Section 1: 10-Q (10-Q)

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 September 30, 2019

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	New York Stock Exchange

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 ☒

As of November 4, 2019, the registrant had 74,826,329 shares of common stock, $0.001 par value per share, outstanding.

Table of Contents

BASIS OF PRESENTATION

On October 1, 2018, Garrett Motion Inc. became an independent publicly-traded company through a pro rata distribution (the "Distribution") by Honeywell International Inc. ("Former Parent" or "Honeywell") of 100% of the then-outstanding shares of Garrett to Honeywell's stockholders (the "Spin-Off"). Each Honeywell stockholder of record received one share of Garrett common stock for every 10 shares of Honeywell common stock held on the record date. Approximately 74 million shares of Garrett common stock were distributed on October 1, 2018 to Honeywell stockholders. In connection with the Spin-Off, Garrett´s common stock began trading "regular-way" under the ticker symbol "GTX" on the New York Stock Exchange on October 1, 2018.

Unless the context otherwise requires, references to "Garrett," "we," "us," "our," and "the Company" in this Quarterly Report on Form 10-Q refer to (i) Honeywell's Transportation Systems Business (the "Transportation Systems Business" or the "Business") prior to the Spin-Off and (ii) Garrett Motion Inc. and its subsidiaries following the Spin-Off, as applicable.

This Quarterly Report on Form 10-Q contains financial information that was derived partially from the consolidated financial statements and accounting records of Honeywell. The accompanying consolidated and combined interim financial statements of Garrett ("Consolidated and Combined Interim Financial Statements") reflect the consolidated and combined historical results of operations, financial position and cash flows of Garrett, for the period following the Spin-Off, and the Transportation Systems Business, for all periods prior to the Spin-Off, as it was historically managed in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Therefore, the historical consolidated and combined financial information may not be indicative of our future performance and does not necessarily reflect what our consolidated and combined results of operations, financial condition and cash flows would have been had the Business operated as a separate, publicly traded company during the entirety of the periods presented, particularly because of changes that we have experienced, and expect to continue to experience in the future, as a result of our separation from Honeywell, including changes in the financing, cash management, operations, cost structure and personnel needs of our business.

CAUTIONARY 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 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 our future results of operations and financial position, expectations regarding the growth of the turbocharger and electric vehicle markets, the sufficiency of our cash and cash equivalents, anticipated sources and uses of cash, anticipated investments in our business, our business strategy, anticipated payments under our agreements with Honeywell, 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:

1. changes in the automotive industry and economic or competitive conditions;
2. our ability to develop new technologies and products, and the development of either effective alternative turbochargers or new replacement technologies;
3. 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;
4. potential material losses and costs as a result of any warranty claims and product liability actions brought against us;
5. significant failure or inability to comply with the specifications and manufacturing requirements of our original equipment manufacturer customers or by increases or decreases to the inventory levels maintained by our customers;
6. volume of products we produce and market demand for such products and prices we charge and the margins we realize from our sales of our products;
7. loss of or a significant reduction in purchases by our largest customers, material nonpayment or nonperformance by any our key customers, and difficulty collecting receivables;
8. inaccuracies in estimates of volumes of awarded business;
9. work stoppages, other disruptions or the need to relocate any of our facilities;
10. supplier dependency;
11. failure to meet our minimum delivery requirements under our supply agreements;
12. failure to increase productivity or successfully execute repositioning projects or manage our workforce;
13. potential material environmental liabilities and hazards;
14. natural disasters and physical impacts of climate change;
15. technical difficulties or failures, including cybersecurity risks;
16. potential material litigation matters, including labor disputes;
17. changes in legislation or government regulations or policies;

18. risks related to international operations and our investment in foreign markets, including risks related to the withdrawal of the United Kingdom from the European Union, or Brexit, and changes to tariff regimes;

19. risks related to our agreements with Honeywell, such as the Indemnification and Reimbursement Agreement and Tax Matters Agreement;

20. the terms of our indebtedness and our ability to access capital markets;

21. unforeseen adverse tax effects;

22. costs related to operating as a standalone public company and failure to achieve benefits expected from the Spin-Off;

23. inability to recruit and retain qualified personnel; and

24. the other factors described under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018 and in our other filings with the Securities and Exchange Commission ("SEC").

You should read this Quarterly Report and the documents that we reference in this Quarterly Report 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.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions, except per share amounts)			
Net sales (Note 4)	781	784	2,418	2,576
Cost of goods sold	609	606	1,868	1,972
Gross profit	$ 172	$ 178	$ 550	$ 604
Selling, general and administrative expenses	68	60	186	186
Other expense, net (Note 6)	18	51	54	132
Interest expense	18	1	52	3
Non-operating expense (income)	(4)	(7)	2	(10)
Income before taxes	$ 72	$ 73	$ 256	$ 293
Tax expense (benefit) (Note 7)	34	(856)	79	(844)
Net income	$ 38	$ 929	$ 177	$ 1,137
Earnings per common share (Note 16)				
Basic	$ 0.51	$ 12.54	$ 2.37	$ 15.35
Diluted	$ 0.50	$ 12.54	$ 2.34	$ 15.35
Weighted average common shares outstanding (Note 16)				
Basic	74,753,593	74,070,852	74,528,740	74,070,852
Diluted	75,704,457	74,070,852	75,700,652	74,070,852

The Notes to the Consolidated and Combined Interim Financial Statements are an integral part of these statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Net income	$ 38	$ 929	$ 177	$ 1,137
Foreign exchange translation adjustment	102	(3)	127	(251)
Defined benefit pension plan adjustment, net of tax (Note 15)	—	—	1	—
Changes in fair value of effective cash flow hedges, net of tax (Note 14)	8	5	10	24
Changes in currency basis reserve	—	(3)	—	(3)
Total other comprehensive (loss) income, net of tax	$ 110	$ (1)	$ 138	$ (230)
Comprehensive income (loss)	$ 148	$ 928	$ 315	$ 907

The Notes to the Consolidated and Combined Interim Financial Statements are an integral part of these statements.

GARRETT MOTION INC.
CONSOLIDATED AND COMBINED INTERIM BALANCE SHEETS
(Unaudited)

	September 30, 2019	December 31, 2018
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 190	$ 196
Accounts, notes and other receivables – net (Note 8)	751	750
Inventories – net (Note 9)	193	172
Other current assets	59	71
Total current assets	1,193	1,189
Investments and long-term receivables	41	39
Property, plant and equipment – net	430	438
Goodwill	193	193
Deferred income taxes	181	165
Other assets (Note 10)	108	80
Total assets	$ 2,146	$ 2,104
LIABILITIES		
Current liabilities:		
Accounts payable	$ 897	$ 916
Borrowings under revolving credit facility	—	—
Current maturities of long-term debt	4	23
Obligations payable to Honeywell, current (Note 17)	121	127
Accrued liabilities (Note 11)	366	426
Total current liabilities	1,388	1,492
Long-term debt	1,477	1,569
Deferred income taxes	53	27
Obligations payable to Honeywell (Note 17)	1,254	1,399
Other liabilities (Note 12)	238	210
Total liabilities	$ 4,410	$ 4,697
COMMITMENTS AND CONTINGENCIES (Note 17)		
EQUITY (DEFICIT)		
Common stock, par value $0.001; 400,000,000 shares authorized, 74,892,306 and 74,070,852 issued and 74,809,930 and 74,019,825 outstanding as of September 30, 2019 and December 31, 2018, respectively	—	—
Additional paid-in capital	19	5
Retained earnings	(2,494)	(2,671)
Accumulated other comprehensive income (Note 15)	211	73
Total stockholders' deficit	$ (2,264)	$ (2,593)
Total liabilities and stockholders' deficit	$ 2,146	$ 2,104

The Notes to the Consolidated and Combined Interim Financial Statements are an integral part of these statements.

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

	For the Nine Months Ended September 30, 2019	2018
	(Dollars in millions)	
Cash flows from operating activities:		
Net income	$ 177	$ 1,137
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Deferred income taxes	4	(908)
Depreciation	55	53
Amortization of deferred issuance costs	5	—
Foreign exchange loss	32	10
Stock compensation expense	14	16
Pension expense	4	7
Other	7	6
Changes in assets and liabilities:		
Accounts, notes and other receivables	(29)	(42)
Receivables from related parties	—	57
Inventories	(33)	(7)
Other assets	7	(2)
Accounts payable	18	(6)
Payables to related parties	—	(50)
Accrued liabilities	(48)	(57)
Obligations payable to Honeywell	(84)	—
Asbestos related liabilities	—	1
Other liabilities	(4)	25
Net cash provided by operating activities	$ 125	$ 240
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(74)	(66)
Increase in marketable securities	—	(21)
Decrease in marketable securities	—	312
Other	12	—
Net cash (used for) provided by investing activities	$ (62)	$ 225
Cash flows from financing activities:		
Net increase (decrease) in Invested deficit	—	(1,493)
Proceeds from revolving credit facility	550	1,631
Payments of revolving credit facility	(550)	—
Payments of long-term debt	(62)	—
Payments related to related party notes payable	—	(493)
Net change related to cash pooling and short-term notes	—	(201)
Net cash used for financing activities	$ (62)	$ (556)
Effect of foreign exchange rate changes on cash and cash equivalents	$ (7)	$ (12)
Net decrease in cash and cash equivalents	(6)	(103)
Cash and cash equivalents at beginning of period	196	300
Cash and cash equivalents at end of period	$ 190	$ 197

The Notes to the Consolidated and Combined Interim Financial Statements are an integral part of these statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Invested Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Deficit
	(Dollars in millions)						
Balance at December 31, 2017	—	—	—	—	$ (2,433)	$ 238	$ (2,195)
Net income	—	—	—	—	58	—	58
Other comprehensive income, net of tax	—	—	—	—	—	(184)	(184)
Change in Invested deficit	—	—	—	—	1,080	—	1,080
Balance at March 31, 2018	—	—	—	—	$ (1,295)	$ 54	$ (1,241)
Net income	—	—	—	—	150	—	150
Other comprehensive income, net of tax	—	—	—	—	—	(45)	(45)
Change in Invested deficit	—	—	—	—	(672)	—	(672)
Balance at June 30, 2018	—	—	—	—	$ (1,817)	$ 9	$ (1,808)
Net income	—	—	—	—	929	—	929
Other comprehensive income, net of tax	—	—	—	—	—	(1)	(1)
Change in Invested deficit	—	—	—	—	(1,576)	—	(1,576)
Balance at September 30, 2018	—	—	—	—	$ (2,464)	$ 8	$ (2,456)
Balance at December 31, 2018	74	—	$ 5	$ (2,671)	—	$ 73	$ (2,593)
Net income	—	—	—	73	—	—	73
Other comprehensive income, net of tax	—	—	—	—	—	63	63
Stock compensation expense	1	—	5	—	—	—	5
Balance at March 31, 2019	75	—	$ 10	$ (2,598)	—	$ 136	$ (2,452)
Net income	—	—	—	66	—	—	66
Other comprehensive income, net of tax	—	—	—	—	—	(35)	(35)
Stock compensation expense	—	—	4	—	—	—	4
Balance at June 30, 2019	75	—	$ 14	$ (2,532)	—	$ 101	$ (2,417)
Net income	—	—	—	38	—	—	38
Other comprehensive income, net of tax	—	—	—	—	—	110	110
Stock compensation expense	—	—	5	—	—	—	5
Balance at September 30, 2019	75	—	$ 19	$ (2,494)	—	$ 211	$ (2,264)

The Notes to the Consolidated and Combined Interim Financial Statements are an integral part of these statements.

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. We are a global technology leader with significant expertise in delivering products across gasoline and diesel propulsion systems and hybrid and fuel cell powertrains.

On October 1, 2018, the Company became an independent publicly-traded company through a pro rata distribution by Honeywell International Inc. ("Former Parent" or "Honeywell") of 100% of the then-outstanding shares of Garrett to Honeywell's stockholders (the "Spin-Off"). Each Honeywell stockholder of record received one share of Garrett common stock for every 10 shares of Honeywell common stock held on the record date. Approximately 74 million shares of Garrett common stock were distributed on October 1, 2018 to Honeywell stockholders. In connection with the Spin-Off, Garrett´s common stock began trading "regular-way" under the ticker symbol "GTX" on the New York Stock Exchange on October 1, 2018.

The Spin-Off was completed pursuant to a Separation and Distribution Agreement and other agreements with Honeywell related to the Spin-Off, including but not limited to an indemnification and reimbursement agreement (the "Indemnification and Reimbursement Agreement") and a tax matters agreement (the "Tax Matters Agreement"). Refer to Note 17, Commitments and Contingencies for additional details related to the Indemnification and Reimbursement Agreement and Tax Matters Agreement.

Unless the context otherwise requires, references to "Garrett," "we," "us," "our," and "the Company" refer to (i) Honeywell's Transportation Systems Business (the "Transportation Systems Business" or the "Business") prior to the Spin-Off and (ii) Garrett Motion Inc. and its subsidiaries following the Spin-Off, as applicable.

Basis of Presentation

Prior to the Spin-Off on October 1, 2018, our historical financial statements were prepared on a stand-alone combined basis and were derived from the consolidated financial statements and accounting records of Honeywell. Accordingly, for periods prior to October 1, 2018, our financial statements are presented on a combined basis and for the periods subsequent to October 1, 2018 are presented on a consolidated basis (collectively, the historical financial statements for all periods presented are referred to as "Consolidated and Combined Interim Financial Statements"). The Consolidated and Combined Interim Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Asbestos-related expenses, net of probable insurance recoveries, are presented within Other expense, net in the Consolidated and Combined Interim Statement of Operations. Honeywell is subject to certain asbestos-related and environmental-related liabilities, primarily related to its legacy Bendix business. In conjunction with the Spin-Off, certain operations that were part of the Bendix business, along with the ownership of the Bendix trademark, as well as certain operations that were part of other legacy elements of the Business, were transferred to us. For the periods prior to the Spin-Off, these Consolidated and Combined Interim Financial Statements reflect an estimated liability for resolution of pending and future asbestos-related and environmental liabilities primarily related to the legacy Bendix business, calculated as if we were responsible for 100% of the Bendix asbestos-liability payments. However, this recognition model differs from the recognition model applied subsequent to the Spin-Off, with the difference recognized through equity as of the Spin-Off date. In periods subsequent to the Spin-Off, the accounting for the majority of our asbestos-related liability payments and accounts payable reflect the terms of the Indemnification and Reimbursement Agreement with Honeywell entered into on September 12, 2018, under which we are required to make payments to Honeywell in amounts equal to 90% of Honeywell's asbestos-related liability payments and accounts payable, primarily related to the Bendix business in the United States, as well as certain environmental-related liability payments and accounts payable and non-United States asbestos-related liability payments and accounts payable, in each case related to legacy elements of the Business, including the legal costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts and, as may be applicable, certain other recoveries associated with such liabilities. The Indemnification and Reimbursement Agreement provides that the agreement will terminate upon the earlier of (x) December 31, 2048 or (y) December 31st of the third consecutive year during which certain amounts owed to Honeywell during each such year were less than $25 million as converted into Euros in accordance with the terms of the agreement.

