on the shares of Series A Preferred Stock that were converted; and
- The Company issued 25,577,517 shares of Common Stock to all holders of Series A Preferred Stock (equal to $0.853509 per share, adjusted to avoid the issuance of fractional shares of Common Stock), in consideration of the Accumulated Dividends of an aggregate amount of $209 million. Cash payments for fractional shares were immaterial.

The Agreements were accounted for as freestanding physically settled forward purchase contracts. The Agreements were initially recorded at fair value and then remeasured through earnings until the establishment of the 15 Days VWAP, whereupon the Agreements were subsequently measured based on the amount of consideration to be paid at settlement. A Monte-Carlo simulation model was used to determine the Transaction Date fair value of the Agreements by simulating a range of possible future stock prices for the Company through the expected settlement date of the Agreements. The significant assumptions utilized in estimating the fair value of the Agreements include: (i) a dividend yield of 0.0%; (ii) an expected volatility of 40.0%; (iii) a risk-free interest rate of 4.23% based on observed interest rates from the Treasury Constant Maturity yield curve consistent with the simulation term; and (iv) a starting share price of $8.25 based on the market price of the Company's common stock as of the Transaction Date.

The initial fair value of the Agreements represented a forward purchase liability of $4 million. A loss of $13 million was recognized in Non-operating expense in the Consolidated Interim Statement of Operations to reflect the subsequent remeasurement of fair value of the Agreements due to changes in the market price of the Company's Common Stock. The difference between the fair value of consideration transferred under the Agreements and the carrying value of the repurchased Series A Preferred Stock, amounting to $201 million, was recorded to Retained Deficit as a deemed dividend on the repurchase of Series A Preferred Stock from the C&O Investors as part of the Transaction. A liability for excise tax, amounting to $6 million, was also recorded to Retained Deficit as a deemed dividend.

In connection with the 2023 Conversion, the Company also recognized a deemed dividend on the 2023 Conversion for $25 million, corresponding to the Additional Amounts paid to the holders of Series A Preferred Stock on the shares of Series A Preferred Stock that were converted.

Effective after the close of market on June 12, 2023, trading of the Series A Preferred Stock on Nasdaq was suspended, and each holder of shares of Series A Preferred Stock as of the conversion was deemed to hold one share of the Company's Common Stock for each share of Series A Preferred Stock previously held.

As part of the Agreements, the C&O Investors have agreed with the Company to certain changes to their governance rights under the Company's governance documents, including a reduction of their existing board nomination rights, as well as lock-up restrictions on their equity securities of the Company for up to twelve months, and certain limits on their ability to purchase additional equity securities of the Company and to voting limitations, in each case for a period of up to eighteen months.

The Company also announced an increase in its share repurchase authorization to $250 million. Under the share repurchase program, the Company may repurchase shares of Common Stock in open market transactions, privately negotiated purchases and other transactions from time to time.

The following table summarizes the effects of the Transaction on the Consolidated Interim Balance Sheet as of June 30, 2023 and the Consolidated Interim Statement of Operations for the six months ended June 30, 2023:

	Series A Repurchase	2023 Conversion	Settlement of Accumulated Dividends	Excise tax on share repurchase	Total
	(Dollars in millions)				
Consolidated Interim Balance Sheet - increase/(decrease):					
Cash and cash equivalents	$ (580)	$ (25)	$ —	$ —	**$ (605)**
Accrued liabilities	—	—	—	6	**6**
Preferred Stock	—	—	—	—	**—**
Common Stock	—	—	—	—	**—**
Additional Paid-in capital	(366)	—	209	—	**(157)**
Retained earnings	(201)	(25)	(209)	(6)	**(441)**
Consolidated Interim Statement of Operations:					
Non-operating expenses	13	—	—	—	**13**
Consolidated Interim Statement of Cash Flows					
Repurchases of Series A Preferred Stock	(580)	—	—	—	**(580)**
Payments for Additional Amounts for conversion of Series A Preferred Stock	—	(25)	—	—	**(25)**

The Company has also incurred $7 million of Transaction-related costs for the six months ended June 30, 2023, primarily for legal and advisory services that are included in Selling, general and administrative expenses in the Consolidated Interim Statement of Operations.

Note 16. Financial Instruments and Fair Value Measures

Our credit, market and foreign currency risk management policies are described in Note 19, *Financial Instruments and Fair Value Measures*, to the Consolidated Financial Statements for the year ended December 31, 2022 included in our 2022 Form 10-K. As of June 30, 2023 and December 31, 2022, we had contracts with aggregate gross notional amounts of $3,309 million and $2,621 million, respectively, to hedge interest rates and foreign currencies, principally the U.S. Dollar, Swiss Franc, British Pound, Euro, Chinese Yuan, Japanese Yen, Mexican Peso, New Romanian Leu, Czech Koruna, Australian Dollar and Korean Won.

Fair Value of Financial Instruments

The FASB's accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Financial and nonfinancial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2023 and December 31, 2022:

	Notional Amounts		Fair Value			
			Assets		Liabilities	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Designated instruments:						
Designated forward currency exchange contracts	$ 483	$ 565	$ 19	$ 22 (a)	$ 8	$ 6 (c)
Designated cross-currency swaps	1,015	715	47	74 (b)	2	— (d)
Designated interest-rate swaps	270	—	1	— (b)	—	—
Total designated instruments	1,768	1,280	67	96	10	6
Undesignated instruments:						
Undesignated interest rate swaps	901	1,024	70	76 (b)	—	—
Undesignated forward currency exchange contracts	640	317	5	4 (a)	8	2 (c)
Total undesignated instruments	1,541	1,341	75	80	8	2
Total designated and undesignated instruments	$ 3,309	$ 2,621	$ 142	$ 176	$ 18	$ 8

(a) Recorded within Other current assets
(b) Recorded within Other assets
(c) Recorded within Accrued liabilities
(d) Recorded within Other liabilities

As of June 30, 2023, the Company had outstanding interest rate swaps with aggregate notional amounts of €830 million ($901 million based on June 30, 2023 foreign exchange rates) and $270 million, with maturities of January 2024, April 2024, July 2024, October 2024, April 2025, April 2026, April 2027 and April 2028. The Company uses interest rate swaps specifically to mitigate variable interest risk exposure on its long-term debt portfolio. The $270 million interest rate swaps have been designated as cash flow hedges. The designated interest rate swaps' fair value were net assets of $1 million as of June 30, 2023.

The Company executed cross-currency swaps which have been designated as net investment hedges of its Euro-denominated operations and cash flow hedges to hedge the foreign currency exposure from foreign currency-denominated debt. In May 2023, the Company re-couponed the cross-currency swap contracts which have been designated as net investment hedges and received a cash settlement of $9 million. As of June 30, 2023, an aggregate notional amount of €615 million was designated as net investment hedges of the Company's investment in Euro-denominated operations and €280 million was designated as cash flow hedges. The cross-currency swaps' fair values were net assets of $45 million as of June 30, 2023. Our Consolidated Interim Statements of Comprehensive Income include Changes in fair value of net investment hedges and cash flow hedges, net of tax, of $3 million and $(2) million, during the three and six months ended June 30, 2023, respectively, related to these designated cross-currency swaps. No ineffectiveness has been recorded on the designated cross-currency hedges.

The Company's forward currency exchange contract under our cash flow hedging program are assessed as highly effective and are designated as cash flow hedges. Gains and losses on derivatives qualifying as cash flow hedges are recorded in Accumulated other comprehensive income until the underlying transactions are recognized in earnings.

The foreign currency exchange, interest rate swap and cross-currency swap contracts are valued using market observable inputs. As such, these derivative instruments are classified within Level 2. The assumptions used in measuring the fair value of the cross-currency swap are considered Level 2 inputs, which are based upon market-observable interest rate curves, cross-currency basis curves, credit default swap curves, and foreign exchange rates.

The carrying value of Cash, cash equivalents and restricted cash, Account receivables and Notes and Other receivables contained in the Consolidated Interim Balance Sheet approximates fair value.

The following table sets forth the Company's financial assets and liabilities that were not carried at fair value:

	June 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(Dollars in millions)			
Term Loan Facilities	$ 1,831	$ 1,828	$ 1,156	$ 1,151

The Company determined the fair value of certain of its long-term debt and related current maturities utilizing transactions in the listed markets for similar liabilities. As such, the fair value of the long-term debt and related current maturities is considered Level 2.

Note 17. Accumulated Other Comprehensive Income

The changes in Accumulated Other Comprehensive Income by component are set forth below:

	Foreign Exchange Translation Adjustment	Changes in Fair Value of Effective Cash Flow Hedges	Changes in Fair Value of Net Investment Hedges	Pension Adjustments	Total Accumulated Other Comprehensive Income
	(Dollars in millions)				
Balance at December 31, 2022	$ (44)	$ 13	$ 85	$ (18)	$ 36
Other comprehensive income before reclassifications	(6)	14	(2)	—	6
Amounts reclassified from accumulated other comprehensive income	—	(15)	—	—	(15)
Net current period other comprehensive income	(6)	(1)	(2)	—	(9)
Balance at June 30, 2023	$ (50)	$ 12	$ 83	$ (18)	$ 27

	Foreign Exchange Translation Adjustment	Changes in Fair Value of Effective Cash Flow Hedges	Changes in Fair Value of Net Investment Hedges	Pension Adjustments	Total Accumulated Other Comprehensive Income
	(Dollars in millions)				
Balance at December 31, 2021	$ (43)	$ 7	$ 41	$ (9)	$ (4)
Other comprehensive income before reclassifications	3	29	42	—	74
Amounts reclassified from accumulated other comprehensive income	—	(12)	—	—	(12)
Net current period other comprehensive income	3	17	42	—	62
Balance at June 30, 2022	$ (40)	$ 24	$ 83	$ (9)	$ 58

Note 18. Earnings Per Share

Earnings per share ("EPS") is calculated using the two-class method pursuant to the issuance of our Series A Preferred Stock. Our Series A Preferred Stock is considered a participating security because holders of the Series A Preferred Stock will also be entitled to such dividends paid to holders of Common Stock to the same extent on an as-converted basis. The two-class method requires an allocation of earnings to all securities that participate in dividends with common shares, such as our Series A Preferred Stock, to the extent that each security may share in the entity's earnings. Basic earnings per share are then calculated by dividing undistributed earnings allocated to common stock by the weighted average number of common shares outstanding for the period. The Series A Preferred Stock is not included in the computation of basic earnings per share in periods in which we have a net loss, as the Series A Preferred Stock is not contractually obligated to share in our net losses.

Diluted earnings per share for the three and six months ended June 30, 2023 and 2022 is calculated using the more dilutive of the two-class or if-converted methods. The two-class method uses net income available to common shareholders and assumes conversion of all potential shares other than the participating securities. The if-converted method uses net income and assumes conversion of all potential shares including the participating securities.

The details of the EPS calculations for the three and six months ended June 30, 2023 and 2022 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions except per share)			
Basic earnings per share:				
Net income	$ 71	$ 85	$ 152	$ 173
Less: preferred stock dividend	(40)	(39)	(80)	(77)
Less: preferred stock deemed dividends	(232)	—	(232)	—
Net (loss) income available for distribution	(201)	46	(160)	96
Less: earnings allocated to participating securities	—	(36)	—	(76)
Net (loss) income available to common shareholders	$ (201)	$ 10	$ (160)	$ 20
Weighted average common shares outstanding - Basic	107,408,432	64,839,157	86,269,694	64,689,673
EPS – Basic	$ (1.88)	$ 0.15	$ (1.86)	$ 0.31
Diluted earnings per share:				
Method used:	*Two-class*	*Two-class*	*Two-class*	*Two-class*
Weighted average common shares outstanding - Basic	107,408,432	64,839,157	86,269,694	64,689,673
Dilutive effect of unvested RSUs and other contingently issuable shares	—	263,005	—	217,616
Weighted average common shares outstanding – Diluted	107,408,432	65,102,162	86,269,694	64,907,289
EPS – Diluted	$ (1.88)	$ 0.15	$ (1.86)	$ 0.31

For the periods where a net loss attributable to common shareholders is present, dilutive securities have been excluded from the calculation of diluted net loss per share attributable to common stockholders as including them would have been anti-dilutive. For the three and six months ended June 30, 2023, the weighted-average number of unvested RSUs and other contingently issuable shares excluded from the computations were 1,113,778 and 1,358,636 shares, respectively.

Note 19. Related Party Transactions

We lease certain facilities and receive property maintenance services from Honeywell International Inc. (“Honeywell”), which is a holder of our Common Stock. We also contract with Honeywell for the occasional purchase of certain goods and services. Lease and service agreements were made at commercial terms prevalent in the market at the time they were executed.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Payments under agreements with Honeywell	$ —	$ 2	$ 2	$ 4

Our payments under the agreements with Honeywell are included in Cost of goods sold and Selling, general and administrative expenses in our Consolidated Interim Statements of Operations. Related to the agreements with Honeywell, our Consolidated Interim Balance Sheet at June 30, 2023 and our Consolidated Balance Sheet at December 31, 2022 includes liabilities of $8 million and $10 million, respectively. Liability balances are primarily related to lease contracts of $6 million and $7 million as of June 30, 2023 and December 31, 2022, respectively.

As discussed in Note 15, *Series A Preferred Stock*, in order to effect the Transaction, on April 12, 2023, the Company entered into separate definitive agreements with each of Centerbridge Partners, L.P. (“Centerbridge”) and funds managed by Oaktree Capital Management, L.P. (“Oaktree”), each of which is a holder of our Common Stock and appoints a director to our Board of Directors. Additionally, Mr. Kevin Mahony, who serves as a Managing Director of Centerbridge, and Mr. Steven Tesoriere, who serves as a Managing Director of Oaktree, have been appointed to our Board of Directors as designees of Centerbridge and Oaktree, respectively. As described more fully in Note 15, *Series A Preferred Stock*, in connection with the Transaction, we paid to Centerbridge and Oaktree an aggregate of approximately $570 million for the repurchase of shares of Series A Preferred Stock, plus an aggregate of approximately $10 million and 7,276,036 shares of Common Stock representing the Additional Amounts and Accumulated Dividends in respect of the repurchased shares of Series A Preferred Stock. Additionally, in connection with the conversion of the Series A Preferred Stock, we issued to Centerbridge and Oaktree an aggregate of 65,334,277 shares of Common Stock, plus Additional Amounts and Accumulated Dividends of approximately $9 million and 6,819,540 shares of Common Stock.

In connection with the conversion of our Series A Preferred Stock, we issued to Honeywell, as a holder of our Series A Preferred Stock, 4,196,330 shares of Common Stock upon the conversion of an equivalent number of shares of Series A Preferred Stock, plus Additional Amounts and Accumulated Dividends of approximately $1 million and 438,009 shares of Common Stock.

Additionally, Mr. John Petry, a director on our Board, serves as Managing Member of Sessa Capital (Master), L.P., which indirectly held shares of our Series A Preferred Stock prior to the conversion. In connection with the conversion of our Series A Preferred Stock, we issued to Sessa Capital and its affiliates, as holder of our Series A Preferred Stock, 16,592,384 shares of Common Stock upon the conversion of an equivalent number of shares of Series A Preferred Stock, plus Additional Amounts and Accumulated Dividends of approximately $2 million and 1,731,900 shares of Common Stock.

Note 20. Commitments and Contingencies

Securities Litigation

On September 25, 2020, a putative securities class action complaint was filed against Garrett Motion Inc. and certain current and former Garrett officers and directors in the United States District Court for the Southern District of New York. The case bears the caption*: Steven Husson, Individually and On Behalf of All Others Similarly Situated, v. Garrett Motion Inc., Olivier Rabiller, Alessandro Gili, Peter Bracke, Sean Deason, and Su Ping Lu*, Case No. 1:20-cv-07992-JPC (SDNY) (the “Husson Action”). The Husson Action asserted claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 as amended (the "Exchange Act"), for securities fraud and control person liability. On September 28, 2020, the plaintiff sought to voluntarily dismiss his claim against Garrett Motion Inc. in light of the Company’s bankruptcy; this request was granted.

On October 5, 2020, another putative securities class action complaint was filed against certain current and former Garrett officers and directors in the United States District Court for the Southern District of New York. This case bears the caption: *The Gabelli Asset Fund, The Gabelli Dividend & Income Trust, The Gabelli Value 25 Fund Inc., The Gabelli Equity Trust Inc., SM Investors LP and SM Investors II LP, on behalf of themselves and all others similarly situated, v. Su Ping Lu, Olivier Rabiller, Alessandro Gili, Peter Bracke, Sean Deason, Craig Balis, Thierry Mabru, Russell James, Carlos M. Cardoso, Maura J. Clark, Courtney M. Enghauser, Susan L. Main, Carsten Reinhardt, and Scott A. Tozier*, Case No. 1:20-cv-08296-JPC (SDNY) (the “Gabelli Action”). The Gabelli Action also asserted claims under Sections 10(b) and 20(a) of the Exchange Act.

On November 5, 2020, another putative securities class action complaint was filed against certain current and former Garrett officers and directors in the United States District Court for the Southern District of New York. This case bears the caption: *Joseph Froehlich, Individually and On Behalf of All Others Similarly Situated, v. Olivier Rabiller, Allesandro Gili, Peter Bracke, Sean Deason, and Su Ping Lu*, Case No. 1:20-cv-09279-JPC (SDNY) (the “Froehlich Action”). The Froehlich Action also asserted claims under Sections 10(b) and 20(a) of the Exchange Act.

The actions were assigned to Judge John P. Cronan. On November 24, 2020, competing motions were filed seeking the appointment of lead plaintiff and lead counsel and the consolidation of the Husson, Gabelli, and Froehlich Actions.

On December 8, 2020, counsel for the plaintiffs in the Gabelli Action — the Entwistle & Cappucci law firm — filed an unopposed stipulation and proposed order that would (1) appoint the plaintiffs in the Gabelli Action — the "Gabelli Entities" — the lead plaintiffs; (2) would appoint Entwistle & Cappucci as lead counsel for the plaintiff class; and (3) consolidate the Gabelli Action, the Husson Action, and the Froehlich Action (the "Consolidated D&O Action"). On January 21, 2021, the Court granted the motion to consolidate the actions and granted the Gabelli Entities' motions for appointment as lead plaintiff and for selection of lead counsel. On February 25, 2021, plaintiffs filed a Consolidated Amended Complaint.

The Company's insurer, AIG, has accepted the defense, subject to the customary reservation of rights.

The Company agreed with the Gabelli Entities and their lead counsel to permit a class claim to be recognized in the bankruptcy court and to have securities claims against the Company to be litigated in the district court alongside the Consolidated D&O Action. The Gabelli Entities have agreed that any recoveries against Garrett Motion Inc. on account of securities claims litigated through the class claim are limited to available insurance policy proceeds. On July 2, 2021, the bankruptcy court entered an order approving the joint request from the Company and the Gabelli Entities to handle the securities claims against Garrett Motion Inc. in this manner.

The Gabelli Entities were authorized, and on July 22, 2021 filed a second amended complaint to add claims against Garrett Motion Inc. On August 11, 2021, Garrett Motion Inc., Olivier Rabiller, Alessandro Gili, Peter Bracke, Sean Deason, Russell James, Carlos Cardoso, Maura Clark, Courtney Enghauser, Susan Main, Carsten Reinhardt, and Scott Tozier filed a motion to dismiss with respect to claims asserted against them. On the same day, Su Ping Lu, who is represented separately, filed a motion to dismiss with respect to the claims asserted against her. Lead plaintiffs' opposition to the motions to dismiss was filed on October 26, 2021, and the defendant's reply briefs were filed on or before December 8, 2021. On March 31, 2022, the judge dismissed the complaints entirely - Su Ping Lu's motion to dismiss was granted with prejudice while the court granted the plaintiffs 30 days to file a third amended complaint against the Company and the other defendants.

On May 2, 2022, the plaintiffs filed a Third Amended Complaint ("TAC") against all of the foregoing Defendants apart from Alessandro Gili and Su Ping Lu. On June 24, 2022, defendants moved to dismiss the TAC in its entirety, with prejudice. Plaintiffs filed their opposition on August 16, 2022, and defendants filed their reply brief on September 23, 2022. On September 22, 2022, the action was reassigned from Judge John P. Cronan to Judge Jennifer L. Rochon, who was recently appointed. On March 31, 2023, the action was dismissed with prejudice. On April 19, 2023, the plaintiffs filed a timely notice of appeal of the trial court's decision to the United States Court of Appeals for the Second Circuit. No schedule has yet been set by the Appeals Court.

Brazilian Tax Matter

In September 2020, the Brazilian tax authorities issued an infraction notice against Garrett Motion Industria Automotiva Brasil Ltda, challenging the use of certain tax credits ("Befiex Credits") between January 2017 and February 2020. The infraction notice results in a loss contingency that may or may not ultimately be incurred by the Company. The estimated total amount of the contingency as of June 30, 2023 was $38 million including penalties and interest. The Company believes, based on management's assessment and the advice of external legal counsel, that it has meritorious arguments in connection with the infraction notice and any liability for the infraction notice is currently not probable. Accordingly, no accrual is required at this time.

Warranties and Guarantees

In the normal course of business, we issue product warranties and product performance guarantees. We accrue for the estimated cost of product warranties and performance guarantees based on contract terms and historical experience at the time of sale to the customer. Adjustments to initial obligations for warranties and guarantees are made as changes to the obligations become reasonably estimable. Product warranties and product performance guarantees are included in Accrued Liabilities and Other Liabilities. The following table summarizes information concerning our recorded obligations for product warranties and product performance guarantees.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Warranty and product performance guarantees at beginning of period	$ 28	$ 32	$ 28	$ 32
Accruals for warranties/guarantees issued during the year	3	4	6	7
Settlement of warranty/guarantee claims	(4)	(5)	(7)	(8)
Foreign currency translation	—	(1)	—	(1)
Warranty and product performance guarantees at end of period	$ 27	$ 30	$ 27	$ 30

Other Commitments and Contingencies

We are subject to other lawsuits, investigations and disputes arising out of the conduct of our business, including matters relating to commercial transactions, government contracts, product liability, prior acquisitions and divestitures, employee benefit plans, intellectual property and environmental, health and safety matters. We recognize a liability for any contingency that is probable of occurring and reasonably estimable. We continually assess the likelihood of adverse judgments of outcomes in these matters, as well as potential ranges of possible losses (taking into consideration any insurance recoveries), based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts.

Note 21. Pension Benefits

We sponsor several funded U.S. and non-U.S. defined benefit pension plans. Significant plans outside the U.S. are in Switzerland and Ireland. Other pension plans outside the U.S. are not material to the Company, either individually or in the aggregate.

Our general funding policy for qualified defined benefit pension plans is to contribute amounts at least sufficient to satisfy regulatory funding standards. We are not required to make any contributions to our U.S. pension plan in 2023. We expect to make contributions of cash and/or marketable securities of approximately $7 million to our non-U.S. pension plans to satisfy regulatory funding standards in 2023, of which $3 million has been contributed as of June 30, 2023.

Net periodic benefit costs for our significant defined benefit plans include the following components:

	Three Months Ended June 30,				Six Months Ended June 30,			
	U.S. Plans		Non-U.S. Plan		U.S. Plans		Non-U.S. Plan	
	2023	2022	2023	2022	2023	2022	2023	2022
	(Dollars in millions)							
Service cost	$ —	$ —	$ 1	$ 2	$ —	$ —	$ 3	$ 4
Interest cost	2	1	1	1	4	2	2	1
Expected return on plan assets	(2)	(2)	(2)	(1)	(4)	(4)	(4)	(3)
Amortization of prior service (credit)	—	—	—	—	—	—	—	—
	$ —	$ (1)	$ —	$ 2	$ —	$ (2)	$ 1	$ 2

For both our U.S. and non-U.S. defined benefit pension plans, we estimate the service and interest cost components of net periodic benefit (income) cost by utilizing a full yield curve approach in the estimation of these cost components by applying the specific spot rates along the yield curve used in the determination of the pension benefit obligation to their underlying projected cash flows. This approach provides a more precise measurement of service and interest costs by improving the correlation between projected cash flows and their corresponding spot rates.

Note 22. Subsequent Events

On July 26, 2023, the Board of Directors of the Company approved the early repayment of approximately $200 million of our Term Loan Facilities. The Company expects the repayment to occur in the third quarter of 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations, which we refer to as our "MD&A," should be read in conjunction with our Consolidated Interim Financial Statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q as well as the audited annual Consolidated Financial Statements for the year ended December 31, 2022, included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on February 14, 2023 (our "2022 Form 10-K"). Some of the information contained in this MD&A or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. As a result of many important factors, including those set forth in the "Risk Factors" section of our 2022 Form 10-K and this Quarterly Report on Form 10-Q, our actual results could differ materially from the results described in, or implied, by these forward-looking statements.

The following MD&A is intended to help you understand the results of operations and financial condition of Garrett Motion Inc., for the three and six months ended June 30, 2023.

Executive Summary

For the three months ended June 30, 2023, net sales were $1,011 million, an increase compared to prior year of $152 million or 18%, including an unfavorable impact of $7 million or 1% due to foreign currency translation. The increase was driven by strong performance from the ramp up of new products, inflation recoveries net of pricing impacting all product lines and the lifting of COVID-related lockdown measures in China which impacted the prior year.

Our light vehicle product sales (which comprise diesel and gasoline products, including products for passenger cars, SUVs, light trucks, and other products) accounted for approximately 71% of our revenues. Commercial vehicle product sales (products for on- and off-highway trucks, construction, agriculture and power-generation machines) accounted for 17% of our revenues while our aftermarket and other products contributed 12% of our revenues. Approximately 49% of our revenues came from sales to customers located in Europe, 30% from sales to customers located in Asia, 19% from sales to customers in North America, and 2% from sales to customers in other international markets.

On April 12, 2023, we entered into separate definitive agreements (the "Agreements") with with each of Centerbridge Partners, L.P. and funds managed by Oaktree Capital Management, L.P. (collectively, the "C&O Investors") to effect a series of integrated transactions (the "Transaction") designed to increase the attractiveness of the Company to investors, including simplifying our capital structure through a conversion of all shares of the Series A Preferred Stock into shares of Common Stock.

Under the Transaction, the Company repurchased 69,707,719 shares of Series A Preferred Stock and converted 175,337,712 shares of Series A Preferred Stock into an equivalent number of Common Stock. Total consideration paid to the holders of Series A Preferred Stock under the Transaction amounted to cash payments of $605 million and the issuance of an additional 25,577,517 shares of Common Stock in settlement of accumulated and unpaid preference dividends on the Series A Preferred Stock through June 30, 2023. The Transaction was financed through a new Term Loan B for an aggregate principal amount of $700 million under the framework of the Company's existing credit agreement.

As part of the Agreements, the C&O Investors agreed with the Company to certain changes to each of their respective governance rights under the Company's governance documents, including a reduction of their existing board nomination rights, as well as lock-up restrictions on their equity securities of the Company for up to twelve months, and certain limits on their ability to purchase additional equity securities of the Company and to voting limitations, in each case for a period of up to eighteen months. The foregoing description of the Transaction does not purport to be complete and is qualified in its entirety by reference to the full text of the Agreements which we have previously filed with the SEC, and which are incorporated by reference herein.

On April 12, 2023, the Board of Directors also authorized an increase in our share repurchase program to an aggregate amount of $250 million available as of that date.

On July 26, 2023, the Board of Directors approved the early repayment of approximately $200 million of our Term Loan Facilities. The Company expects the repayment to occur in the third quarter of 2023.

Disaggregated Revenue

The following tables show our revenues by geographic region and product line for the three and six months ended June 30, 2023 and 2022, respectively.