The Consolidated and Combined Interim Financial Statements are unaudited; however, in the opinion of management, they contain all the adjustments (consisting of those of a normal recurring nature) considered necessary to state fairly the financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP applicable to interim periods. The Consolidated and Combined Interim Financial Statements should be read in conjunction with the audited annual Consolidated and Combined Financial Statements for the year ended December 31, 2018 included in our Annual Report on Form 10-K, as filed with the SEC on March 1, 2019 (our "2018 Form 10-K"). The results of operations for the three and nine months ended September 30, 2019 and cash flows for the nine months ended September 30, 2019 should not necessarily be taken as indicative of the entire year.

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 in order to minimize the potentially disruptive effects of quarterly closing on our business processes. The effects of this practice are generally not significant to reported results for any quarter and only exist within a reporting year. For differences in actual closing dates that are material to year-over-year comparisons of quarterly or year-to-date results, such differences have been adjusted for the three months ended September 30, 2019. Our actual closing dates for the three months ended September 30, 2019 and 2018 were September 28, 2019 and September 29, 2018, respectively.

Note 2. Summary of Significant Accounting Policies

The accounting policies of the Company are set forth in Note 2 to the audited annual Consolidated and Combined Financial Statements for the year ended December 31, 2018 included in our 2018 Form 10-K. We include herein certain updates to those policies.

Leases - Lessee accounting policy

For the periods beginning January 1, 2019, right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date of a lease (the "commencement date") based on the present value of lease payments over the lease term. We determine if an arrangement is a lease at inception. Operating leases are included in Other assets, Accrued liabilities, and Other liabilities in our Consolidated and Combined Balance Sheets. No finance leases have been recognized.

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable lease payments are expensed in the period in which they occur.

We have lease agreements with lease and non-lease components, which are generally accounted for separately. For machinery and equipment, we account for the lease and non-lease components as a single lease component.

We account for short-term leases by recognizing lease payments in net income on a straight-line basis over the lease term and will not recognize any ROU assets and lease liabilities on the Consolidated and Combined Balance Sheet.

For the periods prior to January 1, 2019, we accounted for leases in accordance with ASC 840.

Recently Adopted Accounting Pronouncements

Effective January 1, 2019, the Company adopted the new lease accounting standard using the modified retrospective transition option of applying the new standard at the adoption date while electing not to recast comparative periods in the transition. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classification. In adopting the new leases standard, the Company has applied the practical expedients as per ASC 842-10-65-1(f) and (g). Adoption of the new standard resulted in the recording of additional lease assets and lease liabilities of $34 million as of January 1, 2019. The adoption of this standard did not have a material impact related to existing leases and as a result, a cumulative-effect adjustment was not recorded.

In February 2018, the FASB issued guidance that allows for an entity to elect to reclassify the income tax effects on items within Accumulated other comprehensive income resulting from The Tax Cuts and Jobs Act ("Tax Act") to retained earnings. The guidance is effective for fiscal years beginning after December 15, 2018. Upon adoption, the Company did not elect to reclassify the stranded income tax effects of the Tax Act from accumulated other comprehensive income to retained earnings.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13), which requires measurement and recognition of expected credit losses for financial assets held and enhances disclosures regarding significant estimates used in estimating credit losses. ASU 2016-13 will be effective for us in our first quarter of fiscal 2020, and earlier adoption is permitted beginning in the first quarter of fiscal 2019. We are currently developing the model to estimate our expected credit losses to evaluate the impact of the guidance on our Consolidated and Combined Financial Statements.

Note 3. Related Party Transactions with Honeywell

Subsequent to Spin-Off

Following the Spin-Off, Honeywell is no longer considered a related party.

Prior to Spin-Off

Prior to the Spin-Off, the Consolidated and Combined Interim Financial Statements were prepared on a stand-alone basis and are derived from the Consolidated Interim Financial Statements and accounting records of Honeywell.

Honeywell provided certain services, such as legal, accounting, information technology, human resources and other infrastructure support, on behalf of the Business. The cost of these services has been allocated to the Business on the basis of the proportion of revenues. The Business and Honeywell consider the allocations to be a reasonable reflection of the benefits received by the Business. During the three and nine months ended September 30, 2018, the Business was allocated $26 million and $87 million, respectively, of general corporate expenses incurred by Honeywell, and such amounts are included within Selling, general and administrative expenses in the Consolidated and Combined Interim Statements of Operations. As certain expenses reflected in the Consolidated and Combined Interim Financial Statements for the three and nine months ended September 30, 2018 include allocations of corporate expenses from Honeywell, these statements could differ from those that would have been prepared had the Business operated on a stand-alone basis.

The Company received interest income for related party notes receivables of $0 million and $1 million for the three and nine months ended September 30, 2018. Additionally, the Company incurred interest expense for related party notes payable of $0 million and $1 million for the three and nine months ended September 30, 2018, respectively.

Net transfers to and from Honeywell are included within Invested deficit on the Consolidated and Combined Interim Statements of Equity. The components of the net transfers to and from Honeywell for the three and nine months ended September 30, 2018 are as follows:

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
General financing activities	$ 30	$ 1,761
Distribution to Former Parent	(1,628)	(2,994)
Unbilled corporate allocations	15	41
Stock compensation expense and other compensation awards	5	17
Pension expense	2	7
Total net decrease in Invested deficit	$ (1,576)	$ (1,168)

Note 4. Revenue Recognition and Contracts with Customers

Disaggregated Revenue

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

	Three months Ended September 30, 2019			
	OEM	Aftermarket	Other	Total
United States	$ 72	$ 45	$ 2	$ 119
Europe	388	34	9	431
Asia	202	13	7	222
Other International	4	5	—	9
	$ 666	$ 97	$ 18	$ 781

	Nine months Ended September 30, 2019			
	OEM	Aftermarket	Other	Total
United States	$ 232	$ 139	$ 5	$ 376
Europe	1,233	102	29	1,364
Asia	591	39	21	651
Other International	12	15	—	27
	$ 2,068	$ 295	$ 55	$ 2,418

	Three months Ended September 30, 2018 (1)			
	OEM	Aftermarket	Other	Total
United States	$ 83	$ 44	$ 2	$ 129
Europe	381	37	12	430
Asia	196	12	6	214
Other International	6	5	—	11
	$ 666	$ 98	$ 20	$ 784

	Nine months Ended September 30, 2018 (1)			
	OEM	Aftermarket	Other	Total
United States	$ 257	$ 132	$ 4	$ 393
Europe	1,277	118	42	1,437
Asia	655	38	20	713
Other International	17	16	—	33
	$ 2,206	$ 304	$ 66	$ 2,576

(1) The revenue information was previously disaggregated between OEM and Aftermarket and is now disaggregated between OEM, Aftermarket, and Other. As a result, the prior period presented was recast to conform to the current year presentation.

Contract Balances

The following table summarizes our contract assets and liabilities balances:

	2019
Contract assets—January 1	$ 5
Contract assets—September 30	9
Change in contract assets—Increase/(Decrease)	$ 4
Contract liabilities—January 1	$ (2)
Contract liabilities—September 30	(1)
Change in contract liabilities—(Increase)/Decrease	$ 1

Note 5. 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Research and development costs	$ 31	$ 28	$ 92	$ 96
Engineering-related expenses	4	—	8	7
	$ 35	$ 28	$ 100	$ 103

Note 6. Other Expense, Net

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Indemnification related — post Spin-Off	$ 18	$ —	$ 54	$ —
Asbestos related, net of probable insurance recoveries	—	51	—	130
Environmental remediation, non-active sites	—	—	—	2
	$ 18	$ 51	$ 54	$ 132

Note 7. Income Taxes

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Tax expense (benefit)	$ 34	$ (856)	$ 79	$ (844)
Effective tax rate	47%	(1,173)%	31%	(288)%

The effective tax rate increased for the three months ended September 30, 2019, as compared to the three months ended September 30, 2018, primarily due to tax benefits from an internal restructuring of Garrett’s business in advance of the Spin-Off that resulted in an $870 million reduction to withholding taxes on undistributed foreign earnings recorded during the three months ended September 30, 2018.

The effective tax rate increased for the nine months ended September 30, 2019, as compared to the nine months ended September 30, 2018, primarily due to tax benefits from an internal restructuring of Garrett’s business in advance of the Spin-Off that resulted in an $880 million reduction to withholding taxes on undistributed foreign earnings recorded during the nine months ended September 30, 2018.

The effective tax rates for the three months and nine months ended September 30, 2019 were higher than the U.S. federal statutory rate of 21% primarily from non-deductible indemnity expenses, the impacts of U.S. international tax provisions and accruals of withholding taxes on current year earnings, partially offset by non-U.S. earnings taxed at lower rates and tax adjustments from completed statutory filings.

The effective tax rates for the three months and nine months ended September 30, 2018 were lower than the U.S. federal statutory rate of 21% primarily due to tax benefits from an internal restructuring of Garrett’s business in advance of the Spin-Off that resulted in reduced withholding taxes on undistributed foreign earnings and non-U.S. earnings taxed at lower rates.

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.

As of September 30, 2019, there is pending tax legislation that is expected to be enacted before the end of 2019 that will increase the Company's income tax rate in Switzerland effective January 1, 2020. Upon enactment, the Company will be required to remeasure its deferred tax assets and liabilities to reflect the new tax rate. Such remeasurement will likely result in a material tax benefit that will be recorded through the income statement in the quarter in which enactment occurs.

Note 8. Accounts, Notes and Other Receivables—Net

	September 30, 2019	December 31, 2018
Trade receivables	$ 606	$ 593
Notes receivables	82	93
Other receivables	68	67
	$ 756	$ 753
Less—Allowance for doubtful accounts	(5)	(3)
	$ 751	$ 750

Trade receivables include $18 million and $5 million of unbilled balances as of September 30, 2019 and December 31, 2018, respectively. These amounts are billed in accordance with the terms of customer contracts to which they relate. Unbilled receivables include $9 million and $5 million of contract assets as of September 30, 2019 and December 31, 2018, respectively. See Note 4, Revenue Recognition and Contracts with Customers.

Note 9. Inventories—Net

	September 30, 2019	December 31, 2018
Raw materials	$ 125	$ 112
Work in process	21	19
Finished products	69	64
	$ 215	$ 195
Less—Reserves	(22)	(23)
	$ 193	$ 172

Note 10. Other Assets

	September 30, 2019	December 31, 2018
Advanced discounts to customers, non-current	$ 55	$ 56
Operating right-of-use assets (Note 13)	36	—
Undesignated cross-currency swap at fair value	9	16
Other	8	8
	$ 108	$ 80

Note 11. Accrued Liabilities

	September 30, 2019	December 31, 2018
Customer pricing reserve	$ 112	$ 107
Compensation, benefit and other employee related	58	71
Repositioning	4	15
Product warranties and performance guarantees	32	32
Taxes	61	113
Advanced discounts from suppliers, current	19	17
Customer advances and deferred income[(a)]	13	14
Accrued interest	9	6
Short-term lease liability (Note 13)	8	—
Other (primarily operating expenses)	50	51
	$ 366	$ 426

(a) Customer advances and deferred income include $1 million and $2 million of contract liabilities as of September 30, 2019 and December 31, 2018, respectively. See Note 4, Revenue Recognition and Contracts with Customers.

The Company accrued repositioning costs related to projects to optimize our product costs and to right-size our organizational structure. Expenses related to the repositioning accruals are included in Cost of goods sold in our Consolidated and Combined Interim Statements of Operations.

	Severance Costs	Exit Costs	Total
Balance at December 31, 2017	$ 53	$ 7	$ 60
Charges	2	—	2
Usage—cash	(39)	(4)	(43)
Foreign currency translation	—	—	—
Balance at September 30, 2018	$ 16	$ 3	$ 19

	Severance Costs	Exit Costs	Total
Balance at December 31, 2018	$ 13	$ 2	$ 15
Charges	3	—	3
Usage—cash	(7)	(2)	(9)
Adjustments and reclassifications	(6)	1	(5)
Foreign currency translation	—	—	—
Balance at September 30, 2019	$ 3	$ 1	$ 4

Note 12. Other Liabilities

	September 30, 2019	December 31, 2018
Pension and other employee related	$ 68	$ 71
Advanced discounts from suppliers	50	63
Uncertain tax positions	67	59
Long-term lease liability (Note 13)	28	—
Other	25	17
	$ 238	$ 210

Note 13. Leases

We have operating leases that primarily consist of real estate and machinery and equipment. Our leases have remaining lease terms of up to 11 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 September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost	$ 4	$ 10

Supplemental cash flow information related to operating leases is follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 3	$ 9
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 2	$ 10

Supplemental balance sheet information related to operating leases is follows:

	September 30, 2019
Other assets	$ 36
Accrued liabilities	8
Other liabilities	28

	September 30, 2019
Weighted-average lease term (in years)	6.31
Weighted-average discount rate	6.37

Maturities of operating lease liabilities were as follows:

	September 30, 2019
2019	$ 3
2020	9
2021	7
2022	6
2023	5
Thereafter	14
Total lease payments	44
Less imputed interest	(8)
	$ 36

As of December 31, 2018, in accordance with the previous lease standard, ASC 840, future minimum lease payments under operating leases having initial non-cancellable lease terms in excess of one year were as follows:

	December 31, 2018
2019	$ 12
2020	8
2021	5
2022	4
2023	4
Thereafter	15
	$ 48

Note 14. Financial Instruments and Fair Value Measures

Our credit, market and foreign currency risk management policies are described in Note 16, Financial Instruments and Fair Value Measures, of the notes to the audited annual Consolidated and Combined Financial Statements for the year ended December 31, 2018 included in our 2018 Form 10-K. At September 30, 2019 and December 31, 2018, we had contracts with aggregate gross notional amounts of $1,964 million and $838 million, respectively, to exchange foreign currencies, principally the U.S. Dollar, Swiss Franc, British Pound, Euro, Chinese Yuan, Japanese Yen, Mexican Peso, New Romanian Leu, Czech Crown, Australian Dollar and Korean Won, and to limit interest rate risk.