By Region

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
	(Dollars in millions)							
United States	$ 190	19%	$ 173	20%	$ 363	18%	$ 326	18%
Europe	494	49%	440	51%	991	50%	891	51%
Asia	309	30%	227	26%	591	30%	509	29%
Other	18	2%	19	2%	36	2%	34	2%
Total	$ 1,011		$ 859		$ 1,981		$ 1,760	

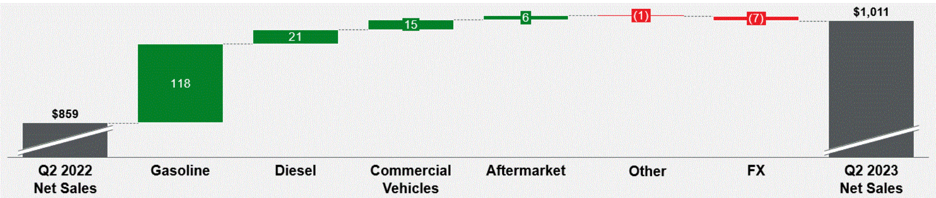
By Product Line

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
	(Dollars in millions)							
Diesel	$ 260	26%	$ 237	27%	$ 522	27%	$ 491	28%
Gas	455	45%	345	40%	858	43%	708	40%
Commercial Vehicle	168	17%	154	18%	351	18%	320	18%
Aftermarket	114	11%	108	13%	224	11%	213	12%
Other	14	1%	15	2%	26	1%	28	2%
Total	$ 1,011		$ 859		$ 1,981		$ 1,760	

Results of Operations for the Three and Six Months Ended June 30, 2023

Net Sales

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Net sales	$ 1,011	$ 859	$ 1,981	$ 1,760
% change compared with prior period	17.7 %		12.6 %	



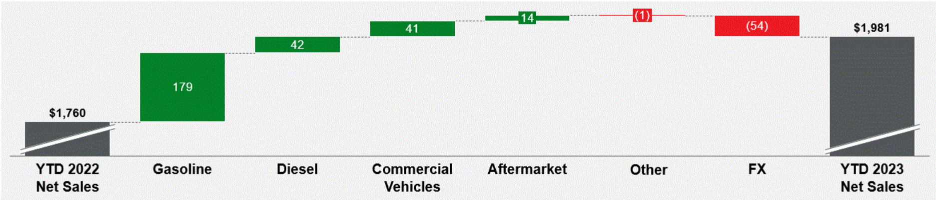
For the three months ended June 30, 2023, net sales increased compared to prior year by $152 million or 18%, including an unfavorable impact of $7 million or 1% due to foreign currency translation driven by lower Chinese yuan-to-US dollar exchange rates, partially offset by higher Euro-to-US dollar exchange rates. The increase was driven by strong performance from the ramp up of new products, inflation recoveries net of pricing impacting all product lines and the lifting of COVID-related lockdown measures in China which impacted the prior year.

Gasoline product sales increased by $111 million or 32% (including an unfavorable impact of $7 million or 2% due to foreign currency translation), primarily due to strong performance in China related to new product launches combined with lower prior year net sales in China due to the COVID-related lockdown measures implemented by the Chinese government which were lifted in June 2022.

Diesel product sales increased by $23 million or 10% (including a favorable impact of $2 million or 1% due to foreign currency translation), primarily driven by growth in Europe where diesel is essential to meet fleet CO2 regulation targets, and strong light commercial vehicle sales on incumbent platforms.

Commercial vehicle sales increased by $14 million or 9% (including an unfavorable impact of $1 million or 1% due to foreign currency translation), primarily driven by more favorable product mix in North America and Europe on both on- and off-highway platforms.

Aftermarket sales improved by $6 million or 6%, primarily due to strong demand in Europe and Asia Pacific related to favorable aftermarket conditions such as continued high demand for replacement and performance parts, recovery in China from the end of the Chinese government's zero COVID-19 policy, as well as growth through new product introductions, favorable pricing impacts and improved shipment performance.



For the six months ended June 30, 2023, net sales increased compared to prior year by $221 million or 13%, including an unfavorable impact of $54 million or 3% due to foreign currency translation driven by lower Chinese yuan-to-US dollar exchange rates and lower Euro-to-US dollar exchange rates. This increase was driven by higher volumes as markets recover from the semiconductor shortages experienced in the prior year and strong performance from new product launches and ramp ups, combined with prior year COVID-related lockdown measures in China and inflation recoveries net of pricing across all product lines.

Gasoline product sales increased by $150 million or 21% (including an unfavorable impact of $29 million or 4% due to foreign currency translation), primarily driven by industry recovery from the prior year’s global semiconductor shortages and COVID-related lockdown measures in China combined with new product launches and ramp ups across all regions.

Diesel product sales increased by $31 million or 6% (including an unfavorable impact of $11 million or 2% due to foreign currency translation), due to strong performance in Europe where diesel is essential to meet fleet CO2 regulations target, and strong light commercial vehicle sales on incumbent platforms.

Commercial vehicle sales increased by $31 million or 10% (including an unfavorable impact of $10 million or 3% due to foreign currency translation), primarily driven by strong performance in North America and Europe due to new product launches combined with favorable global product mix.

Aftermarket sales improved by $11 million or 5% (including an unfavorable impact of $3 million or 1% due to foreign currency translation), primarily due to strong demand in Europe and Asia Pacific related to favorable aftermarket conditions such as continued high demand for replacement parts, recovery in China from the end of the Chinese government's zero COVID-19 policy, as well as growth through new product introductions and favorable pricing impacts and improved shipment performance.

Cost of Goods Sold and Gross Profit

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Cost of goods sold	$ 809	$ 690	$ 1,590	$ 1,416
% change compared with prior period	17.2 %		12.3 %	
Gross profit percentage	20.0 %	19.7 %	19.7 %	19.5 %

	Cost of Goods Sold		Gross Profit
	(Dollars in millions)		
Cost of Goods Sold / Gross Profit for the three months ended June 30, 2022	$ 690		$ 169
Increase/(decrease) due to:			
Volume	108		46
Product mix	1		(27)
Price, net of inflation pass-through	—		28
Commodity, transportation & energy inflation	16		(16)
Productivity, net	(4)		7
Research & development	7		(7)
Foreign exchange rate impacts	(9)		2
Cost of Goods Sold / Gross Profit for the three months ended June 30, 2023	$ 809	809	$ 202

For the three months ended June 30, 2023, cost of goods sold increased by $119 million, primarily driven by our higher sales volumes and an unfavorable product mix, which contributed to increases of $108 million and $1 million, respectively. Cost of goods sold further increased due to $16 million of inflation on commodities, energy and transportation, as well as a $7 million increase in Research and development ("R&D") costs which reflects our continued investment in new technologies and headcount increase year-over-year. Our continued focus on productivity, net of labor inflation and one-time expenses, contributed to a decrease in cost of goods sold of $4 million. Foreign currency impacts from transactional, translational and hedging effects also contributed to decreases in cost of goods sold of $9 million.

Gross profit increased by $33 million, mainly driven by the higher sales volumes of $46 million and $28 million of inflation recoveries from customer pass-through agreements net of pricing reductions. Furthermore, gross profit increased by $7 million from higher productivity net of labor inflation and one-time expenses as discussed above. Gross profit also increased by $2 million due to foreign currency impacts from transactional, translational and hedging effects. These increases were partially offset by $27 million of unfavorable product mix, $16 million of inflation on commodities, energy and transportation costs, as well as $7 million of higher R&D costs as discussed above.

	Cost of Goods Sold		Gross Profit
	(Dollars in millions)		
Cost of Goods Sold / Gross Profit for the six months ended June 30, 2022	$ 1,416		$ 344
Increase/(decrease) due to:			
Volume	149		64
Product mix	36		(23)
Price, net of inflation pass-through	—		51
Commodity, transportation & energy inflation	42		(42)
Productivity, net	(18)		15
Research & development	10		(10)
Foreign exchange rate impacts	(45)		(8)
Cost of Goods Sold / Gross Profit for the six months ended June 30, 2023	$ 1,590	1590	$ 391

For the six months ended June 30, 2023, cost of goods sold increased by $174 million, primarily driven by our higher sales volumes and an unfavorable product mix, which contributed to increases of $149 million and $36 million, respectively. Cost of goods sold further increased due to $42 million of inflation on commodities, energy and transportation, as well as a $10 million increase in R&D costs which reflects our continued investment in new technologies and headcount increase year-over-year. Our continued focus on productivity, net of labor inflation and one-time expenses, contributed to a decrease in cost of goods sold of $18 million. Foreign currency impacts from transactional, translational and hedging effects also contributed to decreases in cost of goods sold of $45 million.

Gross profit increased by $47 million, mainly driven by the higher sales volumes of $64 million and $51 million of inflation recoveries from customer pass-through agreements net of pricing reductions. Furthermore, gross profit increased $15 million from higher productivity net of labor inflation and one-time expenses as discussed above. These increases were partially offset by $42 million inflation on commodities, energy costs and transportation, as discussed above, $23 million of unfavorable product mix, $10 million of higher R&D costs and $8 million from foreign currency impacts from transactional, translational and hedging effects.

Selling, General and Administrative Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Selling, general and administrative expense	$ 63	$ 54	$ 119	$ 107
% of sales	6.2 %	6.3 %	6.0 %	6.1 %

Selling, general and administrative ("SG&A") expenses for the three months ended June 30, 2023 increased by $9 million compared with the prior year, primarily due to $5 million of legal and advisory fees related to our capital structure transformation Transaction, $1 million of unfavorable impacts from foreign exchange rates and $2 million of labor-related expenses.

SG&A expenses for the six months ended June 30, 2023 increased by $12 million compared with the prior year, primarily due to $7 million of legal and advisory fees related to our capital structure transformation Transaction, $3 million of labor inflation impacts, and $3 million of lower incentive compensation expense in 2022. These increases were partially offset by $1 million of favorable impacts from foreign exchange rates.

Interest Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Interest expense	$ 30	$ 20	$ 58	$ 43

For the three months ended June 30, 2023, interest expense increased by $10 million compared to the prior year, due to $21 million of higher interest expense primarily driven by the new $700 million U.S. Dollar term loan and increased interest rates, partially offset by $7 million from unrealized marked-to-market gains on our interest rate swaps and $4 million of interest accretion in the prior year on our Series B Preferred Stock that was fully redeemed by June 2022.

For the six months ended June 30, 2023, interest expense increased by $15 million compared to prior year, due to $30 million of higher interest expense primarily driven by the aforementioned $700 million U.S. Dollar term loan and increased market interest rates. These increases in interest expense were partially offset by $10 million of interest accretion in the prior year on our Series B Preferred Stock that was fully redeemed in June 2022 and $4 million of unrealized marked-to-market gains on our interest rate swaps.

Non-operating expense (income)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Non-operating expense (income)	$ 7	$ (16)	$ 3	$ (44)

For the three months ended June 30, 2023, non-operating expense was $7 million, from an income of $16 million in the prior year, due to a $13 million loss on the remeasurement of the Series A Preferred Stock Agreement related to our capital structure transformation Transaction and $8 million of interest income recorded in 2022 for unrealized marked-to-market gains on our interest rate swaps, partially offset by $2 million of foreign exchange remeasurement gains.

For the six months ended June 30, 2023, non-operating expense was $3 million, from an income of $44 million in the prior year period, driven by $33 million of interest income recorded in 2022 for unrealized marked-to-market gains on our interest rate swaps and a $13 million loss on the remeasurement of the aforementioned Series A Preferred Stock Agreement. These decreases were partially offset by $5 million of foreign exchange remeasurement gains.

Tax Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Tax expense	$ 30	$ 20	$ 57	$ 57
Effective tax rate	29.7 %	19.0 %	27.3 %	24.8 %

The change in the effective tax rate for the three and six months ended June 30, 2023 compared to the prior period is primarily related to non-deductible Transaction-related expenses and a one-time benefit in 2022 related to a change in assertion to permanently reinvest a portion of undistributed earnings in China.

Net Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Net income	$ 71	$ 85	$ 152	$ 173
Net income margin	7.0 %	9.9 %	7.7 %	9.8 %

Net income for the three months ended June 30, 2023 decreased by $14 million compared with the prior year, primarily due to $23 million of higher non-operating expenses as discussed above, $10 million of higher interest expense and $10 million of higher tax expense, partially offset by $33 million increase in gross profit.

Net income for the six months ended June 30, 2023 decreased by $21 million compared with the prior year, primarily due to $47 million higher of non-operating expenses as discussed above, $15 million of higher interest expense, and $12 million of higher SG&A expenses, partially offset by a $47 million increase in gross profit and a $5 million loss on extinguishment of debt recorded in the prior year.

Non-GAAP Measures

It is management’s intent to provide non-GAAP financial information to supplement the understanding of our business operations and performance, and it should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. Each non-GAAP financial measure is presented along with the most directly comparable GAAP measure so as not to imply that more emphasis should be placed on the non-GAAP measure. The non-GAAP financial information presented may be determined or calculated differently by other companies and may not be comparable to other similarly titled measures used by other companies. Additionally, the non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of the Company’s operating results as reported under GAAP.

EBITDA and Adjusted EBITDA *(1)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Net income (GAAP)	$ 71	$ 85	$ 152	$ 173
Interest expense, net of interest income	24	8	51	4
Tax expense	30	20	57	57
Depreciation	22	21	43	43
EBITDA (Non-GAAP)	147	134	303	277
Reorganization items, net (2)	—	1	—	2
Stock compensation expense (3)	5	3	8	5
Repositioning costs (4)	1	2	8	3
Loss on extinguishment of debt	—	5	—	5
Discounting costs on factoring	1	—	2	1
Other non-operating income (5)	(2)	(7)	(3)	(9)
Capital structure transformation expenses (6)	18	—	20	—
Adjusted EBITDA (Non-GAAP)	$ 170	$ 138	$ 338	$ 284

(1) We evaluate performance on the basis of EBITDA and Adjusted EBITDA. We define “EBITDA” as our net income calculated in accordance with U.S. GAAP, plus the sum of net interest expense, tax expense and depreciation. We define “Adjusted EBITDA” as EBITDA, plus the sum of net reorganization items, stock compensation expense, repositioning costs, loss on extinguishment of debt, discounting costs on factoring, other non-operating income and capital structure transformation expenses. We believe that EBITDA and Adjusted EBITDA are important indicators of operating performance and provide useful information for investors because:

- EBITDA and Adjusted EBITDA exclude the effects of income taxes, as well as the effects of financing and investing activities by eliminating the effects of interest and depreciation expenses and therefore more closely measure our operational performance; and

- certain adjustment items, while periodically affecting our results, may vary significantly from period to period and have disproportionate effect in a given period, which affects the comparability of our results.

In addition, our management may use Adjusted EBITDA in setting performance incentive targets to align performance measurement with operational performance.

(2) The Company applied ASC 852 for periods subsequent to September 20, 2020, the date the Company and certain of its subsidiaries each filed a voluntary petition for relief under Chapter 11 of title 11 of the United States Code, to distinguish transactions and events that were directly associated with the Company’s reorganization from the ongoing operations of the business. Accordingly, certain expenses and gains incurred related to these transactions and events were recorded within Reorganization items, net in the Consolidated Interim Statements of Operations.

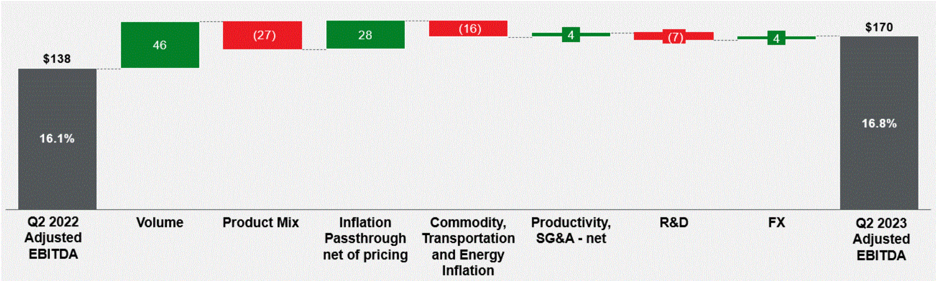
(3) Stock compensation expense includes only non-cash expenses.

(4) Repositioning costs includes severance costs related to restructuring projects to improve future productivity.

(5) Reflects the non-service component of net periodic pension costs and other income that are non-recurring or not considered directly related to the Company's operations.

(6) Includes the loss on remeasurement of the Series A Preferred Stock Agreement as well as third-party legal and advisory fees that are directly attributable to the Company's capital structure transformation Transaction.

Adjusted EBITDA for the Three Months Ended June 30, 2023



For the three months ended June 30, 2023, net income decreased by $14 million versus the prior year as discussed above within the Results of Operations for the Three and Six Months Ended June 30, 2023 section.

Adjusted EBITDA increased by $32 million compared to the prior year, mainly due to volume increases, increased productivity, inflation pass-through net of pricing, as well as favorable foreign exchange impacts. These increases in Adjusted EBITDA were partially offset by product mix, as well as inflation on commodities, transportation and energy costs.

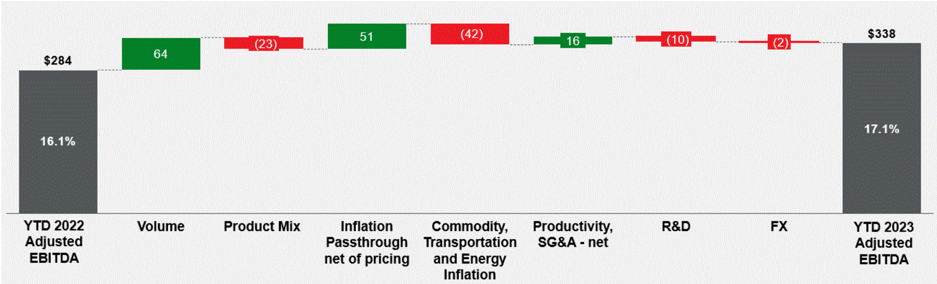
During the three months ended June 30, 2023, we saw strong customer demand increases across all product lines, in a less disruptive supply chain environment, with strong performance from new product launches and ramping up on incumbent platforms, combined with prior year COVID-related lockdown measures in China. We also saw ramp up to peak volumes on programs in commercial vehicles and favorable aftermarket conditions such as continued high demand for replacement parts.

We maintained our focus on productivity in the current year as rising commodity prices led to higher raw material costs, particularly for nickel, aluminum and steel alloys. We recovered a majority of the increases from our customer pass-through agreements, especially for nickel, and continue to negotiate with our customers for further pass-through while actively managing our supply base and cost recovery mechanisms to minimize the impact of materials cost inflation. The increased productivity was partially offset by year-over-year labor inflation and increases in our SG&A expenses due primarily to lower incentive compensation expense in the prior year.

R&D expenses increased $7 million which reflects our continued investment in new technologies, increased hiring to accelerate growth in the new technologies and year-over-year labor inflation.

Gains in foreign currency from translational, transactional and hedging effects in the three months ended June 30, 2023, primarily driven by a higher Euro-to-US dollar exchange rate versus the prior-year period, also accounted for a $4 million increase in Adjusted EBITDA.

Adjusted EBITDA for the Six Months Ended June 30, 2023



For the six months ended June 30, 2023, net income decreased by $21 million versus the prior year as discussed above within the Results of Operations for the Three and Six Months Ended June 30, 2023 section.

Adjusted EBITDA increased by $54 million compared to the prior year, mainly due to volume increases, increased productivity and inflation pass-through net of pricing. These increases in Adjusted EBITDA were partially offset by inflation on commodities, energy and transportation, product mix, as well as unfavorable foreign exchange impacts.

During the six months ended June 30, 2023, we saw strong customer demand increases in all product lines, in a less disruptive supply chain environment, as the industry recovers and the semiconductor shortages experienced in the prior year abate, as well as favorable impacts from new product launches in gasoline. We also saw ramp up to peak volumes on programs in commercial vehicles and favorable aftermarket conditions such as continued high demand for replacement parts and recovery in China from the end of their zero COVID-19 policy.

We maintained our focus on productivity in the current year as rising commodity prices led to higher raw material costs, particularly for nickel, aluminum and steel alloys. We recovered a majority of the increases from our customer pass-through agreements, especially for nickel, and continue to negotiate with our customers for further pass-through while actively managing our supply base and cost recovery mechanisms to minimize the impact of materials cost inflation. The increased productivity was partially offset by year-over-year labor inflation and increases in our SG&A expenses due primarily to lower incentive compensation expense in the prior year.

R&D expenses increased $10 million which reflects our continued investment in new technologies, increased hiring to accelerate growth in the new technologies and year-over-year labor inflation.

Losses in foreign currency from translational, transactional and hedging effects in the six months ended June 30, 2023, primarily driven by lower Euro-to-US dollar exchange rates, also accounted for a $2 million decrease in Adjusted EBITDA.

Liquidity and Capital Resources

We employ several means to manage our liquidity, and our sources of financing include cash flows from operations, cash and cash equivalents, our Term Loan Facilities, and Revolving Facility.

	June 30, 2023	December 31, 2022
	(Dollars in millions)	
Cash and cash equivalents	$ 478	$ 246
Restricted cash	1	2
Revolving Facility - available borrowing capacity	570	475
Revolving Facility - borrowings or letters of credit outstanding	—	—
Term Loan Facilities - principal outstanding	1,891	1,186
Bilateral letter of credit facility - available capacity	3	1
Bilateral letter of credit facility - utilized capacity	12	14

On April 27, 2023, the Company entered into the Third Amendment to the Credit Agreement, which provided for additional financing of $700 million through the 2023 Dollar Term Facility and an increase of $95 million in maximum borrowings available under the Revolving Facility. The proceeds from the 2023 Dollar Term Facility were primarily used to finance the repurchase from the C&O Investors of shares of Series A Preferred Stock as part of the Transaction, and pay fees and expenses incurred in connection with the Third Amendment. The 2023 Dollar Term Facility matures on April 30, 2028. Prior to maturity, the 2023 Dollar Term Facility will be repaid quarterly in an amount equal to, during the first two years occurring after the Closing Date, 7.50% per annum of the aggregate principal amount, and thereafter, 10.00% per annum.

During the six months ended June 30, 2023, we repaid $4 million on our 2021 Dollar Term Facility. The Company entered into the Agreements with the C&O Investors to repurchase certain shares and convert all remaining Series A Preferred Stock. As part of the Transaction, all holders of Series A Preferred Stock, including the C&O Investors, received an amount equal to the Accumulated Dividends and Additional Amounts outstanding at repurchase or conversion date. As of June 30, 2023, all Series A Preferred Stock had either been repurchased or converted and there are no accumulated unpaid dividends on the Series A Preferred Stock. Refer to Note 15, *Series A Preferred Stock* of the Notes to the Consolidated Interim Financial Statements for further details regarding the Transaction.

On July 26, 2023, the Board of Directors of the Company approved the early repayment of approximately $200 million of our Term Loan Facilities. The Company expects the repayment to occur in the third quarter of 2023.

As previously disclosed, we expect to continue investing in our facilities as we expand our manufacturing capacity for new product launches and invest in new technologies and strategic growth opportunities, in particular in the electrification of drivetrains. We believe the combination of expected cash flows, the term loan borrowings, and the Revolving Facility being committed until 2028, will provide us with adequate liquidity to support the Company's operations.

Share Repurchase Program

On November 16, 2021, the Board of Directors authorized a $100 million share repurchase program for one year, providing for the purchase of shares of Series A Preferred Stock and Common Stock. On November 2, 2022, the Directors authorized the extension of he share repurchase program. On April 12, 2023, the Board of Directors further authorized an increase in the size of the share repurchase program to an aggregate amount of $250 million available as of that date.

As of June 30, 2023, the Company had repurchased $17 million of Common Stock, with $233 million remaining under the share repurchase program. An additional 8,464,906 shares of Common Stock were repurchased from July 1, 2023 through July 25, 2023 for an amount of $63 million. For more information, see Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*.

Cash Flow Summary for the Six Months Ended June 30, 2023

	Six Months Ended June 30,	
	2023	2022
	(Dollars in millions)	
Cash provided by (used for):		
Operating activities	$ 256	$ 177
Investing activities	(24)	(52)
Financing activities	(2)	(393)
Effect of exchange rate changes on cash and restricted cash	1	(17)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 231	$ (285)

Cash provided by operating activities increased by $79 million for the six months ended June 30, 2023 versus the prior year. The increase was primarily driven by an increase in net income, excluding the effects of non-cash items, of $58 million and favorable impacts from other assets and liabilities of $21 million.

Cash used for investing activities decreased by $28 million for the six months ended June 30, 2023 versus the prior year due to $19 million of decreased expenditures for property, plant and equipment and $9 million of cash settlement received on the re-couponing of our cross currency swap contracts which have been designated as net investment hedges of our Euro-denominated operations.

Cash used for financing activities decreased by $391 million for the six months ended June 30, 2023 compared with the prior year. Cash flows for financing activities during the six months ended June 30, 2023 included $667 million from the 2023 Dollar Term Facility net of debt financing costs. We paid an aggregate amount of $605 million to holders of the Series A Preferred Stock related to the Transaction, including conversion of the Series A Preferred Stock as discussed above and in Note 15, *Series A Preferred Stock* of the Notes to the Consolidated Interim Financial Statements. We also made payments of $15 million for the repurchase of Common Stock under our share repurchase program and debt repayments of $4 million on our 2021 Dollar Term Facility. In comparison, cash used for financing activities for the six months ended June 30, 2022 was primarily related to the Company's payment of $381 million for the final early redemption of our Series B Preferred Stock (exclusive of $28 million attributable to interest and included in cash from operating activities).

Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet financial arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies

The preparation of our Consolidated Interim Financial Statements in accordance with generally accepted accounting principles is based on the selection and application of accounting policies that require us to make significant estimates and assumptions about the effects of matters that are inherently uncertain. Actual results could differ from our estimates and assumptions, and any such differences could be material to our financial statements. Our critical accounting policies are summarized in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our 2022 Form 10-K.

Recent Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies* of the Notes to the Consolidated Interim Financial Statements for further discussion of recent accounting pronouncements.

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact contained in this Quarterly Report on Form 10-Q, including without limitation statements regarding the following, are forward-looking statements: statements regarding our future results of operations and financial position, results of operations and financial position, expectations regarding the growth of the turbocharger and electric vehicle markets and other industry trends, the sufficiency of our cash and cash equivalents, anticipated sources and uses of cash, anticipated investments in our business, our business strategy, pending litigation, anticipated interest expense, and the plans and objectives of management for future operations and capital expenditures are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential," or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are subject to a number of important factors that could cause actual results to differ materially from those in the forward-looking statements, including:

- increases in the costs and availability of raw materials, components, energy and transportation and our ability to offset inflation;
- sales to major customers as well as a network of independent dealers to manage the distribution of our products, and we could be adversely impacted by the loss of any of our such major customers or dealers, changes in their requirements for our products or changes in their financial condition.
- the negotiating positions of our customers and our ability to negotiate favorable pricing terms;
- risks associated with changes in the automotive industry and our inability, or a perception that we are unable, to respond appropriately to such changes, our financial condition and results of operations could be adversely impacted;
- risks associated with any program launch difficulties and inaccuracies in estimates of volumes of awarded business;
- changes in the automotive industry and economic or competitive conditions;
- risks related to economic, political, regulatory and foreign exchange;
- geopolitical conditions, such as the ongoing conflict between Russia and Ukraine, and catastrophic events, such as the COVID-19 pandemic;
- risks related to international operations and our investment in foreign markets;
- risks of increased scrutiny from customers, investors, regulators and others regarding sustainability/ESG practices, as well as the climate-related risks we may face, each of which could expose us to liabilities, including reputational harm, impact demand for our products, lead to increased costs and have other adverse effects on our business, supply chain and results of operations;
- risks associated with joint venture partnerships and joint development projects;
- any failure to protect our intellectual property or allegations that we have infringed the intellectual property of others; and our ability to license necessary intellectual property from third parties;

- work stoppages, other disruptions or the need to relocate any of our facilities;
- inability to recruit and retain qualified personnel;
- any failure to increase productivity or successfully execute repositioning projects or manage our workforce;
- potential material losses and costs as a result of any warranty claims and product liability actions brought against us;
- the commencement of any lawsuits, investigations and disputes arising out of our current and historical businesses, and the consequences thereof;
- potential material environmental liabilities and hazards;
- risks of changes in the effective tax rates
- the effects of any deterioration on industry, economic or financial conditions on our ability to access the capital markets on favorable terms;
- quality control and creditworthiness of the suppliers on which we rely;
- risks for system or service failures, including cyber or other security incidents, each of which could disrupt business operations, result in loss of critical and confidential information and adversely impact our reputation and results of operations; and
- the other factors described under the caption "Risk Factors" in our 2022 Form 10-K, as updated in this Quarterly Report on Form 10-Q, and our other filings with the SEC.