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 September 30, 2019 and December 31, 2018:

	Notional Amounts		Fair Value			
			Assets		Liabilities	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Designated forward currency exchange contracts	$ 358	$ —	$ 11	$ — (a)	$ 1	$ — (b)
Undesignated instruments:						
Undesignated cross-currency swap	421	425	9	16 (c)	—	—
Undesignated interest rate swap	547	—	—	—	2	— (d)
Undesignated forward currency exchange contracts	638	413	10	4 (a)	3	1 (b)
	$ 1,964	$ 838	$ 30	$ 20	$ 6	$ 1

(a) Recorded within Other current assets in the Company’s Consolidated and Combined Balance Sheets
(b) Recorded within Accrued liabilities in the Company’s Consolidated and Combined Balance Sheets
(c) Recorded within Other assets in the Company’s Consolidated and Combined Balance Sheets
(d) Recorded within Other liabilities in the Company´s Consolidated and Combined Balance Sheets

On June 7, 2019, the Company entered into an interest rate swap contract to limit its exposure to interest rate risk by converting the interest payments on variable rate debt to fixed rate payments. These interest rate swaps have not been designated as hedging instruments for accounting purposes.

The Company initiated a cash flow hedging program in the first quarter of 2019 and has since then entered into forward currency exchange contracts to mitigate exposure to foreign currency exchange rate volatility and the associated impact on earnings related to forecasted foreign currency commitments. These forward currency exchange contracts 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 (loss) until the underlying transactions are recognized in earnings.

On September 27, 2018, the Company entered into a floating-floating cross-currency swap contract to hedge the foreign currency exposure from foreign currency-denominated debt which will mature on September 27, 2025. The gain or loss on this derivative instrument is recognized in earnings and included in Non-operating expense (income). For the three and nine months ended September 30, 2019, gains recorded in Non-operating expense (income) under the cross-currency swap contract were $17 million and $12 million, respectively. In May 2019, Garrett re-couponed the cross currency swap contract with its counterparties and received a cash settlement of $19 million.

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 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 and cash equivalents, Account receivables, notes and other receivables, and Account payables contained in the Consolidated and Combined Balance Sheets approximates fair value.

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

	September 30, 2019	
	Carrying Value	Fair Value
Long-term debt and related current maturities	$ 1,481	$ 1,492

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.

On May 23, 2019, the Company made a prepayment of the Euro-equivalent of $9 million related to the mandatory amortizations of its Term Loan A Facility due in the third and fourth quarters of 2019. On September 27, 2019, the Company made a prepayment of the Euro-equivalent of $41 million related to the mandatory amortizations of its Term Loan A Facility due through the first half of 2021.

Note 15. Accumulated Other Comprehensive Income (Loss)

Changes in Accumulated Other Comprehensive Income (Loss) by Component

	Foreign Exchange Translation Adjustment	Changes in Fair Value of Effective Cash Flow Hedges	Changes in Currency Basis Reserve	Pension Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2017	$ 284	$ (35)	—	$ (11)	$ 238
Other comprehensive income (loss) before reclassifications	(251)	3	(3)	—	(251)
Amounts reclassified from accumulated other comprehensive income (loss)	—	21	—	—	21
Net current period other comprehensive income (loss)	(251)	24	(3)	—	(230)
Balance at September 30, 2018	$ 33	$ (11)	(3)	$ (11)	$ 8

	Foreign Exchange Translation Adjustment	Changes in Fair Value of Effective Cash Flow Hedges	Pension Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2018	$ 86	$ —	$ (13)	$ 73
Other comprehensive income (loss) before reclassifications	127	9	—	136
Amounts reclassified from accumulated other comprehensive income (loss)	—	1	1	2
Net current period other comprehensive income (loss)	127	10	1	138
Balance at September 30, 2019	$ 213	$ 10	$ (12)	$ 211

Note 16. Earnings Per Share

On October 1, 2018, the date of consummation of the Spin-Off, 74,070,852 shares of the Company's common stock were distributed to Honeywell stockholders of record as of September 18, 2018 who held their shares through the Distribution Date. Basic and Diluted EPS for all historical periods prior to the Spin-Off reflect the number of distributed shares, or 74,070,852 shares.

The details of the earnings per share calculations for the three and nine months ended September 30, 2019 and 2018 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Basic				
Net Income	$ 38	$ 929	$ 177	$ 1,137
Weighted average common shares outstanding	74,753,593	74,070,852	74,528,740	74,070,852
EPS – Basic	$ 0.51	$ 12.54	$ 2.37	$ 15.35

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Diluted				
Net Income	$ 38	$ 929	$ 177	$ 1,137
Weighted average common shares outstanding – Basic	74,753,593	74,070,852	74,528,740	74,070,852
Dilutive effect of unvested RSUs and other contingently issuable shares	950,864	—	1,171,912	—
Weighted average common shares outstanding – Diluted	75,704,457	74,070,852	75,700,652	74,070,852
EPS – Diluted	$ 0.50	$ 12.54	$ 2.34	$ 15.35

Diluted EPS is computed based upon the weighted average number of common shares outstanding for the period plus the dilutive effect of common stock equivalents using the treasury stock method and the average market price of our common stock for the period.

The diluted earnings per share calculations exclude the effect of stock options when the options' assumed proceeds exceed the average market price of the common shares during the period. For the three and nine months ended September 30, 2019, the weighted number of stock options excluded from the computations was 483,408 and 371,852 respectively. These stock options were outstanding at September 30, 2019.

Note 17. Commitments and Contingencies

Obligations payable to Honeywell

Honeywell is a defendant in asbestos-related personal injury actions mainly related to its legacy Bendix friction materials ("Bendix") business. The Bendix business manufactured automotive brake linings that contained chrysotile asbestos in an encapsulated form. Claimants consist largely of individuals who allege exposure to asbestos from brakes from either performing or being in the vicinity of individuals who performed brake replacements. Certain operations that were part of the Bendix business were transferred to Garrett.

In connection with the Spin-Off, we entered into an Indemnification and Reimbursement Agreement with Honeywell on September 12, 2018. As of the Spin-Off date of October 1, 2018, we are obligated to make payments to Honeywell in amounts equal to 90% of Honeywell's asbestos-related liability payments and accounts payable, primarily related to the Bendix business in the United States, as well as certain environmental-related liability payments and accounts payable and non-United States asbestos-related liability payments and accounts payable, in each case related to legacy elements of the Business, including the legal costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts and, as may be applicable, certain other recoveries associated with such liabilities. Pursuant to the terms of this Indemnification and Reimbursement Agreement, we are responsible for paying to Honeywell such amounts, up to a cap of an amount equal to the Euro-to-U.S. dollar exchange rate determined by Honeywell as of a date within two business days prior to the date of the Distribution (1.16977 USD = 1 EUR) equivalent of $175 million in respect of such liabilities arising in any given calendar year. The payments that we are required to make to Honeywell pursuant to the terms of this agreement will not be deductible for U.S. federal income tax purposes. The Indemnification and Reimbursement Agreement provides that the agreement will terminate upon the earlier of (x) December 31, 2048 or (y) December 31st of the third consecutive year during which certain amounts owed to Honeywell during each such year were less than $25 million as converted into Euros in accordance with the terms of the agreement. During the three and nine months ended September 30, 2019, we paid Honeywell the Euro-equivalent of $37 million and $113 million, respectively, in connection with the Indemnification and Reimbursement Agreement.

On September 12, 2018, we also entered into a Tax Matters Agreement with Honeywell (the "Tax Matters Agreement"), which governs the respective rights, responsibilities and obligations of Honeywell and us after the Spin-Off with respect to all tax matters (including tax liabilities, tax attributes, tax returns and tax contests). The Tax Matters Agreement generally provides that, following the Spin-Off date of October 1, 2018, we are responsible and will indemnify Honeywell for all taxes, including income taxes, sales taxes, VAT and payroll taxes, relating to Garrett for all periods, including periods prior to the completion date of the Spin-Off. Among other items, as a result of the mandatory transition tax imposed by the Tax Cuts and Jobs Act, one of our subsidiaries is required to make payments to a subsidiary of Honeywell in the amount representing the net tax liability of Honeywell under the mandatory transition tax attributable to us, as determined by Honeywell. We currently estimate that our aggregate payments to Honeywell with respect to the mandatory transition tax will be $240 million. Under the terms of the Tax Matters Agreement, we are required to pay this amount in Euros, without interest, in five annual installments, each equal to 8% of the aggregate amount, followed by three additional annual installments equal to 15%, 20% and 25% of the aggregate amount, respectively. Following the Spin-Off in October of 2018, we paid our first annual installment in that month. Subsequently, our annual installments will be paid in April of each year. On April 1, 2019, we paid our second annual installment of the Euro-equivalent of $18 million.

In addition, the Tax Matters Agreement addresses the allocation of liability for taxes incurred as a result of restructuring activities undertaken to effectuate the Spin-Off. The Tax Matters Agreement also provides that we are required to indemnify Honeywell for certain taxes (and reasonable expenses) resulting from the failure of the Spin-Off and related internal transactions to qualify for their intended tax treatment under U.S. federal, state and local income tax law, as well as foreign tax law. Further, the Tax Matters Agreement also imposes certain restrictions on us and our subsidiaries (including restrictions on share issuances, redemptions or repurchases, business combinations, sales of assets and similar transactions) that are designed to address compliance with Section 355 of the Internal Revenue Code of 1986, as amended, and are intended to preserve the tax-free nature of the Spin-Off.

The following table summarizes our Obligation payable to Honeywell related to these agreements:

	Nine Months Ended September 30, 2019		
	Asbestos and environmental	Tax Matters	Total
Beginning of year	$ 1,244	$ 282	$ 1,526
Accrual for update to estimated liability	—	3	3
Legal fees expensed	46	—	46
Payments to Honeywell	(113)	(18)	(131)
Currency translation adjustment	(57)	(12)	(69)
End of period	$ 1,120	$ 255	$ 1,375
Current	103	18	121
Non-current	1,017	237	1,254
Total	$ 1,120	$ 255	$ 1,375

Asbestos Matters

For the periods prior to the Spin-Off, these Consolidated and Combined Interim Financial Statements reflect an estimated liability for resolution of pending and future asbestos-related and environmental liabilities primarily related to the Bendix legacy Honeywell business, calculated as if we were responsible for 100% of the Bendix asbestos-liability payments. However, this recognition model differs from the recognition model applied subsequent to the Spin-Off as outlined above. In periods subsequent to the Spin-Off, the accounting for the majority of our asbestos-related liability payments and accounts payable reflect the terms of the Indemnification and Reimbursement Agreement with Honeywell entered into on September 12, 2018, under which we are required to make payments to Honeywell in amounts equal to 90% of Honeywell's asbestos-related liability payments and accounts payable, primarily related to the Bendix business in the United States, as well as certain environmental-related liability payments and accounts payable and non-United States asbestos-related liability payments and accounts payable, in each case related to legacy elements of the Business, including the legal costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts and, as may be applicable, certain other recoveries associated with such liabilities. The Indemnification and Reimbursement Agreement provides that the agreement will terminate upon the earlier of (x) December 31, 2048 or (y) December 31st of the third consecutive year during which certain amounts owed to Honeywell during each such year were less than $25 million as converted into Euros in accordance with the terms of the agreement.

The following tables present information regarding Bendix related asbestos claims activity:

Claims Activity	Nine Months Ended September 30, 2019	Year Ended December 31, 2018
Claims Unresolved at the beginning of the period	6,209	6,280
Claims Filed	1,996	2,430
Claims Resolved	(1,744)	(2,501)
Claims Unresolved at the end of the period	6,461	6,209

Disease Distribution of Unresolved Claims	Nine Months Ended September 30, 2019	Years Ended December 31, 2018
Mesothelioma and Other Cancer Claims	3,323	2,949
Nonmalignant Claims	3,138	3,260
Total Claims	6,461	6,209

Honeywell has experienced average resolutions per claim excluding legal costs as follows:

	Years Ended December 31,				
	2018	2017	2016	2015	2014
	(in whole dollars)				
Malignant claims	$ 55,300	$ 56,000	$ 44,000	$ 44,000	$ 53,500
Nonmalignant claims	$ 4,700	$ 2,800	$ 4,485	$ 100	$ 120

It is not possible to predict whether resolution values for Bendix-related asbestos claims will increase, decrease or stabilize in the future.

Other Matters

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 occurrence 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. To date, no such matters are material to the Consolidated and Combined Interim Statements of Operations.

Note 18. Pension Benefits

Following the Spin-Off, we sponsor several funded U.S. and non-U.S. defined benefit pension plans. Significant plans outside of the U.S. are in Switzerland and Ireland. Other pension plans outside of 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 2019. We expect to make contributions of cash and/or marketable securities of approximately $6 million to our non-U.S. pension plans to satisfy regulatory funding standards in 2019, of which $5 million has been contributed through the first nine months of the year.

For periods prior to the Spin-Off, we only accounted for our pension plan in Ireland as a defined benefit pension plan. Our other pension plans were accounted for as multiemployer plans as further described below.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	U.S. Plans	Non-U.S. Plan,		U.S. Plans	Non-U.S. Plan,	
	2019	2019	2018 (1)	2019	2019	2018 (1)
Service cost	$ —	$ 1	$ 1	—	$ 3	$ 2
Interest cost	—	—	—	1	1	1
Expected return on plan assets	(1)	(1)	(1)	(2)	(2)	(2)
Amortization of prior service (credit)	—	—	—	—	—	—
	$ (1)	—	—	$ (1)	$ 2	$ 1

(1) For the periods prior to the Spin-Off, only the pension plan in Ireland is reflected as a non-U.S. defined benefit pension plan as all other pension plans were accounted for as multiemployer plans. Following the Spin-Off, the defined benefit pension plan in Switzerland is also reflected.

For our U.S. defined benefit pension plan from the date of the Spin-Off, we estimate the service and interest cost components of net period 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. For our Switzerland and Ireland defined benefit pension plans until 2019, we estimated such cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the pension benefit obligation. In 2019, we updated the approach for estimating the service and interest cost components of net period benefit (income) cost for the Switzerland and Ireland plans to the full yield curve approach.