You should read this Quarterly Report on Form 10-Q and the documents that we reference herein completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of June 30, 2023, the net fair value of all financial instruments with exposure to currency risk was a $51 million asset. The potential loss or gain in fair value for such financial instruments from a hypothetical 10% adverse or favorable change in quoted currency exchange rates would be $157 million and $(161) million, respectively, at June 30, 2023 exchange rates. The model assumes a parallel shift in currency exchange rates; however, currency exchange rates rarely move in the same direction. The assumption that currency exchange rates change in a parallel fashion may overstate the impact of changing currency exchange rates on assets and liabilities denominated in currencies other than the U.S. dollar.

There have been no other material changes to the Company's quantitative and qualitative disclosures about interest rate or commodity price risks as disclosed in Part II, Item 7A, *Quantitative and Qualitative Disclosures About Market Risks*, in our 2022 Form 10-K.

Item 4. Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the

Exchange Act. Based on management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2023.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various lawsuits, claims and proceedings incident to the operation of our businesses, including those pertaining to product liability, product safety, environmental, safety and health, intellectual property, employment, commercial and contractual matters and various other matters. Although the outcome of any such lawsuit, claim or proceeding cannot be predicted with certainty and some may be disposed of unfavorably to us, we do not currently believe that such lawsuits, claims or proceedings will have a material adverse effect on our financial position, results of operations or cash flows. We accrue for potential liabilities in a manner consistent with accounting principles generally accepted in the United States. Accordingly, we accrue for a liability when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable.

For additional information regarding our legal proceedings, see Note 20, *Commitments and Contingencies* of the Notes to the Consolidated Interim Financial Statements.

Item 1A. Risk Factors

There have been no material changes to the risks described under "Risk Factors" in our 2022 Form 10-K. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed under "Risk Factors" in our 2022 Form 10-K. These factors could materially adversely affect our business, financial condition, or results of operations, and could cause our actual results to differ materially from our historical results or the results contemplated by any forward-looking statements contained in this report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On November 16, 2021, the Board of Directors authorized a $100 million share repurchase program for one year, providing for the purchase of shares of Series A Preferred Stock and Common Stock. On November 2, 2022, the Board of Directors extended the duration of the share repurchase program to November 15, 2023. On April 12, 2023, the Board of Directors authorized a further increase in the size of the share repurchase program to an aggregate amount of $250 million as of that date.

The following table summarizes our share repurchase activity for the three months ended June 30, 2023 and additional information regarding our share repurchase program:

Period	Total Number of Common Shares Purchased	Average Price Paid per Share	Total Number of Preferred Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program
April 1, 2023 – April 30, 2023	—	$ —	—	$ —	—	$ 250,000,000 (1)
May 1, 2023 – May 31, 2023	—	—	—	—	—	250,000,000
June 1, 2023 – June 30, 2023	2,152,913	7.71	69,707,719 (2)	8.18 (2)	71,860,632	233,391,594
Total	2,152,913	$ 7.71	69,707,719	$ 8.18	71,860,632	$ 233,391,594

(1) On April 12, 2023, the Board of Directors authorized an increase in the size of the share repurchase program to an aggregate amount of $250 million available as of such date. From April 1 to April 11, 2023, inclusive, $73,521,928 was available for purchases of shares of Series A Preferred Stock and Common Stock under the share repurchase program.

(2) Repurchase of Series A Preferred Stock as part of the Transaction. Refer to Note 15, *Series A Preferred Stock* of the Notes to the Consolidated Interim Financial Statements.

Other than the repurchases reflected in the table above, there were no purchases of equity securities by the issuer or affiliated purchasers during the quarter ended June 30, 2023.

From July 1, 2023 to July 25, 2023, the Company repurchased an additional 8,464,906 shares of Common Stock for an amount of $63 million under the share repurchase program.

Item 3. Defaults Upon Senior Securities

Prior to the conversion of all outstanding shares of Series A Preferred Stock on June 12, 2023, as part of the Transaction, holders of the Series A Preferred Stock were entitled to receive, when, as and if declared by a committee of disinterested directors of the Board (which committee initially consisted of Daniel Ninivaggi, Julia Steyn, Robert Shanks and D'aun Norman) out of funds legally available for such dividend, cumulative cash dividends at an annual rate of 11% on the stated amount per share plus the amount of any accrued and unpaid dividends on such share, accumulating daily and payable quarterly on January 1, April 1, July 1 and October 1, respectively, in each year. As of June 12, 2023, the date of the conversion of the Series A Preferred Stock, there were $201 million of unpaid and undeclared cumulative preference dividends on the shares of Series A Preferred Stock outstanding as of that date. Following the conversion on June 12, 2023, there were no shares of Series A Preferred Stock outstanding, and on July 26, 2023, the Board of Directors resolved to retire all authorized shares of Series A Preferred Stock.

Except as otherwise disclosed in this Quarterly Report on Form 10-Q or reported previously in a Current Report on Form 8-K by the Company, none.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Company Severance Plan

On July 26, 2023, our Board approved certain revisions to the Garrett Motion Inc. Severance Plan for Designated Officers, effective as of May 1, 2023, pursuant to which certain officers and other senior leadership employees of the Company designated by the Talent Management and Compensation Committee of the Board are eligible for severance payments and benefits upon a qualifying termination of employment (as amended, the "2023 Severance Plan").

Pursuant to the 2023 Severance Plan, upon an involuntary termination of employment by the Company, designated officers are entitled to receive cash severance equal to 18 months' base salary (24 months for the Company's Chief Executive Officer), plus a pro-rated bonus payment (based on actual performance, or target performance if required by applicable local law) for the year in which the executive experiences a qualifying termination not occurring in connection with a "change in control" (as defined in the 2023 Severance Plan).

Additionally, upon termination without "cause" or resignation for "good reason" (each as defined in the 2023 Severance Plan) within the two-year period following a "change in control", a designated officer would be entitled to receive cash severance equal to 18 months' base salary (24 months for the Company's Chief Executive Officer), plus one-and-one-half times such officer's target bonus (two times for the Company's Chief Executive Officer) plus a pro-rated bonus payment (based on actual performance, or target performance if required by applicable local law) for the year in which the executive is terminated.

The 2023 Severance Plan also revises certain definitions and reflects certain non-material technical, conforming and other amendments.

The foregoing summary of the terms of the 2023 Severance Plan is qualified by reference to the 2023 Severance Plan, which is attached as an exhibit to this Quarterly Report on Form 10-Q.

Certificates of Retirement

On July 26, 2023, the Company filed certificates with the Secretary of State of the State of Delaware effecting the retirement and elimination of the Company's Series A Preferred Stock (the "Series A Certificate of Retirement") and the Company's Series B Preferred Stock (the "Series B Certificate of Retirement"), to eliminate from the Company's Amended and Restated Certificate of Incorporation all references to the Series A Preferred Stock and Series B Preferred Stock, respectively, including without limitation the Certificates of Designations governing the Series A Preferred Stock and the Series B Preferred Stock, respectively. As previously disclosed, all outstanding shares of Series A Preferred Stock were converted into shares of Common Stock in connection with the Transaction, and the Company had previously completed the early redemption of all shares of Series B Preferred Stock. Accordingly, no shares of Series A Preferred Stock or Series B Preferred Stock are currently outstanding. Pursuant to Section 243 of the General Corporation Law of the State of Delaware, once the Series A Certificate of Retirement and Series B Certificate of Retirement became effective, each had the effect of amending the Company's Amended and Restated Certificate of Incorporation to eliminate all references to the Series A Preferred Stock and the Series B Preferred Stock, respectively.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
3.1	Second Amended and Restated Certificate of Incorporation of Garrett Motion Inc., dated April 30, 2021	8-K	001-38636	3.1	04/30/2021	
3.2	Amended and Restated Certificate of Designations of Series A Cumulative Convertible Preferred Stock of Garrett Motion Inc.	10-Q	001-38636	3.1	04/28/2022	
3.3	Amended and Restated Certificate of Designations of Series A Cumulative Convertible Preferred Stock of Garrett Motion Inc. (redline version)	DEF14C	001-38636	Appendix B-2	05/15/2023	
3.4	Certificate of Elimination with respect to Series A Preferred Stock					*
3.5	Certificate of Elimination with respect to Series B Preferred Stock					*
3.6	Third Amended and Restated Bylaws of Garrett Motion Inc., dated October 27, 2021	10-Q	001-38636	3.5	10/28/2021	
10.1	Transaction Agreement, dated April 12, 2023, by and among Garrett Motion Inc. and Centerbridge Credit Partners Master, L.P. and Centerbridge Special Credit Partners III-Flex, L.P.	8-K	001-38636	10.1	04/14/2023	
10.2	Transaction Agreement, dated April 12, 2023, by and among Garrett Motion Inc. and Oaktree Value Opportunities Fund Holdings, L.P., OCM Opps GTM Holdings, LLC, Oaktree Phoenix Investment Fund LP and Oaktree Opportunities Fund Xb Holdings (Delaware) L.P.	8-K	001-38636	10.2	04/14/2023	
10.3	Amendment No. 3, dated April 27, 2023, to the Credit Agreement, dated April 30, 2021, among Garrett Motion Inc., Garrett LX I S.à r.l., Garrett Motion Holdings, Inc., Garrett Motion Sàrl, the lenders and issuing banks party thereto and JPMorgan Chase Bank, N.A., as administrative agent	8-K	001-38363	10.1	05/01/2023	
10.4†	2023 Garrett Motion Inc. Severance Plan for Designated Officers2023 Garrett Motion Inc. Severance Plan for Designated Officers					*
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**

101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	*
101.SCH	Inline XBRL Taxonomy Extension Schema Document	*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	*

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* Filed herewith.

** Furnished herewith.

† Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		Garrett Motion Inc.
Date: July 27, 2023	By:	/s/ Olivier Rabiller
		Olivier Rabiller
		President and Chief Executive Officer
Date: July 27, 2023	By:	/s/ Sean Deason
		Sean Deason
		Senior Vice President and Chief Financial Officer

CERTIFICATE OF RETIREMENT AND ELIMINATION
OF
SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK
OF
GARRETT MOTION INC.

(Pursuant to Section 243 of the Delaware General Corporation Law)

Garrett Motion Inc., a Delaware corporation (the "**Corporation**"), certifies as follows:

First: The certificate of incorporation of the Corporation authorizes the issuance of 245,045,431 shares of Series A Cumulative Convertible Preferred Stock.

Second: On July 26, 2023, a duly empowered committee of the Board of Directors of the Corporation adopted resolutions retiring 245,045,431 shares of Series A Cumulative Convertible Preferred Stock, which shares constituted all of the authorized shares of Series A Cumulative Convertible Preferred Stock.

Third: The terms of the Series A Cumulative Convertible Preferred Stock prohibit the reissuance of such shares as Series A Cumulative Convertible Preferred Stock.

Fourth: Pursuant to Section 243 of the Delaware General Corporation Law, all references to the Series A Cumulative Convertible Preferred Stock in the certificate of incorporation of the Corporation are hereby eliminated.

[signature page follows]

IN WITNESS WHEREOF, the undersigned has caused this certificate to be signed by its duly authorized officer on the date set forth below.

GARRETT MOTION INC.

By: /s/ Jérôme Maironi
Jérôme Maironi
Senior Vice President, General Counsel and Corporate Secretary

Date: July 26, 2023

CERTIFICATE OF RETIREMENT AND ELIMINATION
OF
SERIES B PREFERRED STOCK
OF
GARRETT MOTION INC.

(Pursuant to Section 243 of the Delaware General Corporation Law)

Garrett Motion Inc., a Delaware corporation (the "**Corporation**"), certifies as follows:

First: The certificate of incorporation of the Corporation authorizes the issuance of 834,800,000 shares of Series B Preferred Stock.

Second: On July 26, 2023, a duly empowered committee of the Board of Directors of the Corporation adopted resolutions retiring 834,800,000 shares of Series B Preferred Stock, which shares constituted all of the authorized shares of Series B Preferred Stock.

Third: The terms of the Series B Preferred Stock prohibit the reissuance of such shares as Series B Preferred Stock.

Fourth: Pursuant to Section 243 of the Delaware General Corporation Law, all references to the Series B Preferred Stock in the certificate of incorporation of the Corporation are hereby eliminated.

[signature page follows]

IN WITNESS WHEREOF, the undersigned has caused this certificate to be signed by its duly authorized officer on the date set forth below.

GARRETT MOTION INC.

By:	/s/ Jérôme Maironi
	Jérôme Maironi Senior Vice President, General Counsel and Corporate Secretary
Date:	July 26, 2023

2023 GARRETT MOTION INC. SEVERANCE PLAN
FOR DESIGNATED OFFICERS

Effective as of
May 1, 2023

GENERAL PROVISIONS

1. Purpose and Scope

The purpose of the 2023 Garrett Motion Inc. Severance Plan for Designated Officers (the **"Plan"**) is to provide severance related benefits to select eligible employees of Garrett Motion Inc. and its participating divisions, subsidiaries and affiliates who are employed in a position that is designated as being an officer of Garrett by the Board or otherwise in a senior leadership position approved by the Committee, and whose employment relationship is involuntarily terminated at the initiative of the Company for reasons other than Cause and who are thereafter, as a result of such termination, no longer employed by the Company or any successor thereto.

This Plan is intended to be an unfunded "welfare benefit plan" within the meaning of Section 3(1) of ERISA and is being maintained as a "top hat" plan for a select group of management or highly compensated employees.

The terms of this Plan are intended to, and shall be interpreted so as to, comply in all respects with the provisions of Section 409A of the Code, and the regulations and rulings promulgated thereunder (collectively, **"Code Section 409A"**) and, if necessary, any provision of the Plan shall be held null and void to the extent such provision (or any part thereof) fails to comply with Code Section 409A.

This Plan is comprised of Part I--Provisions Prior to a Change in Control, and Part II--Special Provisions That Become Effective Only Upon a Change in Control.

2. Effective Date

The Plan is effective as of May 1, 2023, with respect to Participants whose employment is terminated by the Company on or after such date.

PART I
PROVISIONS PRIOR TO A CHANGE IN CONTROL

3. Definitions

As used throughout the Plan unless otherwise clearly or necessarily indicated by context:

(a) **"Affiliate"** means any entity other than the Subsidiaries in which the Company has a substantial direct or indirect equity interest, as determined by the Board.

(b) **"Annual Base Salary"** means an amount equal to the product of (i) Base Salary, and (ii) twelve (12).

(c) **"Annual Incentive Compensation"** means, except as provided in Section 24(a), an amount equal to the product of the Participant's (i) Incentive Award Target Percentage for the calendar year in which Participant's Covered Termination occurs, and (ii) Annual Base Salary.

(d) **"Base Salary"** means the highest monthly base salary payable to a Participant during the thirty-six (36) month period preceding a Covered Termination.

(e) **"Board"** means Garrett's Board of Directors.

(f) **"Cause"** as a reason for a Participant's termination of employment or service shall, unless otherwise agreed to in writing between the Participant and the Company or a Subsidiary or Affiliate of the Company, have the meaning assigned such term in the employment, severance or similar agreement, if any, between the Participant and the Company or a Subsidiary or Affiliate of the Company. If the Participant is not a party to an employment, severance or similar agreement with the Company or a Subsidiary or Affiliate of the Company in which such term is defined, then "Cause" shall mean the Participant's: (i) indictment for, conviction of, or plea of guilty or nolo contendere to, a felony or indictment for a crime involving dishonesty, fraud or moral turpitude; (ii) willful misconduct, or any dishonest or fraudulent act or omission; (iii) violation of any securities or financial reporting laws, rules or regulations or any policy of the Company or a Subsidiary or Affiliate of the Company relating to the foregoing; (iv) violation of the policies of the Company or a Subsidiary or Affiliate of the Company on harassment and discrimination; or (E) gross negligence, gross neglect of duties or gross insubordination in the Participant's performance of duties with the Company or a Subsidiary or Affiliate of the Company; (v) commission of an act of fraud, embezzlement, or breach of fiduciary duty against the Company; or (vi) engagement in any misconduct, negligence, act of dishonesty or violence that is materially injurious to the Company.

(g) **"Change in Control"** means the consummation of any one of the following events: (i) the acquisition by any "person," as such term is used in Section 13(d) of the Exchange Act (other than the Company, any of its Affiliates, or any trustee or other fiduciary holding securities under any employee benefit plan of the Company) of more than 50% of the outstanding voting power of the Company, (ii) a merger, combination, amalgamation, consolidation, or any other transaction in which the holders of Common Stock immediately prior to such transaction do not hold in respect of their holdings of such Common Stock 50% or more of the voting power of the merged, combined, amalgamated, consolidated, or other resulting entity, (iii) a sale or other disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company, other than (A) to an Affiliate of the Company or (B) in connection with a spinoff involving an Affiliate of the Company or the then-current shareholders, or (iv) during any period of two consecutive years, Incumbent Directors cease to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the beginning of such period, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) will be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or publicly threatened election contest with respect to directors or as a result of any other actual or publicly threatened solicitation of proxies by or on behalf of any person other than the Board will be deemed to be an Incumbent Director.

(h) **"Code"** means the Internal Revenue Code of 1986, as amended from time to time.

(i) **"Committee"** means the Talent Management and Compensation Committee of the Board.

(j) **"Common Stock"** means the common stock of Garrett or such other stock into which the common stock may be changed as a result of split-ups, recapitalizations, reclassifications and any similar transaction.

(k) **"Company"** means Garrett and its subsidiaries and affiliated entities, as well as their respective successors.

(l) **"Covered Termination"** means, except as provided in Section 24(b), a termination event giving rise to Severance Benefits under this Plan, as detailed in Section 7 hereof.

(m) **"Determination Year"** means the calendar year with respect to which performance is measured for purposes of determining the amount of a Participant's Incentive Award.

(n) **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended from time to time, together with applicable final regulations thereunder.

(o) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended from time to time.

(p) **"Garrett"** means Garrett Motion Inc., a Delaware corporation.

(q) **"Incentive Award"** means the short-term incentive compensation award payable and determined pursuant to the Company's short-term incentive compensation plan, and shall not include any other performance or incentive award.

(r) **"Incentive Award Target Percentage"** means the Participant's short-term incentive compensation target percentage, as maintained in the Company's executive compensation records.

(s) **"Incumbent Directors"** means: the directors who were serving on the Board at the beginning of the applicable two-year period in question (and such subsequent members of the Board who are also considered Incumbent Directors in accordance with the provisions set forth in clause (iv) of the definition of "Change in Control" above).

(t) **"Last Day of Active Employment"** means a Participant's final day of employment with the Company (typically the day prior to the date the Participant would be eligible to commence the receipt of Severance Benefits), and shall be the date on which the Participant's active employment with the Company is severed within the meaning of Code Section 409A.

(u) **"Medical Leave of Absence"** means an absence from active employment due to a Participant's inability to perform the functions of his or her job, provided that during such absence the Participant (i) is receiving short-term disability benefits, (ii) is receiving long-term disability benefits, (iii) is on a medical leave of absence granted by the Company, or (iv) any combination of (i)-(iii).

(v) **"Participant"** means Garrett's Chief Executive Officer, Other Executive Officers, CEO Direct Reports and Other Designated Leadership Team Members.

(i) **"Other Executive Officer"** means an individual who is designated as an executive officer of Garrett by the Board, excluding the Chief Executive Officer.

(ii) **"CEO Direct Reports"** means an individual (other than an Other Executive Officer) who reports directly to Garrett's Chief Executive Officer (and whose participation in the Plan has been approved by the Committee).

(ii) **"Other Designated Leadership Team Members"** means an individual (other than the Chief Executive Officer, an Other Executive Officer or a CEO Direct Report) who is designated as a member of Garrett's Leadership Team by the Chief Executive Officer (and whose participation in the Plan has been approved by the Committee).

(w) **"Pay Continuation"** means the component of the Severance Benefit described in Section 5(a)(i).

(x) **"Person"** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

(y) **"Plan Administrator"** means the person defined in Section 10(a).

(z) **"Pro Rata Factor"** means (i) for the Determination Year in which a Covered Termination occurs, a fraction the numerator of which is equal to the number of calendar months which have elapsed from the first day of the calendar month following the Covered Termination through December 31st of the Determination Year, and the denominator of which is twelve, and (ii) for any subsequent Determination Year, a fraction the numerator of which is equal to the Severance Pay Factor, reduced by the number of calendar months which have elapsed from the first day of the calendar month following the Covered Termination through December 31st of the year preceding the Determination Year, and the denominator of which is twelve; provided, however, that the Pro Rata Factor shall never be greater than 1.0.

(aa) **"Prorated Annual Incentive Compensation"** means the component of the Severance Benefit described in Section 5(a)(ii).

(bb) **"Release"** has the meaning set forth in Section 5(b) of the Plan.

(cc) **"Severance Benefit"** means the severance benefit described in Section 5(a) of the Plan.

(dd) **"Severance Pay Factor"** means, with respect to any Participant, the number of months of Pay Continuation to which a Participant is entitled as specified in Section 5(a)(i).

(ee) **"Severance Period"** means the period during which a Participant is receiving Pay Continuation or, but for a lump sum payment of Pay Continuation benefits after a Change in Control in accordance with Section 25(b), would be receiving Pay Continuation.

(ff) **"Subsidiary"** of any Person means another Person (other than a natural Person), an aggregate amount of the voting securities, other voting ownership or voting partnership interests, of which is sufficient to elect at least a majority of the Board or other governing body (or, if there are no such voting interests, 50% or more of the equity interests of which is owned directly or indirectly by such first Person).

4. Participation

A Participant shall continue to be a eligible for Severance Benefits under this Plan until the earlier of (i) the date the employment relationship with the Company is severed for reasons other than a Covered Termination, or (ii) the date the Participant ceases to satisfy the definition of Participant hereunder; provided, however, any Participant who ceases to satisfy the definition of Participant hereunder on or after a Change in Control shall nevertheless continue to be a Participant in the Plan. A Participant who is at any time the subject of a Covered Termination shall continue to be a Participant until all of the benefits to which he or she is entitled under the Plan, if any, have been paid.

5. Amount and Payment of Severance Benefits

(a) Eligibility for Benefits. Subject to subparagraphs (b) – (e) below, a Participant who is the subject of a Covered Termination shall receive the benefits described in this subparagraph (a).

(i) Pay Continuation.

(A) Garrett's Chief Executive Officer shall receive a benefit in an amount equal to twenty-four (24) months of Base Salary.

(B) For Other Executive Officers, CEO Direct Reports and Other Designated Leadership Team Members, each such Participant shall receive a benefit in an amount equal to eighteen (18) months of Base Salary.

(ii) Prorated Annual Incentive Compensation. During the Severance Period, each Participant shall receive an amount equal to his or her Annual Incentive Compensation that the Participant would have earned for the Determination Year in which the Covered Termination occurs, based on the Company's actual performance for such Determination Year (or based on the Company's target performance for such Determination Year, if required by applicable law), multiplied by the applicable Pro Rata Factor. No Prorated Annual Incentive Compensation shall be payable for any Determination Year with respect to which the Pro Rata Factor is less than or equal to zero.

(iii) Benefit Continuation. Participants shall be eligible to continue their employee benefits during the Severance Period at active employee coverage levels and active employee contribution rates, if any.

(b) Benefits Conditioned on Release. Notwithstanding anything in this Section 5 to the contrary, all benefits under this Plan shall be provided in consideration for, and conditioned upon, (i) the execution and non-revocation of a release by the Participant of all claims, known or unknown, arising on or before the date of the release against the Company and its officers, directors and employees in the form and manner prescribed by the Company (which release may include cooperation, nondisclosure, non-competition, non-disparagement and confidentiality covenants) (the **"Release"**), (ii) the affirmation or initial agreement (as the case may be), in a form and manner prescribed by the Company, of the Participant's obligations under confidentiality, non-solicitation and intellectual property covenants in favor of the Company (which affirmation/initial agreement may be made part of the Release), (iii) the execution of a non-competition agreement by the Participant in favor of the Company in a form and manner prescribed by the Company (which non-competition agreement may be made part of the Release), (iv) the repayment of any amounts due to the Company, and (v) the return by the Participant to the Company of all property of the Company, including any and all electronic devices, documents, electronic data, trade secrets, proprietary and confidential information in the Participant's possession, custody or control.

A Participant must execute all required documents, including the Release, not later than sixty (60) days after the Participant's Last Day of Active Employment. If a Participant fails to execute such documents within the required time period, the Participant shall not be entitled to receive Severance Benefits under this Plan.

Notwithstanding anything herein to the contrary, if the period during which a Participant has to sign and revoke the Release begins in one taxable year of the Participant and ends in the Participant's subsequent taxable year, any amounts payable under the Plan will commence in the subsequent taxable year.

(c) Suspension of Benefits. The Company may, in its sole discretion, terminate or suspend all Plan benefits upon learning, or having good reason to believe, that the Participant has violated the conditions and covenants described in Section 5(b). In such case, any consideration received by a Participant prior to the date of such cessation or suspension of Plan benefits shall be considered adequate consideration for the Release and other covenants hereunder. The Company's right to suspend or terminate Plan benefits hereunder shall not preclude the Company from pursuing other remedies for such violations, including, without limitation, seeking injunctive relief.

(d) Nonduplication of Benefits. Any benefit determined to be payable to a Participant under this Plan shall, subject to and consistent with Code Section 409A, be reduced by the amount of any similar severance, redundancy or employment termination benefit payable to the Participant under (i) any other severance plan sponsored or funded by the Company, (ii) any agreement between the Company and the Participant, whether oral or written, express or implied, relating to termination related benefits, or (iii) any statutory or court mandated entitlement (including entitlements under foreign law), regardless of whether the benefit determined under such other plan, agreement, statutory or court mandated entitlement is payable at an earlier or a later date than payments under the Plan, it being the intention of this subparagraph (d) to protect the Company from the payment of duplicative severance, redundancy or employment termination benefits.

6. Form and Timing of Benefit Payments

Except as provided in Section 25, any Pay Continuation shall be paid in substantially equal periodic installments corresponding to the Participant's normal payroll period commencing after the Participant's Last Day of Active Employment. Any Prorated Annual Incentive Compensation shall be paid annually in accordance with the Company's normal practices with respect to the payment of incentive compensation awards. Notwithstanding the foregoing, the Company may, at its sole discretion, delay the commencement of Severance Benefits until the Participant has executed a Release and the time period for revoking such Release, if applicable, has expired. In such case, the Company shall commence Severance Benefits upon the receipt of the Release or the expiration of the revocation period, as applicable, and any arrearages paid as part of the next payroll period.

Payment of Severance Benefits shall cease in the event a Participant (i) accepts re-employment with the Company, or (ii) commences the receipt of his or her pension benefits from a Company-sponsored defined benefit pension plan.