Prior to the completion of the Spin-Off, certain Garrett employees participated in defined benefit pension plans (the “Shared Plans”) sponsored by Honeywell which includes participants of other Honeywell subsidiaries and operations. We accounted for our participation in the Shared Plans as multiemployer benefit plans. Accordingly, we did not record an asset or liability to recognize the funded status of the Shared Plans. The related pension expense was based on annual service cost of active Garrett participants and reported within Cost of goods sold in the Combined Statements of Operations. The pension expense specifically identified for the active Garrett participants in the Shared Plans for the three and nine months ended September 30, 2018 was $1 million and $5 million, respectively.

Note 19. China Variable Interest Entity

On September 20, 2018 in preparation of the Spin-Off, we entered into an agreement by and between Honeywell International Inc. and Garrett Motion Inc. (the “China Purchase Agreement”) in which Honeywell agreed to sell to Garrett 100% of the equity interests of Honeywell Transportation Investment (China) Co., Ltd. (“Garrett China”) consisting of our primary operations in China, in exchange for upfront consideration of 8,444,077 shares of our common stock. No further consideration from Garrett is due. The China Purchase Agreement has been amended to extend the date of the transfer of the equity interests in Garrett China from September 20, 2019 to June 30, 2020.

Garrett China is considered a variable interest entity for which Garrett is the primary beneficiary because the China Purchase Agreement provides Garrett, prior to the transfer of the equity interests, control to direct the management and operation of Garrett China as well as all economic benefits and losses. The intent of the agreement is to place Garrett in the same position as if it already owned 100% of the equity interests of Garrett China. As the agreement was effective prior to the Spin-Off date while the Company and Garrett China were under common control of Honeywell, the assets and liabilities of Garrett China are recognized at their carrying amounts. Additionally, the related operations of Garrett China were included in our Consolidated and Combined Statements of Operations for the nine months ended September 30, 2018 which were prepared on a carve-out basis.

The following table summarizes the consolidated assets and liabilities of Garrett China:

	September 30, 2019	December 31, 2018
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 88	$ 70
Accounts, notes and other receivables—net	236	224
Inventories—net	24	19
Other current assets	1	—
Total current assets	349	313
Property, plant and equipment—net	73	67
Deferred income taxes	20	20
Other assets	2	1
Total assets	$ 444	$ 401
LIABILITIES		
Current liabilities:		
Accounts payable	$ 265	$ 261
Accrued liabilities	80	77
Total current liabilities	345	338
Other liabilities	10	13
Total liabilities	$ 355	$ 351

Net sales from Garrett China were $123 million and $105 million, and $352 million and $361 million for the three and nine months ended September 30, 2019 and 2018, respectively. Related expenses primarily consisted of Costs of Goods Sold of $88 million and $82 million, and $240 million and $264 million for the three and nine months ended September 30, 2019 and 2018, respectively. Selling, general and administrative expenses were $2 million and $5 million, and $8 million and $15 million, for the three and nine months ended September 30, 2019 and 2018, respectively. Income tax expense was $6 million and $6 million, and $20 million and $20 million, for the three and nine months ended September 30, 2019 and 2018, respectively.

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 and Combined Interim Financial Statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q as well as the audited annual Consolidated and Combined Financial Statements for the year ended December 31, 2018, included in our Form 10-K, as filed with the Securities and Exchange Commission on March 1, 2019 (our "2018 Form 10-K"). Some of the information contained in this discussion and analysis 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 2018 Form 10-K, our actual results could differ materially from the results described in, or implied, by these forward-looking statements.

The following, Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to help you understand the results of operations and financial condition of Garrett Motion Inc. for the three and nine months ended September 30, 2019. Unless the context otherwise requires, references to "Garrett," "we," "us," "our," and "the Company" refer to (i) Honeywell's Transportation Systems Business (the "Transportation Systems Business" or the "Business") prior to our spin-off from Honeywell International Inc. (the "Spin-Off") and (ii) Garrett Motion Inc. and its subsidiaries following the Spin-Off, as applicable.

Overview and Business Trends

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 and electric (hybrid and fuel cell) powertrains. These products are key enablers for fuel economy and emission standards compliance.

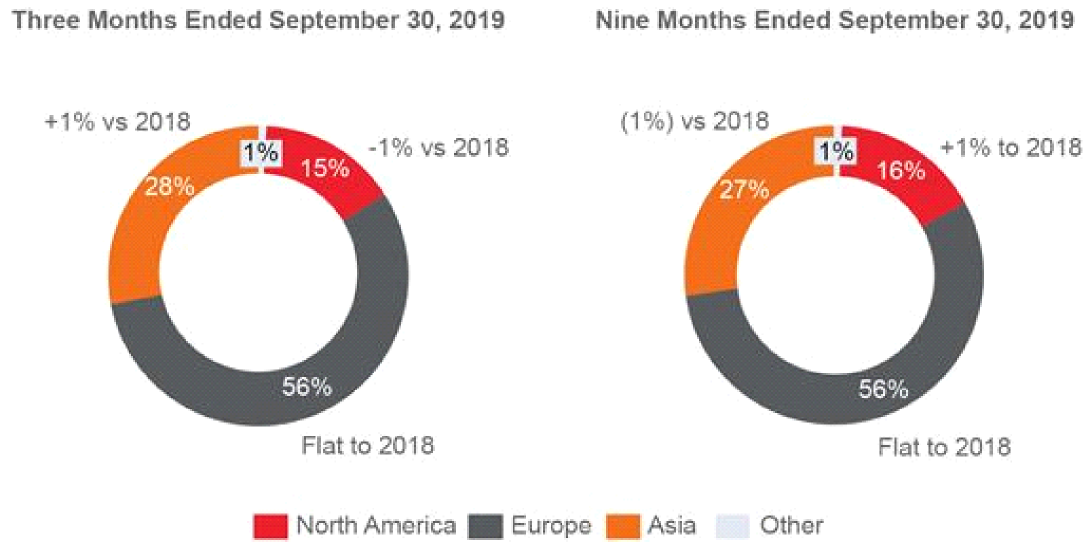
Market penetration of vehicles with a turbocharger is expected to increase from approximately 48% in 2018 to approximately 56% by 2022, according to IHS Markit ("IHS") and other industry sources, which we believe will allow our business to grow at a faster rate than overall automobile production. The turbocharger market volume growth is expected to be particularly strong in China and other high-growth regions in the long term.

The growth trajectory for turbochargers is expected to continue, as the technology is one of the most cost-effective solutions for OEMs to address strict constraints for vehicle fuel efficiency and emissions standards. As a result, OEMs are increasing their adoption of turbocharger technologies across gasoline and diesel engines as well as hybrid-electric and fuel cell vehicles. In recent years, we have also seen a shift in demand from diesel engines to gasoline engines.

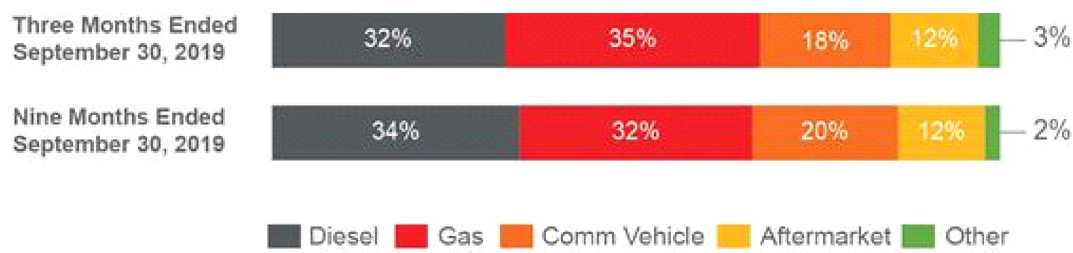
In particular, the commercial vehicle OEM market and light vehicle gasoline markets in China and other high-growth regions have increased due to favorable economic conditions and rising income levels which have led to an increase in automotive and vehicle content demand. While we have recently observed a slowdown in China, we continue to expect an increase in future vehicle production utilizing turbocharger technologies as vehicle ownership remains well below ownership levels in developed markets.

The following charts show our percentage of revenues by geographic region and product line for the three and nine months ended September 30, 2019 and the percentage change from the prior year comparable period.

By Geography



By Product Line



- We are a global business that generated revenues of $ 0.8 billion and $2.4 billion for the three and nine months ended September 30, 2019, respectively.
- Light vehicle products (which includes Diesel and Gas products, including products for passenger cars, SUVs, light trucks, and other products) accounted for 67% and 66% of our revenues for the three and nine months ended September 30, 2019, respectively. Commercial vehicle products (products for on-highway trucks and off-highway trucks, construction, agriculture and power-generation machines) accounted for 18% and 20% of our revenues for the three and nine months ended September 30, 2019, respectively.
- Our OEM sales contributed 85% and 86% of our revenues while our aftermarket and other products contributed 15% and 14% of our revenues for the three and nine months ended September 30, 2019, respectively.
- 56% and 56% of our revenues came from sales to customers located in Europe, 28% and 27% from sales to customers located in Asia, 15% and 16% from sales to customers in North America and 1% and 1% from sales to customers in other international markets for the three and nine months ended September 30, 2019, respectively.

Separation from Honeywell

On October 1, 2018, the Company became an independent publicly-traded company through a pro rata distribution by Honeywell of 100% of the then-outstanding shares of Garrett to Honeywell's stockholders. Each Honeywell stockholder of record received one share of Garrett common stock for every 10 shares of Honeywell common stock held on the record date. Approximately 74 million shares of Garrett common stock were distributed on October 1, 2018 to Honeywell stockholders. In connection with the separation, Garrett´s common stock began trading "regular-way" under the ticker symbol "GTX" on the New York Stock Exchange on October 1, 2018.

In connection with the Spin-Off, we entered into several agreements with Honeywell that govern the future relationship between us and Honeywell and impose certain obligations on us following the Spin-Off and which may cause us to incur new costs, including the following:

- a Separation and Distribution Agreement;
- a Transition Services Agreement;
- an Employee Matters Agreement;
- an Intellectual Property Agreement; and
- a Trademark License Agreement.

A description of each of these agreements is included in a Current Report on Form 8-K filed with the SEC on October 1, 2018.

In addition, we entered into an Indemnification and Reimbursement Agreement (the "Indemnification and Reimbursement Agreement") and a Tax Matters Agreement (the "Tax Matters Agreement") with Honeywell on September 12, 2018, each of which is described in this MD&A.

Basis of Presentation

Prior to the Spin-Off on October 1, 2018, our historical financial statements were prepared on a stand–alone basis and derived from the consolidated financial statements and accounting records of Honeywell. Accordingly, for periods prior to October 1, 2018, our financial statements are presented on a combined basis and for the periods subsequent to October 1, 2018 are presented on a consolidated basis (collectively, the historical financial statements for all periods presented are referred to as "Consolidated and Combined Interim Financial Statements"). The Consolidated and Combined Interim Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The historical consolidated and combined interim financial information may not be indicative of our future performance and does not necessarily reflect what our consolidated and combined results of operations, financial condition and cash flows would have been had the Business operated as a separate, publicly traded company during the periods presented, particularly because of changes that we have experienced and expect to continue to experience in the future as a result of our separation from Honeywell, including changes in the financing, cash management, operations, cost structure and personnel needs of our business.

For periods prior to the Spin-Off, Honeywell provided certain services, such as legal, accounting, information technology, human resources and other infrastructure support, on behalf of the Business. The cost of these services has been allocated to the Business on the basis of the proportion of revenues. We consider these allocations to be a reasonable reflection of the benefits received by the Business. Actual costs that would have been incurred if the Business had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure. We consider the basis on which the expenses have been allocated to be a reasonable reflection of the utilization of services provided to or the benefits received by the Business during the periods presented.

Subsequent to the completion of the Spin-Off, we have incurred, and expect to continue to incur, expenditures consisting of employee-related costs, costs to start up certain stand-alone functions and information technology systems, and other one-time transaction related costs. Recurring stand-alone costs include costs related to the internal audit, treasury, investor relations, tax and corporate secretary functions as well as the annual expenses associated with running an independent publicly traded company including listing fees, compensation of non-employee directors, related board of director fees and other fees and expenses related to insurance, legal and external audit. Recurring stand-alone costs that differ from historical allocations may have an impact on profitability and operating cash flows but we believe the impact will not be significant. As a stand-alone public company, our recurring stand-alone corporate costs have not been, and we do not expect will be in the future, materially higher than the expenses historically allocated to us from Honeywell.

Asbestos-Related and Environmental Liabilities

For the periods prior to the Spin-Off, our Consolidated and Combined Interim Financial Statements reflect an estimated liability for resolution of pending and future asbestos-related and environmental liabilities primarily related to Honeywell´s legacy Bendix business, calculated as if we were responsible for 100% of the Bendix asbestos-liability payments. However, this recognition model differs from the recognition model applied subsequent to the Spin-Off. In periods subsequent to the Spin-Off, the accounting for the majority of our asbestos-related liability payments and accounts payable reflect the terms of the Indemnification and Reimbursement Agreement (the "Indemnification and Reimbursement Agreement") with Honeywell entered into on September 12, 2018, under which we are required to make payments to Honeywell in amounts equal to 90% of Honeywell's asbestos-related liability payments and accounts payable, primarily related to the Bendix business in the United States, as well as certain environmental-related liability payments and accounts payable and non-United States asbestos-related liability payments and accounts payable, in each case related to legacy elements of the Business, including the legal costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts and, as may be applicable, certain other recoveries associated with such liabilities. The Indemnification and Reimbursement Agreement provides that the agreement will terminate upon the earlier of (x) December 31, 2048 or (y) December 31st of the third consecutive year during which certain amounts owed to Honeywell during each such year were less than $25 million as converted into Euros in accordance with the terms of the agreement. During the three and nine months ended September 30, 2019, we paid Honeywell the Euro-equivalent of $37 million and $113 million, respectively, in connection with the Indemnification and Reimbursement Agreement.

Results of Operations for the three and nine months ended September 30, 2019 compared with the three and nine months ended September 30, 2018

Net Sales

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Net sales	$ 781	$ 784	$ 2,418	$ 2,576
% change compared with prior period	(0.4)%	5.2%	(6.1)%	12.4%

The change in net sales compared to prior year period is attributable to the following:

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Volume	4.2%	(0.5%)
Price	(1.4%)	(1.1%)
Foreign Currency Translation	(3.2%)	(4.5%)
	(0.4%)	(6.1%)

Three Months Ended September 30, 2019 compared with Three Months Ended September 30, 2018

Our net sales decreased for the three months ended September 30, 2019 compared to the prior year period by $3 million or 0.4% (including a negative impact of 3.2% due to foreign currency translation). The decrease was primarily driven by a decrease in net sales of commercial vehicles OEM products of $16 million, a decrease in net sales of aftermarket products of $1 million and a decrease in other net sales of $2 million. These decreases were partially offset by an increase in net sales of light vehicles OEM products of $16 million (despite an unfavorable impact of $21 million due to foreign currency translation).