7. Covered Terminations

In order to be eligible for Severance Benefits under Section 5, a Participant must be the subject of a Covered Termination. A Covered Termination generally means an involuntary termination of employment initiated by the Company. In no event, however, shall the following events constitute a Covered Termination:

(a) an involuntary termination for Cause;

(b) the death of a Participant during active employment;

(c) the Participant's failure to timely return to work upon expiration of an authorized leave of absence. Such a Participant will be treated as having voluntarily resigned from the Company;

(d) a termination of employment initiated as a result of a Participant's refusal to accept a transfer to another Company location; provided, however, a Participant whose employment is terminated within two (2) years following a Change in Control solely as a result of his or her refusal to transfer to another Company location that is more than 50 miles from his or her work location immediately prior to a Change in Control shall be treated as having been subject to a Covered Termination;

(e) in the case of a sale or other disposition of the Participant's subsidiary, division or other business unit or operation, a termination of employment initiated as a result of a Participant's refusal to accept an offer of employment with the successor entity; provided, however, in such case a Covered Termination shall be deemed to have occurred only if the Participant is not offered substantially comparable employment with the successor entity, as determined by the Plan Administrator, in its sole discretion. Notwithstanding the preceding sentence, a Participant whose employment is terminated within two (2) years following a Change in Control solely as a result of his or her refusal to accept employment with the successor entity at a location that is more than 50 miles from his or her work location immediately prior to a Change in Control shall be treated as having been subject to a Covered Termination; or

(f) if the Participant does not return to active employment within eighteen (18) months of commencing a Medical Leave of Absence; provided, however, if a Participant is medically cleared to return to work (with documentation reasonably acceptable to the Company) before the conclusion of such eighteen (18) month period and is ready and willing to do so but does not return to active employment because (i) no comparable job for which the Participant is qualified is available, or (ii) such Participant is unable to locate another comparable Company position within thirty (30) days following his or her return to work, then such Participant shall be treated as having been subject to a Covered Termination.

8. Forfeiture of Benefits

Notwithstanding anything in the Plan to the contrary and except as provided in Section 25(c), the Company reserves the right in its sole and absolute discretion to cancel all benefits under this Plan in the event a Participant engages in any activity that the Company considers detrimental to its interests, as determined by the Committee or its delegees. Activities that the Company considers detrimental to its interests include, but are not limited to:

(a) any effort on the part of a Participant, either directly or indirectly, to recruit or solicit employees of the Company for employment with another company without the written approval of Garrett;

(b) any effort on the part of a Participant, either directly or indirectly, to recruit or solicit customers of the Company;

(c) the disclosure of any Company confidential or proprietary information, or the breach of any obligations under the Participant's agreements relating to intellectual property and confidential information;

(d) any intentional misconduct substantially damaging to the property or business of the Company;

(e) the commission of a fraud or misappropriation of property, proprietary information, intellectual property or trade secrets of the Company for personal gain or for the benefit of another party;

(f) knowingly making false or misleading statements about the Company or its products, officers or employees to competitors or customers or potential customers of the Company, or to current or former employees of the Company;

(g) a Participant's holding himself or herself out as an active employee of the Company; or

(h) breaching any of the terms of the Release or any IP, confidentiality or noncompetition agreement or covenant.

9. Payment of Benefits Upon Death

If a Participant dies after signing and returning the Release, without revoking the Release, and before all Severance Benefits have been paid, the balance of such payments will be paid to the Participant's estate in a lump sum within sixty (60) days following the Participant's death.

10. <u>Administration</u>

(a) Plan Administration. Except as provided in Section 26, the Plan shall be administered by the Plan Administrator, who shall have the powers and authorities as described in this Section 10. The Plan Administrator shall be the Committee, or its designee (which may be the General Counsel, the Chief Human Resources Officer, or such other officer of the Company as may be appointed by the Committee from time to time).

The Plan Administrator shall serve in such capacity without additional compensation. The Plan Administrator shall keep or cause to be kept such records and shall prepare or cause to be prepared such returns or reports as may be required by law or necessary for the proper administration of the Plan.

(b) Powers and Duties of Plan Administrator. The Plan Administrator shall have the full discretionary power and authority to (i) construe and interpret the Plan (including, without limitation, supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan); (ii) determine all questions of fact arising under the Plan, including questions as to eligibility for and the amount of benefits; (iii) establish such rules and regulations (consistent with the terms of the Plan) as it deems necessary or appropriate for administration of the Plan; (iv) delegate responsibilities to others to assist it in administering the Plan; and (v) perform all other acts it believes reasonable and proper in connection with the administration of the Plan. The Plan Administrator shall be entitled to rely on the records of the Company in determining any Participant's entitlement to, and the amount of, Severance Benefits under the Plan. Any determination of the Plan Administrator, including interpretations of the Plan and determinations of questions of fact, shall be final and binding on all parties.

The Plan Administrator may retain attorneys, consultants, accountants or other persons (who may be employees of the Company) to render advice and assistance and may delegate any of the authorities conferred on him under this Plan to such persons as he shall determine to be necessary to effect the discharge of his duties hereunder. The Plan Administrator, the Company and its officers and directors shall be entitled to rely upon the advice, opinions and determinations of any such persons. Any exercise of the authorities set forth in this Section 10, whether by the Plan Administrator or his delegee, shall be final and binding upon the Company and all Participants.

(c) Additional Discretionary Authority. The Plan Administrator may, in its sole and absolute discretion, waive the requirement that a Participant execute a Release or confidentiality, non-competition, non-disparagement, non-solicitation and intellectual property covenants in order to receive Severance Benefits.

(d) Indemnification. To the extent permitted by law, the Company shall indemnify the Plan Administrator from all claims for liability, loss, or damage (including payment of expenses in connection with defense against such claims) arising from any act or failure to act in connection with the Plan.

11. <u>Claims and Appeals Procedures</u>

Except as provided in Section 26, the Plan's benefit claims and appeals procedures shall be as follows:

(a) Any request or claim for Plan benefits shall be deemed to be filed when a written request is made by the claimant or the claimant's authorized representative that is reasonably calculated to bring the claim to the attention of the Plan Administrator.

(b) The Plan Administrator, or his designee, shall respond, in writing, to any claimant's claim for benefits under the Plan. Such response shall be provided within 90 days of its receipt by the Plan Administrator or, if special circumstances require and the claimant is so notified, in writing, before the expiration of the initial 90-day period, within 180 days of its receipt by the Plan Administrator. If the extension is necessary because the claimant has failed to submit the information necessary to decide the claim, the Plan Administrator's period for responding to such claim shall be tolled until the date that the claimant responds to the request for additional information. The response shall be written in a manner calculated to be understood by the claimant and shall, in the case of an adverse benefit determination:

(i) set forth the specific reasons for the adverse benefit determination;

(ii) contain specific references to Plan provisions relative to the adverse benefit determination;

(iii) describe any material and information, if any, necessary for the claim for benefits to be perfected, and an explanation of why such material or information is necessary; and

(iv) advise the claimant that any appeal of an adverse benefit determination must be made, in writing, to the Plan Administrator within 60 days after receipt of such adverse benefit determination, and must set forth the facts upon which the appeal is based.

(c) If the claimant fails to appeal the Plan Administrator's adverse benefit determination, in writing, within 60 days after its receipt by the claimant (or within 60 days after a deemed denial of the claim), the Plan Administrator's determination shall become final and conclusive.

(d) If the claimant appeals the Plan Administrator's adverse benefit determination in a timely fashion, the Plan Administrator shall re-examine all issues relevant to the original denial of benefits. Any such claimant or his or her duly authorized representative may review any pertinent documents and records, including documents and records that were relied upon in making the benefit determination, documents submitted, considered or generated in the course of making the benefit determination (even if such documents were not relied upon in making the benefit determination), and documents that demonstrate compliance, in making the benefit determination, with the Plan's required administrative processes and safeguards. In addition, the claimant or his duly authorized representative may submit, in writing, any documents, records, comments or other information relating to such claim for benefits. In the course of his review, the Plan Administrator shall take into account all comments, documents, records and other information submitted by the claimant or his duly authorized representative relating to such claim, regardless of whether it was submitted or considered as part of the initial benefit determination.

(e) The Plan Administrator shall advise the claimant and such claimant's representative, in writing, of its decision within 60 days of receipt of the written appeal, unless special circumstances require an extension of such 60-day period for not more than an additional 60 days. Where such extension is necessary, the claimant shall be given written notice of the delay before the expiration of the initial 60-day period, which notice shall set forth the reasons for the delay and the date the Plan Administrator expects to render its decision. In the event of an adverse benefit determination on appeal, the Plan Administrator shall advise the claimant, in a manner calculated to be understood by the claimant, of (i) the specific reasons for the adverse benefit determination, and (ii) the specific Plan provisions on which the adverse benefit determination was based. The Plan Administrator's written notice will advise the claimant of his or her right to receive, upon request and free of charge, copies of all documents, records and other information relevant to such claim.

(f) In the event of an adverse benefit determination after the Plan Administrator's review, the claimant's sole remedy shall be to file an action in court.

The Plan's claims procedures do not create any independent rights to Plan benefits. A current or former Participant who files a claim for Plan benefits must satisfy all Plan requirements, including the requirements of Section 5(b), in order to be entitled to benefits.

12. Time Period for Filing a Claim or a Lawsuit Against the Plan, the Company or Plan Fiduciaries; Restrictions on Venue

(a) Any claim for Plan benefits must be filed in writing with the Plan Administrator within sixty (60) days after the current or former Participant knew or should have known of his/her putative right to Plan benefits. However, in no event will any claim be considered timely if it is filed more than one hundred eighty (180) days after the date a current or former Participant's employment with the Company is terminated. Requests or claims submitted more than sixty (60) days after a current or former Participant knew or should have known of his/her potential right to Plan benefits, or one-hundred eighty (180) days after the date his/her employment with the Company is terminated, are deemed waived by the claimant and considered time-barred.

(b) Any lawsuit against the Plan, the Company, the Plan Administrator, or any other Plan fiduciary, must be filed no later than the six (6) month anniversary of the following, as applicable: (i) the date the claim or appeal is denied by the Plan Administrator, or (ii) the date the claimant knows, or should reasonably know, that the claim has been, or is treated as being, denied (e.g., if the claim, or the appeal in the case of an adverse benefit determination, is not denied within the time limits described in Section 11 above).

(c) Any action in connection with the Plan must be filed in the United States District Court for the Southern District of New York.

13. Unfunded Obligation

All benefits payable under this Plan shall constitute an unfunded obligation of the Company. Payments shall be made, as due, from the general funds of the Company. This Plan shall constitute solely an unsecured promise by the Company to pay severance benefits to Participants to the extent provided herein.

14. Inalienability of Benefits

No Participant shall have the power to transfer, assign, anticipate, mortgage or otherwise encumber any rights or any amounts payable under this Plan; nor shall any such rights or amounts payable under this Plan be subject to seizure, attachment, execution, garnishment or other legal or equitable process, or for the payment of any debts, judgments, alimony, or separate maintenance, or be transferable by operation of law in the event of bankruptcy, insolvency, or otherwise. In the event a person who is receiving or is entitled to receive benefits under the Plan attempts to assign, transfer or dispose of such right, or if an attempt is made to subject such right to such process, such assignment, transfer or disposition shall be null and void.

15. Withholding

The Company shall have the right to withhold any taxes required to be withheld with respect to any benefits due under this Plan.

16. Amendment or Termination

Except to the extent otherwise provided in Section 27, Garrett reserves the right of the Board or the Committee to amend or terminate the Plan at any time without prior notice to or the consent of any employee. No amendment or termination shall adversely affect the rights of any Participant whose employment terminated prior to such amendment or termination. However, except as provided in Section 27, any Participant whose employment continues after amendment of the Plan shall be governed by the terms of the Plan as so amended. Any Participant whose employment continues after termination of the Plan shall have no right to a benefit under the Plan. Any amendment or termination of the Plan must comply with all applicable legal requirements including, without limitation, compliance with Code Section 409A, securities, tax or other laws, rules, regulations or regulatory interpretations thereof that apply to the Plan.

17. Plan Not a Contract of Employment

Nothing contained in this Plan shall give an employee the right to be retained in the employment of the Company. This Plan is not a contract of employment between the Company and any employee.

18. Action by the Company

Unless expressly indicated to the contrary herein, any action required to be taken by an entity may be taken by action of its governing body or by any appropriate officer or officers traditionally responsible for such determination or actions, or such other individual or individuals as may be designated by such governing body, officer or employee.

19. Governing Law

The Plan is an employee welfare benefit plan within the meaning of Section 3(1) of ERISA, and will be construed in accordance with the provisions of ERISA and the laws of the State of New York.

20. Severability

If any provision of this Plan (other than Section 5(b)) shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts of this Plan, but this Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein. If Section 5(b) shall be held illegal or invalid for any reason, said illegality or invalidity shall nullify the remainder of this Plan with respect to the affected Participants.

21. Code Section 409A

(a) Notwithstanding any provision of the Plan to the contrary, if required by Code Section 409A and if a Participant is a “Specified Employee” (as defined below), no benefits shall be paid under this Plan during the “Postponement Period” (as defined below). If a Participant is a Specified Employee and payment of benefits is required to be delayed for the Postponement Period under Code Section 409A, the accumulated amounts withheld on account of Code Section 409A shall be paid in a lump sum payment within 30 days after the end of the Postponement Period and no interest or other adjustment shall be made for the delayed payment. If the Participant dies during the Postponement Period prior to the payment of benefits, the amounts withheld on account of Code Section 409A shall be paid to the Participant’s estate within sixty (60) days after the Participant’s death.

(b) This Plan is intended to meet the requirements of the “short-term deferral” exception, the “separation pay” exception and other exceptions under Code Section 409A. Notwithstanding anything in the Plan to the contrary, if required by Code Section 409A, payments may only be made under this Plan upon an event and in a manner permitted by Code Section 409A, to the extent applicable. For purposes of Code Section 409A, the right to a series of payments under the Plan shall be treated as a right to a series of separate payments. All reimbursements and in-kind benefits provided under the Plan shall be made or provided in accordance with the requirements of Code Section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses eligible for reimbursement during the period of time specified in the Plan; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits provided in any other calendar year; (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (iv) the right to reimbursement or in-kind benefit is not subject to liquidation or exchange for another benefit. In no event may a Participant designate the year of payment for any amounts payable under the Plan.