Our commercial vehicles OEM product decline was mainly driven by lower volumes in Europe and Asia. The decrease in aftermarket product sales was primarily driven by a volume decrease in Europe, partially offset by higher volumes in North America and Asia. The decrease in other net sales was primarily driven by a decrease in prototype volumes. The increase in net sales for light vehicles OEM products was primarily driven by higher gasoline volumes as a result of increased turbocharger penetration in gasoline engines and new product launches mainly in Europe and Asia, partially offset by lower diesel volumes in Europe and Asia.

Nine Months Ended September 30, 2019 compared with Nine Months Ended September 30, 2018

Our net sales decreased for the nine months ended September 30, 2019 compared to the prior year period by $158 million or 6.1% (including a negative impact of 4.5% due to foreign currency translation). The decrease was primarily driven by a decrease in net sales for light vehicles OEM products of $105 million ($90 million of which was due to foreign currency translation). Net sales for commercial vehicles OEM products decreased by $33 million and net sales for aftermarket products decreased by $9 million.

Our light vehicles OEM product decline was primarily driven by lower diesel volumes in Europe and Asia, partially offset by higher gasoline volumes as a result of increased turbocharger penetration in gasoline engines and new product launches. The decrease in net sales for commercial vehicles is mainly driven by lower volumes in Europe and Asia. The decrease in aftermarket product sales was primarily driven by a volume decrease in Europe, partially offset by higher volumes in North America.

Cost of Goods Sold

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Cost of goods sold	$ 609	$ 606	$ 1,868	$ 1,972
% change compared with prior period	0.5%	6.7%	(5.3)%	14.0%
Gross profit percentage	22.0%	22.7%	22.7%	23.4%

Three Months Ended September 30, 2019 compared with Three Months Ended September 30, 2018

Costs of goods sold increased in the three months ended September 30, 2019 compared to the prior year period by $3 million or 0.5 percentage points primarily due to an increase in direct material costs of $12 million, partially offset by a $9 million decrease in other fixed costs (primarily related to government incentives and tax recoveries).

Gross profit percentage decreased primarily due to unfavorable impacts from mix and price (3.9 percentage points), the unfavorable impacts from inflation (0.7 percentage points), higher costs from research and development (0.3 percentage points), the unfavorable impact of foreign exchange rates (0.2 percentage points), and the unfavorable impact from repositioning costs (0.1 percentage points), partially offset by the favorable impact of productivity (4.4 percentage points).

Nine Months Ended September 30, 2019 compared with Nine Months Ended September 30, 2018

Costs of goods sold decreased in the nine months ended September 30, 2019 compared to the prior year period by $104 million or 5.3 percentage points primarily driven by a decrease in direct material costs, freight and labor of $66 million (primarily due to a decrease in volume), a decrease in research and development costs of $4 million (primarily due to increased customer and government funding) and a $13 million decrease in other fixed costs (primarily due to government incentives and tax recoveries).

Gross profit percentage decreased primarily due to unfavorable impacts from mix and price (3.0 percentage points), the unfavorable impacts from inflation (0.6 percentage points) and the unfavorable impact from repositioning costs (0.1 percentage points), partially offset by the favorable impact of productivity (3.0 percentage points).

Selling, General and Administrative Expenses

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Selling, general and administrative expense	$ 68	$ 60	$ 186	$ 186
% of sales	8.7%	7.7%	7.7%	7.2%

Three Months Ended September 30, 2019 compared with Three Months Ended September 30, 2018

Selling, general and administrative expenses increased by $8 million in the three months ended September 30, 2019 compared to the prior year period. The increase was primarily due to lower corporate allocations while part of our Former Parent and an increase in severance-related expense during the three months ended September 30, 2018.

Nine Months Ended September 30, 2019 compared with Nine Months Ended September 30, 2018

Selling, general and administrative expenses remained flat for the nine months ended September 30, 2019 compared to the prior year period.

Other Expense, Net

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Other expense, net	$ 18	$ 51	$ 54	$ 132
% of sales	2.3%	6.5%	2.2%	5.1%

Three Months Ended September 30, 2019 compared with Three Months Ended September 30, 2018

Other expense, net decreased in the three months ended September 30, 2019 by $33 million compared to the prior year period.

Following the Spin-Off in 2018, the accounting for the majority of our asbestos-related liability payments and accounts payable reflect the terms of the Indemnification and Reimbursement Agreement as described above in the Asbestos-Related and Environmental Liabilities section. For the three months ended September 30, 2019, Other expense, net of $18 million primarily reflects the expense related to legal fees incurred in connection with the Indemnification and Reimbursement Agreement.

For the periods prior to the Spin-Off, our Consolidated and Combined Interim Financial Statements reflect an estimated liability for resolution of pending and future asbestos-related and environmental liabilities primarily related to the Bendix legacy Honeywell business, calculated as if we were responsible for 100% of the Bendix asbestos-liability payments. For the three months ended September 30, 2018, Other expense, net of $51 million was primarily driven by asbestos-related charges, net of probable insurance recoveries of $50 million.

Nine Months Ended September 30, 2019 compared with Nine Months Ended September 30, 2018

Other expense, net decreased in the nine months ended September 30, 2019 by $78 million compared to the prior year period.

For the nine months ended September 30, 2019, Other expense, net of $54 million primarily reflects the expense related to legal fees incurred in connection with the Indemnification and Reimbursement Agreement. For the nine months ended September 30, 2018, Other expense, net of $132 million was primarily driven by asbestos-related charges, net of probable insurance recoveries of $130 million.

Interest Expense

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Interest expense	$ 18	$ 1	$ 52	$ 3

Three Months Ended September 30, 2019 compared with Three Months Ended September 30, 2018

Following the Spin-Off, interest expense primarily relates to interest on our long-term debt. Prior to the Spin-Off, interest expense was primarily related to related party notes cash pool arrangements with our Former Parent which were settled in cash prior to the Spin-Off. Interest expense for the three months ended September 30, 2019, was $18 million in comparison to $1 million in the prior year period. This increase was primarily driven by interest expense related to our long-term debt.

Nine Months Ended September 30, 2019 compared with Nine Months Ended September 30, 2018

Interest expense for the nine months ended September 30, 2019, was $52 million, an increase of $49 million from $3 million in the prior year period. This increase was primarily driven by interest expense related to our long-term debt.

Non-operating expense (income)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Non-operating expense (income)	$ (4)	$ (7)	$ 2	$ (10)

Three Months Ended September 30, 2019 compared with Three Months Ended September 30, 2018

Non-operating (income) expense for the three months ended September 30, 2019 decreased to income of $(4) million from income of $(7) million in the prior year period, primarily due to impacts from changes in foreign exchange rates, net of hedging.

Nine Months Ended September 30, 2019 compared with Nine Months Ended September 30, 2018

Non-operating (income) expense for the nine months ended September 30, 2019 decreased to expense of $2 million from income of $(10) million in the prior year period, primarily due to impacts from changes in foreign exchange rates, net of hedging.

Tax Expense (Benefit)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Tax expense (benefit)	$ 34	$ (856)	$ 79	$ (844)
Effective tax rate	47%	(1173)%	31%	(288)%

See Note 7, Income Taxes of the Notes to the Consolidated and Combined Interim Financial Statements for a discussion of the change in effective tax rates for the three and nine months ended September 30, 2019 versus the prior year periods.

Net Income

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Net Income	$ 38	$ 929	$ 177	$ 1,137

Three Months Ended September 30, 2019 compared with Three Months Ended September 30, 2018

As a result of the factors described above, net income was $38 million for the three months ended September 30, 2019 as compared to net income of $929 million for the three months ended September 30, 2018. Net income for the three months ended September 30, 2018 included a tax benefit from an internal restructuring of Garrett’s business in advance of the Spin-Off that resulted in an $870 million reduction to withholding taxes on undistributed foreign earnings recorded during the three months ended September 30, 2018, and excluded any interest expense related to our long-term debt raised at the time of the Spin-Off.

Nine Months Ended September 30, 2019 compared with Nine Months Ended September 30, 2018

As a result of the factors described above, net income was $177 million for the nine months ended September 30, 2019 as compared to net income of $1,137 million for the nine months ended September 30, 2018. Net income for the nine months ended September 30, 2018 included a tax benefit from an internal restructuring of Garrett's business in advance of the Spin-Off that resulted in an $880 million reduction to withholding taxes on undistributed foreign earnings and excluded any interest expense related to our long-term debt raised at the time of the Spin-Off.

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 analysis of the Company's operating results as reported under GAAP.

EBITDA and Adjusted EBITDA(1)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Net income — GAAP	**$ 38**	**$ 929**	**$ 177**	**$ 1,137**
Net interest (income) expense	16	—	46	(3)
Tax expense (benefit)	34	(856)	79	(844)
Depreciation	20	17	55	53
EBITDA (Non-GAAP)	**$ 108**	**$ 90**	**$ 357**	**$ 343**
Other operating expenses, net (which primarily consists of indemnification, asbestos and environmental expenses)(2)	18	51	54	132
Non-operating (income) expense(3)	—	—	—	(4)
Stock compensation expense(4)	5	4	14	16
Repositioning charges(5)	—	—	3	2
Foreign exchange (gain) loss on debt, net of related hedging (gain) loss	—	(8)	8	(8)
Spin-Off costs(6)	2	—	10	—
Adjusted EBITDA (Non-GAAP)	**$ 133**	**$ 137**	**$ 446**	**$ 481**

(1) We evaluate performance on the basis of EBITDA and Adjusted EBITDA. We define "**EBITDA**" as our net income (loss) calculated in accordance with U.S. GAAP, plus the sum of net interest expense (income), tax expense and depreciation. We define "**Adjusted EBITDA**" as EBITDA, plus the sum of non-operating expense (income), other expenses, net (which primarily consists of indemnification, asbestos and environmental expenses), stock compensation expense, repositioning charges, foreign exchange gain (loss) on debt, net of related hedging (gain) loss and Spin-Off costs. 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 comparability of our results.

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

(2) For periods prior to the Spin-Off, we reflect an estimated liability for resolution of pending and future asbestos related and environmental liabilities primarily related to the Bendix legacy Honeywell business, calculated as if we were responsible for 100% of the Bendix asbestos-liability payments. We recognized a liability for any asbestos related contingency that was probable of occurrence and reasonably estimable. In connection with the recognition of liabilities for asbestos-related matters, we recorded asbestos-related insurance recoveries that are deemed probable. In periods subsequent to the Spin-Off, the accounting for the majority of our asbestos-related liability payments and accounts payable reflect the terms of the Indemnification and Reimbursement Agreement with Honeywell entered into on September 12, 2018, under which we are

required to make payments to Honeywell in amounts equal to 90% of Honeywell's asbestos-related liability payments and accounts payable, primarily related to the Bendix business in the United States, as well as certain environmental-related liability payments and accounts payable and non-United States asbestos-related liability payments and accounts payable, in each case related to legacy elements of the Business, including the legal costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts and, as may be applicable, certain other recoveries associated with such liabilities. See Note 17, Commitments and Contingencies of Notes to the Consolidated and Combined Interim Financial Statements.

(3) Non-operating expense (income) adjustment excludes net interest (income), the non-service components of pension expense, equity income of affiliates, and the impact of foreign exchange.

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

(5) Repositioning charges adjustment primarily includes severance costs related to restructuring projects to improve future productivity.

(6) Spin-Off costs primarily include costs incurred for the set-up of the IT, Legal, Finance, Communications and Human Resources functions after the Spin-Off from Honeywell on October 1, 2018.

Three Months Ended September 30, 2019 compared with Three Months Ended September 30, 2018

Adjusted EBITDA (Non-GAAP) decreased by $4 million for the three months ended September 30, 2019 compared to the prior year period. The decrease was primarily due to the unfavorable impact of higher research and development expenses ($3 million), higher Selling, general and administrative expenses ($8 million), the unfavorable impact from inflation ($7 million) and unfavorable foreign exchange rates ($1 million), partially offset by the favorable impacts of volume ($15 million) and mix and price net of productivity ($1 million).

Nine Months Ended September 30, 2019 compared with Nine Months Ended September 30, 2018

Adjusted EBITDA (Non-GAAP) decreased by $35 million for the nine months ended September 30, 2019 compared to the prior year period. The decrease was primarily due to the unfavorable impacts of volume ($22 million), the unfavorable impact of foreign exchange rates including prior year's hedge losses ($11 million) and the unfavorable impact from inflation ($17 million), partially offset by the favorable impact of mix and price net of productivity and research and development expenses ($15 million).

Adjusted earnings per common share — diluted[(1)]

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions except per share amounts)			
Net income (loss) — GAAP	**$ 38**	**$ 929**	**$ 177**	**$ 1,137**
Tax special items[(2)]	—	(870)	—	(904)
Adjusted net income (Non-GAAP)	**$ 38**	**$ 59**	**$ 177**	**$ 233**
Weighted average common shares outstanding				
Basic	74,753,593	74,070,852	74,528,740	74,070,852
Diluted	75,704,457	74,070,852	75,700,652	74,070,852
Earnings (losses) per common share — diluted (GAAP)	$ 0.50	$ 12.54	$ 2.34	$ 15.35
Net impact of adjustments per common share — diluted	—	(11.74)	—	(12.20)
Adjusted earnings per common share — diluted (Non-GAAP)	**$ 0.50**	**$ 0.80**	**$ 2.34**	**$ 3.15**

(1) Adjusted earnings per common share — diluted is a non-GAAP financial measure of the Company's diluted Earnings (losses) per common share adjusted for the impact of tax special items as described below. The measure provides investors with useful information to evaluate performance of our business excluding tax items not indicative of the underlying performance of the business.

(2) For the three months ended September 30, 2019, there were no Tax special items. For the three months ended September 30, 2018, Tax special items consisted of a tax benefit of $870 million resulting from internal restructuring in preparation for the Spin-Off. For the nine months ended September 30, 2019, there were no Tax special items. For the nine months ended September 30, 2018, Tax special items consisted of a tax benefit of $904 million resulting from internal restructuring in preparation for the Spin-Off.

Cash flow from operations less Expenditures for property, plant and equipment[(1)]

	For the Nine Months Ended September 30,	
	2019	2018
	(Dollars in millions)	
Net cash provided by operating activities — GAAP	125	240
Expenditures for property, plant and equipment	(74)	(66)
Cash flow from operations less Expenditures for property, plant and equipment (Non-GAAP)	$ 51	$ 174

(1) Cash flow from operations less Expenditures for property, plant and equipment is a non-GAAP financial measure that reflects an additional way of viewing our liquidity that, when viewed with our GAAP results, provides a supplemental understanding of factors and trends affecting our cash flows. Cash flow from operations less Expenditures for property, plant and equipment is calculated by subtracting Expenditures for property, plant and equipment from Net cash provided by (used for) operating activities. We believe it is a more conservative measure of cash flow, and therefore useful to investors, because purchases of fixed assets are necessary for ongoing operations. We believe it is important to view Cash flow from operations less Expenditures for property, plant and equipment as a supplement to our Consolidated and Combined Statements of Cash Flows.

Cash flow from operations less Expenditures for property, plant and equipment (non-GAAP) decreased by $123 million for the nine months ended September 30, 2019 versus the prior year period, primarily due to the decrease in cash provided by operating activities of $115 million which was driven by a decrease in net income, net of deferred taxes of $48 million and an unfavorable impact of $85 million related to changes in Obligations payable to Honeywell and Asbestos-related liabilities. Additionally, Expenditures for property, plant and equipment increased by $8 million for the nine months ended September 30, 2019 versus the prior year period.

Liquidity and Capital Resources

Liquidity prior to the Spin-Off

Prior to the Spin-Off, we generated positive cash flows from operations.

Honeywell Central Treasury Function

As part of the Former Parent, we were dependent upon Honeywell for all of its working capital and financing requirements. Honeywell uses a centralized approach to cash management and financing of its operations. The majority of the Business's cash was transferred to Honeywell daily and Honeywell funded its operating and investing activities as needed. This arrangement is not reflective of the manner in which the Business would have been able to finance its operations had it been a stand-alone business separate from Honeywell during the periods presented. Cash transfers to and from Honeywell's cash management accounts are reflected within Invested deficit.

All intracompany transactions have been eliminated. In the Consolidated and Combined Statements of Cash Flows, the cash flows related to related party notes receivables are reflected as investing activities since these balances represent amounts loaned to Former Parent. The cash flows related to related party notes payables are reflected as financing activities since these balances represent amounts financed by Former Parent. Following the Spin-Off, Honeywell is no longer considered a related party.

For both the three and nine months ended September 30, 2018, we received interest income for related party notes receivables of $0 million and $1 million and incurred interest expense for related party notes payable of $0 million and $1 million, respectively.

Senior Credit Facilities

On September 27, 2018, we entered into a Credit Agreement, by and among us, Garrett LX I S.à r.l., Garrett LX II S.à r.l. ("Lux Guarantor"), Garrett LX III S.à r.l. ("Lux Borrower"), Garrett Borrowing LLC (in such capacity, the "US Co-Borrower"), and Honeywell Technologies Sàrl ("Swiss Borrower" and, together with Lux Borrower and US Co-Borrower, the "Borrowers"), the lenders and issuing banks party thereto and JPMorgan Chase Bank, N.A., as administrative agent (the "Credit Agreement").

The Credit Agreement provides for senior secured financing of approximately the Euro equivalent of $1,254 million, consisting of (i) a seven-year senior secured first-lien term B loan facility, which consists of a tranche denominated in Euro of €375 million and a tranche denominated in U.S. Dollars of $425 million (the “Term B Facility”), (ii) five-year senior secured first-lien term A loan facility in an aggregate principal amount of €330 million (the “Term A Facility” and, together with the Term B Facility, the “Term Loan Facilities”) and (iii) a five-year senior secured first-lien revolving credit facility in an aggregate principal amount of €430 million with revolving loans to Swiss Borrower, to be made available in a number of currencies including Australian Dollars, Euros, Pounds Sterling, Swiss Francs, U.S. Dollars and Yen (the “Revolving Facility” and, together with the Term Loan Facilities, the “Senior Credit Facilities”). Each of the Revolving Facility and the Term A Facility matures five years after the effective date of the Credit Agreement, in each case with certain extension rights in the discretion of each lender. The Term B Facility matures seven years after the effective date of the Credit Agreement, with certain extension rights in the discretion of each lender.

The Senior Credit Facilities are subject to an interest rate, at our option, of either (a) base rate determined by reference to the highest of (1) the rate of interest last quoted by The Wall Street Journal as the “prime rate” in the United States, (2) the greater of the federal funds effective rate and the overnight bank funding rate, plus 0.5% and (3) the one month adjusted LIBOR rate, plus 1% per annum (“ABR”), (b) an adjusted LIBOR rate (“LIBOR”) (which shall not be less than zero), or (c) an adjusted EURIBOR rate (“EURIBOR”) (which shall not be less than zero), in each case, plus an applicable margin. The applicable margin for the U.S. Dollar tranche of the Term B Facility is currently 2.50% per annum (for LIBOR loans) and 1.50% per annum (for ABR loans) while that for the euro tranche of the Term B Facility is currently 2.75% per annum (for EURIBOR loans). The applicable margin for each of the Term A Facility and the Revolving Credit Facility varies based on our leverage ratio. Accordingly, the interest rates for the Senior Credit Facilities will fluctuate during the term of the Credit Agreement based on changes in the ABR, LIBOR, EURIBOR or future changes in our leverage ratio. Interest payments with respect to the Term Loan Facilities are required either on a quarterly basis (for ABR loans) or at the end of each interest period (for LIBOR and EURIBOR loans) or, if the duration of the applicable interest period exceeds three months, then every three months.

We are obligated to make quarterly principal payments throughout the term of the Term Loan Facilities according to the amortization provisions in the Credit Agreement. Borrowings under the Credit Agreement are prepayable at our option without premium or penalty, subject to a 1.00% prepayment premium in connection with any repricing transaction with respect to the Term B Facility in the first six months after the effective date of the Credit Agreement. We may request to extend the maturity date of all or a portion of the Senior Credit Facilities subject to certain conditions customary for financings of this type. The Credit Agreement also contains certain mandatory prepayment provisions in the event that we incur certain types of indebtedness or receive net cash proceeds from certain non-ordinary course asset sales or other dispositions of property, in each case subject to terms and conditions customary for financings of this type. On May 23, 2019, the Company made a prepayment of the Euro-equivalent of $9 million related to the mandatory amortizations of our Term Loan A Facility due in the third and fourth quarters of 2019 using a portion of the $19 million cash receipt from the re-couponing of our cross-currency swap contract. On September 27, 2019, the Company made a prepayment of the Euro-equivalent of $41 million related to the mandatory amortizations of its Term Loan A Facility due through the first half of 2021.

The Credit Agreement contains certain affirmative and negative covenants customary for financings of this type that, among other things, limit our and our subsidiaries’ ability to incur additional indebtedness or liens, to dispose of assets, to make certain fundamental changes, to enter into restrictive agreements, to make certain investments, loans, advances, guarantees and acquisitions, to prepay certain indebtedness and to pay dividends, to make other distributions or redemptions/ repurchases, in respect of the our and our subsidiaries’ equity interests, to engage in transactions with affiliates, amend certain material documents or to permit the International Financial Reporting Standards equity amount of Lux Borrower to decrease below a certain amount. The Credit Agreement also contains financial covenants requiring the maintenance of a consolidated total leverage ratio of not greater than 4.25 to 1.00 (with step-downs to (i) 4.00 to 1.00 in approximately 2019, (ii) 3.75 to 1.00 in approximately 2020 and (iii) 3.50 to 1.00 in approximately 2021), and a consolidated interest coverage ratio of not less than 2.75 to 1.00. We were in compliance with our financial covenants as of September 30, 2019.

Senior Notes

On September 27, 2018, we completed the offering of €350 million (approximately $400 million) in aggregate principal amount of 5.125% senior notes due 2026 (the “Senior Notes”). The Senior Notes bear interest at a fixed annual interest rate of 5.125% and mature on October 15, 2026.

The Senior Notes were issued pursuant to an Indenture, dated September 27, 2018 (the “Indenture”), which, among other things and subject to certain limitations and exceptions, limits our ability and the ability of our restricted subsidiaries to: (i) incur, assume or guarantee additional indebtedness or issue certain disqualified equity interests and preferred shares, (ii) pay dividends or distributions on, or redeem or repurchase, capital stock and make other restricted payments, (iii) make investments, (iv) consummate certain asset sales or transfers, (v) engage in certain transactions with affiliates, (vi) grant or assume certain liens on assets to secure debt unless the notes are secured equally and ratably (vii) restrict dividends and other payments by certain of their subsidiaries and (vii) consolidate, merge, sell or otherwise dispose of all or substantially all of our or our restricted subsidiaries’ assets.

Liquidity following the Spin-Off

Following the Spin-Off, a treasury team was appointed and cash management structures were implemented, in order to manage the Company's liquidity centrally and concentrate excess cash.

Our capital structure and sources of liquidity have changed from our historical capital structure because we no longer participate in our Former Parent's centralized cash management program. We expect that our primary cash requirements in the remainder of 2019 will primarily be to fund operating activities, working capital, and capital expenditures, and to meet our obligations under the debt instruments and the Indemnification and Reimbursement Agreement described below, as well as the Tax Matters Agreement. In addition, we engage in repurchases of our debt and equity securities from time to time. We believe we will meet our known or reasonably likely future cash requirements through the combination of cash flows from operating activities, available cash balances and available borrowings through our debt agreements. If these sources of liquidity need to be augmented, additional cash requirements would likely be financed through the issuance of debt or equity securities; however, there can be no assurances that we will be able to obtain additional debt or equity financing on acceptable terms in the future. Based upon our history of generating strong cash flows, we believe we will be able to meet our short-term liquidity needs for at least the next twelve months.

Indemnification and Reimbursement Agreement

On September 12, 2018, we entered into the Indemnification and Reimbursement Agreement, under which we are required to make certain payments to Honeywell in amounts equal to 90% of Honeywell's asbestos-related liability payments and accounts payable, primarily related to the Bendix business in the United States, as well as certain environmental-related liability payments and accounts payable and non-United States asbestos-related liability payments and accounts payable, in each case related to legacy elements of the Business, including the legal costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts and, as may be applicable, certain other recoveries associated with such liabilities. Pursuant to the terms of the Indemnification and Reimbursement Agreement, we are responsible for paying to Honeywell such amounts, up to a cap of an amount equal to the Distribution Date Currency Exchange Rate (1.16977 USD = 1 EUR) equivalent of $175 million (exclusive of any late payment fees) in respect of such liabilities arising in any given calendar year. This Indemnification and Reimbursement Agreement may have material adverse effects on our liquidity and cash flows and on our results of operations, regardless of whether we experience a decline in net sales. See "We are subject to risks associated with the Indemnification and Reimbursement Agreement, pursuant to which we are required to make substantial cash payments to Honeywell, measured in substantial part by reference to estimates by Honeywell of certain of its liabilities" in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2018. In addition, the payments that we are required to make to Honeywell pursuant to the terms of the Indemnification and Reimbursement Agreement will not be deductible for U.S. federal income tax purposes. The Indemnification and Reimbursement Agreement provides that the agreement will terminate upon the earlier of (x) December 31, 2048 or (y) December 31st of the third consecutive year during which certain amounts owed to Honeywell during each such year were less than $25 million as converted into Euros in accordance with the terms of the agreement.

During the three and nine months ended September 30, 2019, we paid the Euro-equivalent of $37 million and $113 million, respectively, to Honeywell in connection with the Indemnification and Reimbursement Agreement.

Tax Matters Agreement

On September 12, 2018, we entered into a Tax Matters Agreement with Honeywell (the "Tax Matters Agreement"), which governs the respective rights, responsibilities and obligations of Honeywell and us after the Spin-Off with respect to all tax matters (including tax liabilities, tax attributes, tax returns and tax contests).

The Tax Matters Agreement generally provides that, following the Spin-Off date of October 1, 2018, we are responsible and will indemnify Honeywell for all taxes, including income taxes, sales taxes, VAT and payroll taxes, relating to Garrett for all periods, including periods prior to the completion date of the Spin-Off. Among other items, as a result of the mandatory transition tax imposed by the Tax Cuts and Jobs Act, one of our subsidiaries is required to make payments to a subsidiary of Honeywell in the amount representing the net tax liability of Honeywell under the mandatory transition tax attributable to us, as determined by Honeywell. We currently estimate that our aggregate payments to Honeywell with respect to the mandatory transition tax will be $240 million. Under the terms of the Tax Matters Agreement, we are required to pay this amount in Euros, without interest, in five annual installments, each equal to 8% of the aggregate amount, followed by three additional annual installments equal to 15%, 20% and 25% of the aggregate amount, respectively. Following the Spin-Off in October of 2018, we paid our first annual installment in that month. Subsequently, our annual installments will be paid in April of each year. On April 1, 2019, we paid our second annual installment of the Euro-equivalent of $18 million.

In addition, the Tax Matters Agreement addresses the allocation of liability for taxes incurred as a result of restructuring activities undertaken to effectuate the Spin-Off. The Tax Matters Agreement also provides that we are required to indemnify Honeywell for certain taxes (and reasonable expenses) resulting from the failure of the Spin-Off and related internal transactions to qualify for their intended tax treatment under U.S. federal, state and local income tax law, as well as foreign tax law. Further, the Tax Matters Agreement also imposes certain restrictions on us and our subsidiaries (including restrictions on share issuances, redemptions or repurchases, business combinations, sales of assets and similar transactions) that are designed to address compliance with Section 355 of the Internal Revenue Code of 1986, as amended, and are intended to preserve the tax-free nature of the Spin-Off.

Cash Flow Summary for the Nine Months Ended September 30, 2019 and 2018

	For the Nine Months Ended September 30,	
	2019	**2018**
	(Dollars in millions)	
Cash provided by (used for):		
Operating activities	125	240
Investing activities	(62)	225
Financing activities	(62)	(556)
Effect of exchange rate changes on cash	(7)	(12)
Net decrease in cash and cash equivalents	$ (6)	$ (103)

Cash provided by operating activities decreased by $115 million for the nine months ended September 30, 2019 versus the prior year period, primarily due to a decrease in net income, net of deferred taxes of $48 million and an unfavorable impact of $85 million related to changes in Obligations payable to Honeywell and Asbestos-related liabilities.