(c) Notwithstanding any provision of the Plan to the contrary, any payments of Severance Benefits under this Plan that (i) are, or may be, deferred compensation subject to Code Section 409A (**"409A Severance Benefits"**), and (ii) are subject to a Release, where the period for execution and non-revocation of the Release spans more than one calendar year, any payment of 409A Severance Benefits that is contingent on the execution of the Release shall not be paid until the second calendar year, or later if required by the applicable terms of the Plan. In no event may a Participant, either directly or indirectly, designate the calendar year of payment of any 409A Severance Benefits.

(d) For purposes of this Section 21, the following definitions apply:

(i) **"Specified Employee"** means a Participant who, at any time during the 12-month period ending on the identification date, is a "specified employee" under Code Section 409A, as determined by the Vice President – Compensation and Benefits (or his delegee), which determination of "specified employees," including the number and identity of persons considered "specified employees" and identification date, shall be made by the Vice President – Compensation and Benefits (or his delegee) in accordance with the provisions of Code Sections 416(i) and 409A.

(ii) **"Postponement Period"** means, for a Specified Employee, the period of six months after the Specified Employee's Last Day of Active Employment (or such other period as may be required by Code Section 409A) during which deferred compensation may not be paid to the Specified Employee under Code Section 409A.

22. Code Section 280G.

(a) Notwithstanding any provision of the Plan or any compensation or benefit program or other agreement to the contrary, if any payment or benefit by or from the Company or any of its Affiliates to or for the benefit of the Participant, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, would be subject to the excise tax imposed by Section 4999 of the Code, including any interest or penalties imposed with respect to such tax (the "**Excise Tax**", and all such payments and benefits being collectively referred to herein as the **"Parachute Payments"**), then except as otherwise provided in Section 22(b), the Parachute Payments shall be reduced (but not below zero) or eliminated (as further provided for in Section 12.3) to the extent the "Independent Tax Advisor" (as defined below) shall reasonably determine is necessary so that no portion of the Payments shall be subject to the Excise Tax (the **"Reduced Amount"**).

(b) Notwithstanding the provisions of Section 22(a), if the Independent Tax Advisor reasonably determines that the Participant would receive, in the aggregate, a greater amount of the Parachute Payments on an after-tax basis (including all applicable federal, state and local income, employment and other applicable taxes and the Excise Tax) if the Parachute Payments were not reduced or eliminated to the Reduced Amount pursuant to Section 22(a), then no such reduction shall be made notwithstanding that all or any portion of the Payments may be subject to the Excise Tax.

(c) For purposes of determining which of Sections 22(a) and 22(b) shall be given effect, the determination of which Parachute Payments shall be reduced or eliminated to avoid the Excise Tax shall be made by the Independent Tax Advisor. The Independent Tax Advisor shall provide its determinations, together with detailed supporting calculations and documentation, to the Company and the Participant for their review no later than ten (10) days after the date of termination. If a reduction in payments or benefits is necessary so that the Parachute Payments equal the Reduced Amount, reduction shall occur in the following order: (i) first by reducing or eliminating the portion of the Parachute Payments that are payable in cash, (ii) second by reducing or eliminating the portion of the Parachute Payments that are not payable in cash (other than Parachute Payments as to which Treasury Regulations Section 1.280G-1 Q/A – 24(c) (or any successor provision thereto) applies (**"Q/A-24(c) Payments"**)) and (iii) third by reducing or eliminating Q/A-24(c) Payments. In the event that any Q/A-24(c) Payment or acceleration is to be reduced, such Q/A-24(c) Payment shall be reduced or cancelled in the reverse order of the date of grant of the awards. The determinations of the Independent Tax Advisor under this Section 22 shall, after due consideration of the Company's and the Participant's comments with respect to such determinations and the interpretation and application of this Section 22, be final and binding on the parties absent manifest error. The Company and the Participant shall furnish to the Independent Tax Advisor such information and documents as the Independent Tax Advisor may reasonably request in order to make the determinations required under this Section 22.

(d) For purposes of this Section 22, **"Independent Tax Advisor"** means a lawyer with a nationally recognized law firm, a certified public accountant with a nationally recognized accounting firm, or a compensation consultant with a nationally recognized actuarial and benefits consulting firm, in each case with expertise in the area of executive compensation tax law, who shall be selected by the Company, and all of whose fees and disbursements shall be paid by the Company.

PART II
SPECIAL PROVISIONS THAT BECOME EFFECTIVE
ONLY UPON CHANGE IN CONTROL

23. Applicability

(a) Except to the extent otherwise indicated, the provisions of this Part II become effective upon a Change in Control and, in addition to the provisions of Part I that are not superseded by provisions of this Part II, shall control (i) the determination of eligibility for, the amount of, and the time of payment of benefits under the Plan to any Participant who is the subject of a Covered Termination that occurs within the two (2) year period following the Change in Control, and (ii) the terms of payment for any Participant whose Severance Period extends beyond the Change in Control.

(b) It is intended that this Part II will assure that Participants will not be adversely affected by the unique circumstances that may exist following a Change in Control. The provisions of this Part II will have no effect whatsoever prior to a Change in Control.

24. Definitions

(a) **"Annual Incentive Compensation"** means, notwithstanding the provisions of Section 3(c), the product of (i) Annual Base Salary, and (ii) the greater of (A) the Incentive Award Target Percentage for the most recent Determination Year ended prior to the Change in Control, or (B) the average of the Incentive Award Target Percentages applied in determining the Participant's Incentive Award in the last three Determination Years prior to the date of Covered Termination (or such lesser period as the Participant may have been employed).

(b) **"Cause"** has the same meaning as under Part I; provided, however, in the case of a determination under Part II of the Plan, Cause shall be determined by the New Plan Administrator.

(c) **"Covered Termination"** means, in addition to the circumstances described in Section 3(k), a severance of the employment relationship at the initiative of a Participant for Good Reason.

(d) **"Good Reason"** means any one or more of the following:

(i) A material change in the Participant's position, duties and/or responsibilities as they existed in the period immediately preceding the Change in Control;

(ii) Any significant reduction in the Participant's Base Salary or Annual Incentive Compensation;

(iii) Any geographic relocation of the Participant's position to a new location that is more than fifty (50) miles from the location of the Participant's position immediately prior to a Change in Control; or

(iv) The failure of any Garrett Employer that is a successor to the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to expressly assume and agree to honor this Plan, if such assumption is legally required to make this Plan enforceable against the successor.

For purposes of this Section 24(c), the term "significant reduction" shall mean a reduction or series of reductions with respect to the same form of benefit or remuneration that are greater than 10%, or which do not affect substantially all persons covered by the plan or program in question.

Notwithstanding the foregoing, Good Reason shall not be deemed to have occurred unless the Participant provides written notice to Garrett identifying the event or omission constituting the reason for a Good Reason termination within ninety (90) days following the first occurrence of such event or omission. Within thirty (30) days after such notice has been provided to Garrett, Garrett shall have the opportunity, but shall have no obligation, to cure such event or conditions that give rise to a Good Reason termination. If Garrett fails to cure the events or conditions giving rise to a Participant's Good Reason termination by the end of the thirty (30) day cure period, the Participant's employment shall be terminated effective as of the expiration of such thirty (30) day cure period unless the Participant has withdrawn such Good Reason termination notice.

(e) **"Garrett Employer"** means the Company and any other person, organization or entity that agrees in writing to be bound by the terms of the Plan for a period of time that extends at least through the two-year period following a Change in Control.

(f) **"New Plan Administrator"** means such person or persons appointed pursuant to Section 26 to administer the Plan upon the occurrence of a Change in Control.

25. Benefit Payments and Forfeitures

(a) Additional Severance Benefit. Subject to Section 5(b) through 5(e), a Participant who is the subject of a Covered Termination (as defined in this Part II), in addition to the severance benefit described in Section 5(a), shall also receive the following amounts: (A) in the case of Garrett's Chief Executive Officer, an amount equal to two times (2x) the Chief Executive Officer's target Annual Incentive Compensation; and (B) in the case of any of the Other Executive Officers, CEO Direct Reports and Other Designated Leadership Team Members, an amount equal to one-and-one-half times (1.5x) such Participant's target Annual Incentive Compensation.

(b) Benefit Payments. Notwithstanding the provisions of Section 6, benefits that are determined to be payable to a Participant under Sections 5(a)(i), 5(a)(ii) and 25(a) on or after a Change in Control shall be paid within thirty (30) days following the later of the Change in Control or the Covered Termination, in a single lump-sum payment equal to the sum of (i) the total amount of the benefit remaining payable under Sections 5(a)(i) and 25(a), and (ii) the amount of the benefit remaining payable under Section 5(a)(ii) for all Determination Years which are coextensive, in whole or part, with the Severance Period; provided, however, that the single lump-sum payment pursuant to this Section will only be paid if the Change in Control constitutes a "change in control event" under Section 409A of the Code. Otherwise, the payment shall be paid (or continue to be paid, if in pay status) in the same form and at the same times as provided under Section 5(a). Notwithstanding the provisions of Section 5(b), to the extent the Participant is not otherwise a party to or bound by the restrictive covenants set forth on Annex A attached hereto, in lieu of the requirements set forth in clauses (ii) and (iii) of Section 5(b), the Participant shall, as a condition to receive any benefits under this Plan, also enter into the restrictive covenant agreement substantially in the form attached hereto on Annex A. If any benefit is paid later than the time provided in this Section 25(b), such late payment shall be credited with interest for the period from the date payment should have been made to the date actually made at a rate equal to the average quoted rate for three-month U.S. Treasury Bills for the week preceding the date of payment, as determined by the New Plan Administrator, plus six percentage points.

(c) Forfeiture of Benefits. Notwithstanding the provisions of Section 8, a Participant receiving benefits or entitled to receive benefits under the Plan shall cease to receive such benefits under the Plan and the right to receive any benefits in the future under the Plan shall be forfeited, in the event the Participant, as determined by the New Plan Administrator, (i) is convicted of a felony committed against a Garrett Employer, its property or business, (ii) commits any fraud or misappropriates property, proprietary information, intellectual property or trade secrets of a Garrett

Employer for personal gain or for the benefit of another party, (iii) actively recruits and offers employment to any management employee of a Garrett Employer, or (iv) breaches any of the terms of the Release or any IP, confidentiality or noncompetition agreement or covenant.

26. Administration

(a) New Plan Administrator. On or before a Change in Control, the Plan Administrator shall appoint a person independent of the Company to be the New Plan Administrator upon the occurrence of a Change in Control and the Plan Administrator shall provide to the New Plan Administrator such information with respect to each Participant in the Plan as shall be necessary to enable the New Plan Administrator to determine the amount of the Severance Benefits that are then, or may thereafter become, payable to such Participants. Upon a Change in Control, the New Plan Administrator shall have the authority invested in the Plan Administrator under Section 10(b), and claims for benefits shall be subject to the claims and appeals procedures outlined in Section 11.

(b) Attorneys Fees and Costs. If a Participant is paid or is determined to be entitled to receive benefits by a court of competent jurisdiction, the Garrett Employer shall immediately pay or reimburse the affected Participant for the full amount of any attorneys' fees and other expenses the affected Participant incurred in pursuing his or her claim for benefits, including claims incurred during the claims and appeals portion of the process. The payment or reimbursement shall include the reasonable hourly rates charged by the Participant's attorneys, any and all other expenses related to the action incurred by or on behalf of the affected Participant, the costs and expenses of any experts utilized to prepare the claim, and any court costs assessed against the affected Participant.

(c) Declaratory Judgment. Participants may bring a claim under this Section 26 to assert the existence of Good Reason conditions that would enable a Participant to trigger his own termination under this Part II without resigning his or her position with the Garrett Employer.

27. Amendment or Termination

This Plan may not be amended or terminated after a Change in Control without the consent of any Participant if such amendment or termination would impair or adversely affect the rights of such Participant under the Plan; provided, however, the Plan may be amended if the purpose of the amendment is to increase benefits hereunder or if the purpose of the amendment is to comply with Section 409A of the Code.

28. No Waiver

No waiver by a Participant at any time of any breach by a Garrett Employer of, or of any lack of compliance with, any condition or provision of this Plan to be performed by the Garrett Employer shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. In no event shall the failure by a Participant to assert any right under the Plan (including, but not limited to, failure to assert the existence of Good Reason conditions that would enable a Participant to trigger his own termination under this Part II) be deemed a waiver of such right or any other right provided under the Plan, it being intended that a Participant who has perfected a right under the Plan (including, but not limited to, a Participant's right to trigger his own Good Reason termination under this Part II) shall be entitled to assert that right in accordance with the terms of the Plan unless the Participant affirmatively elects, in writing, to waive such right.

29. Company Policies

All benefits granted under the Plan shall be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Board of Directors from time to time, including such policies set forth in the Company's Corporate Governance

Guidelines, as such policies may be amended from time to time, subject to and consistent with Section 409A of the Code.

Adopted by the Board on July 26, 2023, effective as of May 1, 2023.

<u>Annex A</u>

Restrictive Covenant Agreement

Exhibit 31.1

CERTIFICATION

I, Olivier Rabiller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Garrett Motion Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2023

By: /s/ Olivier Rabiller
Olivier Rabiller
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Sean Deason, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Garrett Motion Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2023

By: /s/ Sean Deason

Sean Deason

Senior Vice President and Chief Financial Officer

(*principal financial officer*)

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Garrett Motion Inc. (the “Company”) for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 27, 2023

By: /s/ Olivier Rabiller

Olivier Rabiller
President and Chief Executive Officer
(*principal executive officer*)

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Garrett Motion Inc. (the "Company") for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 27, 2023

By: /s/ Sean Deason

Sean Deason
Senior Vice President and Chief Financial Officer
(*principal financial officer)*