Cash provided by investing activities decreased by $287 million for the nine months ended September 30, 2019 versus the prior year period, primarily due to unfavorable net cash impacts from marketable securities investment activities period over period of $291 million.

Cash used for financing activities decreased by $494 million for the nine months ended September 30, 2019 versus the prior year period primarily related to significant financing activities prior to the Spin-Off. The change was driven by payments for related party notes payable of $493 million, net changes to cash pooling and short-term notes of $201 million and the net decrease in invested deficit of $1,493 million during the nine months ended September 30, 2018 that did not recur during the nine months ended September 30, 2019. This was partially offset by the $1,631 million of proceeds from issuance of long-term debt during the nine months ended September 30, 2018 that did not recur during the nine months ended September 30, 2019.

Seasonality

Our business is moderately seasonal. Our primary North American customers historically reduce production during the month of July and halt operations for approximately one week in December; our European customers generally reduce production during the months of July and August and for one week in December; and our Chinese customers often reduce production during the period surrounding the Chinese New Year. Shut-down periods in the rest of the world generally vary by country. In addition, automotive production is traditionally reduced in the months of July, August and September due to the launch of parts production for new vehicle models. Accordingly, our results reflect this seasonality. Our sales predictability in the short term might also be impacted by sudden changes in customer demand, driven by our OEM customers’ supply chain management.

We also experience seasonality in cash flow, as a relatively small portion of our full year cash flow is typically generated in the first quarter of the year and a relatively large portion in the last quarter. This seasonality in cash flow is mostly caused by timing of supplier payments for capital expenditures, changes in working capital balances related to the sales seasonality discussed above, and the impact of incentive payments to management. Additionally, tax payments are due based on jurisdictional requirements which vary in timing throughout the year.

Contractual Obligations and Probable Liability Payments

There have been no material changes to our contractual obligations from those described in our 2018 Form 10-K.

Capital Expenditures

We believe our capital spending in recent years has been sufficient to maintain efficient production capacity, to implement important product and process redesigns and to expand capacity to meet increased demand. Productivity projects have freed up capacity in our manufacturing facilities and are expected to continue to do so. We expect to continue investing to expand and modernize our existing facilities and invest in our facilities to create capacity for new product development.

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 and Combined 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 2018 Form 10-K. As of September 30, 2019, there were no significant changes to any of our critical accounting policies.

Recent Accounting Pronouncements

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

Other Matters

Litigation and Environmental Matters

See Note 17, Commitments and Contingencies of the Notes to the Consolidated and Combined Interim Financial Statements for a discussion of environmental, asbestos and other litigation matters.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

For a discussion of the Company's quantitative and qualitative disclosures about market risks, see Item 7A. Quantitative and Qualitative Disclosures About Market Risks, in our Annual Report on Form 10-K for the year ended December 31, 2018. As of September 30, 2019, there have been no material changes in this information.

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.

As previously disclosed, in the course of preparing our 2018 Form 10-K and our Consolidated and Combined Financial Statements for the year ended December 31, 2018, our management determined that there was a material weakness in our internal control over financial reporting relating to the supporting evidence for our liability to Honeywell under the Indemnification and Reimbursement Agreement. Specifically, we were unable to independently verify the accuracy of certain information Honeywell provided to us that we used to calculate the amount of our Indemnification Liability, including information provided in Honeywell's actuary report and the amounts of settlement values and insurance receivables. For example, Honeywell did not provide us with sufficient information to make an independent assessment of the probable outcome of the underlying asbestos proceedings and whether certain insurance receivables are recoverable. This material weakness has not yet been remediated.

Our management, with the participation of our Chief Executive Officer and Interim Chief Financial Officer, evaluated, as of September 30, 2019, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Our Chief Executive Officer and Interim Chief Financial Officer concluded that, as of September 30, 2019, our disclosure controls and procedures were not effective at the reasonable assurance level as a result of the material weakness in our internal control over financial reporting relating to the supporting evidence for our liability under the Indemnification and Reimbursement Agreement described above.

Our management is committed to maintaining a strong internal control environment. In response to the identified material weakness, our management, with the oversight of the Audit Committee of the Board of Directors and in consultation with our outside advisors, has taken steps to remediate the material weakness by working to obtain additional information about the Indemnification Liability through a dialogue and iterative process with Honeywell. That process has continued, and we and our advisors remain in communication with Honeywell on these issues.

There were no changes in the Company’s internal control over financial reporting that occurred during the quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company’s 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.

Additionally, in connection with our entry into the Indemnification and Reimbursement Agreement, we will be required to make payments to Honeywell for a certain amount of Honeywell's asbestos-related liability payments and accounts payable, primarily related to the Bendix business in the United States, as well as certain environmental-related liability payments and accounts payable and non-United States asbestos-related liability payments and accounts payable, in each case related to legacy elements of the Business, including the legal costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts and, as may be applicable, certain other recoveries associated with such liabilities.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed under "Risk Factors" in our 2018 Form 10-K. These factors could materially adversely affect our business, financial condition, liquidity, results of operations and capital position, 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. There have been no material changes in the risks affecting the Company since the filing of our 2018 Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference: Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
2.1+	Indemnification and Reimbursement Agreement, dated September 12, 2018, by and among Honeywell ASASCO Inc., Honeywell ASASCO 2 Inc., and Honeywell International Inc.	8-K	001-38636	2.1	9/14/2018	
2.2+	Tax Matters Agreement, dated September 12, 2018, by and between Honeywell International Inc., Garrett Motion Inc., and, solely for purposes of Section 3.02(g), 5.05 and 6.13(b), Honeywell ASASCO Inc. and Honeywell ASASCO 2 Inc.	8-K	001-38636	2.2	9/14/2018	
2.3+	Separation and Distribution Agreement, dated September 27, 2018, between Honeywell and Garrett Motion Inc.	8-K	001-38636	2.1	10/1/2018	
2.4+	Transition Services Agreement, dated September 27, 2018, between Honeywell and Garrett Transportation I Inc.	8-K	001-28636	2.2	10/1/2018	
2.5+	Employee Matters Agreement, dated September 27, 2018, between Honeywell and Garrett Motion Inc.	8-K	001-28636	2.3	10/1/2018	
2.6+	Intellectual Property Agreement, dated September 27, 2018, between Honeywell and Garrett Motion Inc.	8-K	001-28636	2.4	10/1/2018	
2.7+	Trademark License Agreement, dated September 27, 2018, between Honeywell and Garrett Motion Inc.	8-K	001-28636	2.5	10/1/2018	
3.1	Amended and Restated Certificate of Incorporation of Garrett Motion Inc.	S-8	333-227619	4.1	10/1/2018	
3.2	Amended and Restated By-laws of Garrett Motion Inc.	8-K	333-227619	4.2	10/1/2018	
4.1	Indenture, dated as of September 27, 2018, between Garrett LX I S.à r.l, Garrett Borrowing LLC, Garrett Motion Inc., the guarantors named therein, Deutsche Trustee Company Limited, as Trustee, Deutsche Bank AG, London Branch, as Security Agent and Paying Agent, and Deutsche Bank Luxembourg S.A., as Registrar and Transfer Agent	8-K	001-38636	4.1	10/1/2018	
10.1	Agreement, dated as of September 2, 2019, between Garrett Motion Inc. and Alessandro Gili					*
10.2	Letter Agreement, dated May 31, 2018, between Honeywell Transportation Systems and Peter Bracke					*
10.3	Addendum to Employment Contract, dated as of September 3, 2019, between Garrett Motion Sàrl and Peter Bracke					*
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	XBRL Instance Document					*
101.SCH	XBRL Taxonomy Extension Schema Document					*

Exhibit Number	Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					

* Filed herewith.

** Furnished herewith.

\+ Certain schedules (and similar attachments) to these exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish copies of any of the omitted schedules and similar attachments upon request by the SEC.

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: November 8, 2019	By:	/s/ Olivier Rabiller **Olivier Rabiller** **President and Chief Executive Officer**
Date: November 8, 2019	By:	/s/ Peter Bracke **Peter Bracke** **Interim Chief Financial Officer**

(Back To Top)

Section 2: EX-10.1 (EX-10.1)

Exhibit 10.1

AGREEMENT

among

Garrett Motion Sàrl
Zone d'activités La Pièce 16,
1180 Rolle

(the "**Company**")

Garrett Motion Inc.
251 Little Falls Drive
Wilmington New Castle County
Delaware 19808

("GTX")

and

Alessandro Gili

(the "**Employee**")

WHEREAS:

(A) The Company as employer and the Employee have entered into an employment agreement made on May 2, 2018 (the "**Employment Agreement**").

(B) The Employee is Senior Vice President and Chief Financial Officer of the Company and an executive officer of GTX.

(C) The Company, GTX and the Employee have decided to enter into this Agreement in order to set forth the terms and conditions of the termination of the Employment Agreement and executive officer by mutual consent in full and final settlement of any claims there under.

NOW, THEREFORE, the Company and the Employee (the "**Parties**") agree as follows:

1. Termination of Employment Agreement

(a) The Parties hereby agree that the Employment Agreement shall terminate with effect at the latest on February 29, 2020 (the "**Termination Date**"). Should the Employee find a new position and provided that the company he would join is not a Competing Business as defined in the Non-compete Agreement referred to in Section 4 below, the Employee shall have the right to anticipate the termination of the Employment Agreement to an earlier date (the "**Earlier Termination Date**") by giving notice to the Company by registered letter seven (7) days in advance. In consideration that the Final Payment is exceeding contractual minimum requirements, the Employee hereby agrees that the term of his employment contract shall not be postponed to a later date than the Termination Date or the Earlier Termination Date in case of any incapacity (such as illness or accident) occurring before the Termination Date or the Earlier Termination Date.

(b) The Employee will resign from his position of executive officer, Senior Vice President and CFO of the Company and GTX with effect from September 30, 2019.

(c) The Employee shall be irrevocably released from the obligation to work from September 30, 2019. The Employee undertakes to provide the Company with all information and assistance necessary to allow a smooth transition of his duties. If required by the Company, the Employee will provide such information and assistance after the Termination Date or the Earlier Termination Date, if applicable for a period of six months.

(d) The Employee further undertakes to sign any document provided in compliance with this Agreement and necessary to reflect the termination of the employment relationship.

(e) From the date of signature of this Agreement until the earliest to occur between the Termination Date or the Earlier Termination Date, all the remaining vacation days will be deemed, as part of this Agreement, to be taken by the Employee.

2. Compensation

(a) The Company shall pay to the Employee his usual salary, subject to all legal and contractual deductions, as well as the cash allowance in accordance with the applicable Company Car Policy until the earliest to occur between the Termination Date and the Earlier Termination Date.

(b) In consideration for his acceptance of the undertakings and obligations under this Agreement, the Company shall pay to the Employee a severance payment in the amount of CHF 1'450'000.00 gross. In addition, the Company shall pay to the Employee a prorated Annual Incentive Compensation pursuant to Art. 5 of the Employment Agreement in the amount of CHF 328'845.00 gross. The Employee acknowledges that these payments include all and any amounts due to, or which might be claimed by, the Employee whether as salary, bonus, remuneration under the Annual Incentive Compensation or the Annual Long Term Incentive Award, severance, or for any other ground based on, or in relation with the Employee's employment with the Company or office with GTX or any of its affiliates (the "**Final Payment**").

(c) The Final Payment set forth in Section 2(b) above will be paid within 15 days after the earliest to occur between the Termination Date or the Earlier Termination Date on the Employee's usual salary account.

(d) It is expressly understood that the Final Payment shall be paid after deduction of all applicable social security contributions and, as the case may be, as of any payroll taxes or other deductions which might be due pursuant to the legislation applicable to such payments. Upon request of the Employee, the Company undertakes to collaborate in relation to the termination of the complementary pension plan with AXA Life Ltd.

(e) The Company shall pay the reasonable costs of the Employee's relocation to his home country, i.e. Italy. Shipment expenses (for furniture and personal belongings) for the Employee shall be directly paid by the Company to the service providers appointed by the Employee. The Employee will first submit quotes to be approved by the Company, before any expense will be paid. The Company will only pay such costs provided that the Employee relocates to Italy in the period of twelve months from the date of signature of this Agreement.

(f) The Company shall also bear the costs of the preparation of the Employee 2019 tax return and the Employee 2020 tax return, in case the Employment Agreement terminates after December 31, 2019.

3. Equity

(a) In addition to the payment set forth in Section 2 above, the Employee acknowledges that he was granted 111'139 Company restricted stock units, 55'570 of which vested in accordance with the terms of the Employment Agreement and the applicable Stock Incentive Plan of the Company. Notwithstanding the terms of the Employment Agreement and the applicable Stock Incentive Plan of the Company, the retention ratio on such 55'570 vested stock units will not apply and the Employee will have full and unconditional disposal on such 55'570 vested stock units as of October 1st, 2019. The remaining 55'569 unvested stock units shall vest as of the Termination Date or Earlier Termination Date. The Company agrees that the retention ratio and the forfeiture provisions will not apply on such 55'569 stock units and the Employee will have full and unconditional disposal on such 55'569 stock units as of their vesting date.

(b) The Employee acknowledges that all the other equity awards granted to him will not vest by either the Termination Date or the Earlier Termination Date and shall thus be forfeited.

4. Non-compete agreement

The Employee agrees that as a condition of settlement, he will comply with the terms of Honeywell AG (Switzerland) Non-compete Agreement for Senior Executives signed by the Employee on April 23, 2018, together with its Addendum, substituting all existing references to Honeywell AG (Switzerland) and TS Spinco to be replaced by Garrett Motion Sàrl and existing references to Honeywell International to be substituted by Garrett Motion Inc. Such agreement with the Company shall remain valid and in force for a period of two (2) years following the earliest to occur between the Termination Date and the Earlier Termination Date.

5. Return of Property

The Employee shall, on or before the Termination Date or Earlier Termination Date, return all Company property and information he has received in the course of his employment with the Company, including but not limited to documents, laptop computer, computer-generated information, reports, books, studies, data, credit cards, employee identification, access cards and other such materials and he shall retain no copies of any such property or information. All of the above property shall be in good condition, save for normal wear and tear.

6. Confidentiality

(a) The Employee hereby undertakes to keep the terms hereof strictly confidential and not to disclose them to any third party unless required by law or any court or governmental authority. The termination of the Employment Agreement pursuant to the terms hereof shall not relieve the Employee from his obligation to keep confidential any confidential and/or non-public information pertaining to the Company and/or its affiliates and/or their activities that has been disclosed and/or became known to her during the term of the Employment Agreement.

(b) The Company and GTX hereby undertake to keep the terms hereof strictly confidential and not to disclose them to any third party unless required by law or any court or governmental authority or reporting requirements. Within the Company and GTX, the terms hereof must remain strictly confidential and access to this Agreement shall be limited to the maximum extent possible.

7. Non-Disparagement

(a) The Employee shall not make, participate in the making of, or encourage any other person to make, any public statements, written or oral, which are intended to criticize, disparage, or defame the goodwill or reputation of, or which are intended to embarrass the Company and/or any of the Company’s directors, officers, executives, employees, partners, stakeholders, agents or attorneys. The Employee further agrees not to make any negative public statements, written or oral, relating to the employment, the termination of employment, and/or any aspect of the business of the Company.

(b) The Company and any Company's affiliates shall not make, participate in the making of, or encourage any other person to make, any public statements, written or oral, which are intended to criticize, disparage, or defame the goodwill or reputation of, or which are intended to embarrass the Employee. The Company and any Company's affiliates further agrees not to make any negative public statements, written or oral, relating to the employment, the termination of employment, and/or any aspect related to the Employee and its contribution to the Company.

(c) The Company further acknowledges that the Parties will agree on a common language on in particular the reasons for termination and with the wording set forth in Annexe 1 to this Agreement. No other external communication which is inconsistent with the general wording of Annexe 1 shall be made without the prior written consent of the Employee.

8. Work Certificate

The Company shall deliver a work certificate to the Employee by September 30, 2019.

9. Accident and Loss of Earnings Insurances

(a) The Employee acknowledges that the Company's accident insurance cover will expire 31 days after the Termination Date or Earlier Termination Date. The Company therefore recommends the Employee to contract or change the terms of his current medical insurance to cover global risks on occupational and non-occupational accidents if he has not contracted employment with another employer in Switzerland after this date.

(b) The Employee also acknowledges that, after the Termination Date or Earlier Termination Date, he will no longer be insured by the Company's collective insurance for loss of earnings in case of accidents and illness. The Employee acknowledges that he has to undertake the necessary steps in writing with the Company's insurance within ninety (90) days after the Termination Date if the employee wants to continue this insurance on an individual basis.

10. Directors and Officers Liability Insurance

(a) The Directors and Officers liability insurance provided in relation to the Employee's office as officer of GTX. shall continue for an unlimited period of time, subject at all times to the terms of GTX's relevant insurance policy. For the avoidance of doubt, the costs of such insurance are to be borne by GTX.

(b) The Company undertakes to cover the Employee's costs wholly and necessarily incurred in relation to legal action by a third party involving the GTX Board of Directors or officers, including but not limited to travel expenses and attorney fees.

11. Discharge

By September 30, 2019, the Company undertakes to grant the Employee full, complete and unconditional discharge from his executive and officer duties of the Company and GTX under Swiss and U.S. law respectively.

12. Full and Final Settlement

In consideration for the Final Payment, the Employee irrevocably and unconditionally releases and forever discharges the Company and GTX and its affiliates, including without limitation their directors, officers, executives, partners, stakeholders, agents, attorneys, insurers and employees, past and present, and each of them, from any and all claims in full and final settlement of any rights or obligations that may exist on the date hereof or at any time hereafter in connection with or arising out of the Employment Agreement and/or this Agreement. The Company agrees that in connection with the Employment Agreement and/or this Agreement, any and all claims of the Company against the Employee shall be considered to be discharged and settled in full.

13. Binding Effect

This Agreement shall enter into effect upon its execution.

14. Written Form

This Agreement may not be modified or amended except by written amendments duly executed by the Parties. This requirement of written form can only be waived in writing.

15. Voluntary Nature

The Employee acknowledges that he enters this Agreement voluntarily and willingly after having had sufficient time to assess this Termination Agreement with a qualified lawyer of his choice.

16. Governing law and Jurisdiction

(a) This Agreement shall be governed by Swiss substantive law in all respects.

(b) The courts of Geneva shall have exclusive jurisdiction for any dispute arising out of or in connection with this Agreement.

This Agreement is executed in two counterparts in Rolle, Switzerland, on September 2, 2019.

/s/ Fabrice Spenninck	/s/ Alessandro Gili
[*name of signatory*]	Alessandro Gili
On behalf of Garrett Motion Sàrl CHRO & Communications Officer	

/s/ Fabrice Spenninck

[*name of signatory*]

On behalf of Garrett Motion Sàrl
CHRO & Communications Officer

Annexe 1

[Agreed Form of Press Release]

(Back To Top)

Section 3: EX-10.2 (EX-10.2)

Exhibit 10.2

Honeywell
THE POWER OF CONNECTED

May 31, 2018

Peter Bracke
Z.A. La Piece 16
Rolle, VD, 1180
CHE

Re: Offer Letter

Dear Peter:

I am pleased to confirm our offer to you to become the Vice President, Financial Planning & Analysis and Commercial Finance of Honeywell Transportation Systems ("TS"), a strategic business unit of Honeywell International Inc. ("Honeywell"). This offer, which will be effective on a mutually agreed upon date ("Effective Date"), is based in Rolle, Switzerland and reports directly to Olivier Rabiller, President & CEO of TS.[1] As you know, we anticipate that TS will be spun off as an independent public company (the "Company") on or about June 30, 2018 (the actual spin-off date, if applicable, is hereinafter referred to as the "Separation Date"). Your employment with Honeywell (and ultimately the Company) shall be subject to the terms and conditions of this offer letter.

In connection with your new role, you will be entitled to the following compensation and benefits package:

COMPENSATION

Base Salary: As of the Effective Date, your annual base salary will be CHF 360,000. After the Separation Date, any base salary adjustments shall be made by the Company's Board of Directors from time to time. Adjustments will be based on your performance and other relevant factors.

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[1] Upon the installation of TS's new Chief Financial Officer, you will report directly to such Chief Financial Officer.

Annual Incentive Compensation From the Company: As of the Effective Date, your target incentive compensation opportunity will be 40% of your annual cash base salary earnings during the year. For 2018, your incentive compensation award will be prorated based on the number of days your target incentive was 45% and the number of days your target incentive will be 40%. Incentive compensation awards are paid in the first quarter of the following year.

For the full 2018 performance year, your incentive compensation award shall be paid entirely by the Company (i.e., no pro-rated incentive award shall be paid by Honeywell), provided the spin is effectuated as planned.

Annual Long-Term Incentive Awards From the Company: As of the Separation Date, you will be eligible for annual long-term incentive ("LTI") awards with an initial target value of 100% of your Base Salary. The size and mix of future LTI awards will be determined by the Company's Board of Directors based on your performance and future career potential. The terms of all LTI awards will be governed by the terms of the applicable stock plan and the relevant award agreements.

Honeywell Growth Plan Units: The second tranche of your award for the 2016-2017 Growth Plan performance cycle shall be paid out in the normal course during the first quarter of 2019. You understand and acknowledge that Honeywell may assign the liability for such amount to the Company and you agree and acknowledge that any such payments received from the Company shall be in full satisfaction of Honeywell's liability for such payments.

Vested Honeywell Stock Options: You will retain any vested Honeywell stock options. Notwithstanding anything in the Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the "Stock Incentive Plan") and governing award agreements to the contrary, you will have the original full remaining term to exercise such vested stock options.

Unvested Honeywell Stock Options: Any Honeywell stock options that were granted prior to 2018 and have not vested as of Separation Date shall be replaced with Company restricted stock units. Such Company restricted stock units shall vest on the same dates as the underlying unvested Honeywell stock options that were replaced.

2018 Honeywell Stock Options: Honeywell stock options granted in 2018 that have not vested as of Separation Date shall be replaced with Company restricted stock units at their original grant date value (i.e., the Black-Scholes value). Such Company restricted stock units shall vest on the same dates as the underlying unvested 2018 Honeywell stock options that were replaced.

Honeywell Time-Based Restricted Stock Units: Any unvested Honeywell time-based restricted stock units shall be replaced with Company restricted stock units. Such Company restricted stock units shall vest on the same schedule as if they had remained Honeywell restricted stock units.

Honeywell Performance Plan Units: Your Honeywell Performance Plan units for the 2017-2019 performance cycle shall be replaced with Company restricted stock units based upon the then latest estimate of Honeywell performance for the 2017-2019 performance cycle. Such Company restricted stock units shall vest on the same schedule as if they had remained Honeywell Performance Plan units. Your Honeywell Performance Plan units for the 2018-2020 performance cycle shall be forfeited.

Deal Incentive: You will receive an Incentive Payment of CHF 110,000 in full satisfaction of the Company's liability to you under the letter agreement dated November 27, 2017 (the "Letter"). However, this payment shall be expressly conditioned upon (a) your acceptance of this role, (b) the successful spin-off of TS by September 30, 2018, (c) the achievement of Page 2 of 5 the cost and quality metrics set forth in the Letter relative to the TS spin-off, (d) you maintaining your current performance level and continued adherence to Honeywell's Code of Conduct, and (e) you remaining employed by the Company for 90 days after the TS spin-off (you will be treated as satisfying this criterion if the Company terminates your employment other than for cause prior to end of such 90-day period).

You understand and acknowledge that Honeywell may assign the liability for such amount to the Company and you agree and acknowledge that any such payments received from the Company shall be in full satisfaction of Honeywell's liability for such payments.

For purposes of this offer letter, unless otherwise noted, whenever Honeywell equity awards are being converted into Company equity awards, such conversion shall be based on (i) the "regular-way" closing price of Honeywell common stock on the last trading day immediately prior to the Separation Date, and (ii) the "when-issued" closing price of Company common stock on the last trading day immediately prior to the Separation Date.

OTHER EXECUTIVE BENEFITS

You will also be entitled to the following Executive Benefits after the Separation Date:

- *Welfare and Retirement:* As provided to other employees of the Company (to be determined).
- *Vacation:* As provided to other executives of the Company (to be determined).
- *Executive Severance:* As provided to other executives of the Company (to be determined).

INTELLECTUAL PROPERTY AND NON-COMPETITION AGREEMENTS

As a condition of this employment offer, you will be required to execute, in a form substantially similar to the corresponding Honeywell agreements, (i) the Company's intellectual property agreement, and (ii) the Company's noncompete agreement for senior executives, prior to the Separation Date.

AGREEMENT TO TRANSFER

As you are aware, Honeywell has announced its intention to spin-off it's TS business in the summer of 2018. By accepting this position, you are acknowledging and consenting to the anticipated spin-off of the TS business by Honeywell. Therefore, you agree that the position you have accepted is dedicated to the Company and, as a result, could trigger the transfer of your employment contract. Accordingly, you agree that you (i) will not claim constructive dismissal from Honeywell, (iii) will not assert any rights under (A) the Acquired Right Directive, or (B) any local implementing laws or similar provisions to that effect, with respect to any transfer of your employment contract, and (iii) have been fully informed of the terms and conditions of your employment incident to the spin-off of Honeywell's TS business, and that those terms and conditions may change if and when that business becomes an independent public company.

ACCEPTANCE OF OFFER

Please indicate your acceptance of this offer by electronically signing this offer letter via DocuSign.

Peter, we are excited to be extending this offer to you and look forward to your anticipated success with the Company.

If you have any questions or need any further information about our offer, please contact me directly.

Congratulations,

/s/ Olivier Rabiller

Olivier Rabiller
President and CEO
Honeywell Transportation Systems

Read and Accepted:

/s/ Peter Bracke	June 4, 2018
PETER BRACKE (E169642)	Date

All businesses experience changing conditions. Accordingly, we reserve the right to change work assignments, reporting relationships and staffing levels to meet business needs. There is no guarantee of employment for any specific period.

(Back To Top)

Section 4: EX-10.3 (EX-10.3)

Exhibit 10.3

Garrett
ADVANCING MOTION

Garrett Motion Sàrl
La Piece 16,
1180 Rolle (VD)
Switzerland

Peter Bracke

Rolle, 3/09/2019

Addendum to your employment contract dated May 31, 2018

Dear Peter,

Further to your recent discussions with Fabrice Spenninck, I am pleased to confirm your appointment as Interim Chief Financial Officer, and the terms of the Company's offer relating to that appointment.

Upon signature of this addendum to your contract of employment dated May 31, 2018, and for the duration of your appointment as Interim Chief Financial Officer, your annual salary will be increased to CHF 445'593, with effect from September 6, 2019.

With regard to your participation in the Annual Incentive program "ICP", also with effect from September 6, 2019, your annual target bonus award opportunity will be increased during your appointment to 60% of your amended basic salary. Participation and awards shall be subject to the usual rules.

As agreed, the increase in salary and ICP is on a temporary basis in recognition of the role and additional responsibilities you will be taking on. You will revert to your current salary of 363'960 and target ICP of 40% once the interim appointment comes to an end.

Exceptionally, and in recognition of your acceptance of the interim role, you will be granted USD 200'000 worth of Garrett Motion Inc restricted stock units with effect from September 6, 2019, subject to the rules of the relevant stock incentive plan. These restricted stock units will vest 100% on the second anniversary of the grant date, provided in all cases that you continue to be employed by the Company on such vesting date.

Please indicate your agreement to the terms of this addendum by signing and dating below and returning to Fabrice.

All other parts of your employment contract remain unchanged by this agreement.

I would like to thank you for your continued contribution to Garrett and for your agreement to step into the role of interim Chief Financial Officer. I wish you the best in this role.

Yours sincerely,

/s/ Olivier Rabiller
Olivier Rabiller
Chief Executive Officer

/s/ Peter Bracke
Peter Bracke
VP FP&A and Business Finance

(Back To Top)

Section 5: EX-31.1 (EX-31.1)

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)) 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) [omitted];

(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: November 8, 2019

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

(Back To Top)

Section 6: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION

I, Peter Bracke, 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)) 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) [omitted];

(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: November 8, 2019 By: /s/ Peter Bracke

Peter Bracke
Interim Chief Financial Officer
(*principal financial officer*)

(Back To Top)

Section 7: EX-32.1 (EX-32.1)

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 September 30, 2019 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: November 8, 2019 By: /s/ Olivier Rabiller

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

(Back To Top)

Section 8: EX-32.2 (EX-32.2)

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 September 30, 2019 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: November 8, 2019	By:	/s/ Peter Bracke
		Peter Bracke
		Interim Chief Financial Officer
		(principal financial officer)

(Back To Top)