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 March 31, 2021

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	**82-4873189**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
La Pièce 16, Rolle, Switzerland	**1180**
(Address of principal executive offices)	**(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
None	None	None

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

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

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

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

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

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

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

As of April 23, 2021, the registrant had 76,082,592 shares of common stock, $0.001 par value per share, outstanding.

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EXPLANATORY NOTE

On September 20, 2020 (the “Petition Date”), Garrett Motion Inc. (the “Company”) and certain of its subsidiaries (collectively, the “Debtors”) each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). The Debtors’ chapter 11 cases (the “Chapter 11 Cases”) are being jointly administered under the caption “In re: Garrett Motion Inc., 20-12212.”

On the Petition Date, the Debtors entered into a Restructuring Support Agreement (as amended, restated, supplemented or otherwise modified from time to time, the “RSA”) with consenting lenders (the “Consenting Lenders”) holding, in the aggregate, approximately 61% of the aggregate outstanding principal amount of loans under that certain Credit Agreement, dated as of September 27, 2018, (as amended, restated, supplemented or otherwise modified from time to time, the “Prepetition Credit Agreement”) by and among the Company, as Holdings, Garrett LX III S.à r.l., as Lux Borrower, Garrett Borrowing LLC, as U.S. Co-Borrower, Garrett Motion S.à r.l., as Swiss Borrower, the Lenders and Issuing Banks party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent. Pursuant to the RSA, the Consenting Lenders and the Debtors agreed to the principal terms of a financial restructuring, to be implemented through a plan of reorganization under the Bankruptcy Code, and which could include the sale of all or substantially all of the assets of certain Debtors and of the stock of certain Debtors and other subsidiaries, as further described below. On January 6, 2021, the Debtors and Consenting Lenders holding no less than a majority of the aggregate outstanding principal amount of loans under the Prepetition Credit Agreement then held by all Consenting Lenders entered into Amendment No. 1 to the Restructuring Support Agreement (the “Amendment”), which, among other things, extended certain milestones contained in the RSA.

On the Petition Date, certain of the Debtors also entered into a share and asset purchase agreement (as amended, restated, supplemented or otherwise modified from time to time, the “Stalking Horse Purchase Agreement”) with AMP Intermediate B.V. (the “Stalking Horse Bidder”) and AMP U.S. Holdings, LLC, each affiliates of KPS Capital Partners, LP (“KPS”), pursuant to which the Stalking Horse Bidder agreed to purchase, subject to the terms and conditions contained therein, substantially all of the assets of the Debtors. The Stalking Horse Purchase Agreement constituted a “stalking horse” bid that was subject to higher and better offers by third parties in accordance with the bidding procedures approved by the Bankruptcy Court in an order entered by the Bankruptcy Court after hearings on October 21, 2020 and October 23, 2020 (the “Bidding Procedures Order”). The Bidding Procedures Order permitted third parties to submit competing proposals for the purchase and/or reorganization of the Debtors and approved stalking horse protections for the Stalking Horse Bidder.

On October 6, 2020, the Bankruptcy Court entered an order granting interim approval of the Debtors’ entry into a Senior Secured Super-Priority Debtor-in-Possession Credit Agreement (the “DIP Credit Agreement”), with the lenders party thereto (the “DIP Lenders”) and Citibank N.A. as administrative agent (the “DIP Agent”). On October 9, 2020 (the “Closing Date”), the Company, the DIP Agent and the DIP Lenders entered into the DIP Credit Agreement. The DIP Credit Agreement provides for a senior secured, super-priority term loan (the “DIP Term Loan Facility”) in the principal amount of $200 million, $100 million of which was funded on the Closing Date and $100 million of which was subsequently funded on October 26, 2020, following entry of the Bankruptcy Court’s final order approving the DIP Term Loan Facility on October 23, 2020. The proceeds of the DIP Term Loan Facility are to be used by the Debtors to (a) pay certain costs, premiums, fees and expenses related to the Chapter 11 Cases, (b) make payments pursuant to any interim or final order entered by the Bankruptcy Court pursuant to any “first day” motions permitting the payment by the Debtors of any prepetition amounts then due and owing, (c) make certain adequate protection payments in accordance with the DIP Credit Agreement and (d) fund working capital needs of the Debtors and their subsidiaries to the extent permitted by the DIP Credit Agreement. On October 12, 2020, the Company, the DIP Agent and the DIP Lenders entered into the First Amendment to the DIP Credit Agreement (the “First DIP Amendment”). The First DIP Amendment eliminates the obligation for the Company to pay certain fees to the DIP Lenders in connection with certain prepayment events under the DIP Credit Agreement. On March 17, 2021, the Company prepaid $100 million that was previously outstanding under the DIP Credit Agreement, and on March 31, 2021 the Company extended the maturity date for the loans remaining outstanding thereunder to April 30, 2021.

In accordance with the Bidding Procedures Order, the Debtors held an auction (the “Auction”) at which they solicited and received higher and better offers from KPS and from a consortium made up of Owl Creek Asset Management, L.P., Warlander Asset Management, L.P., Jefferies LLC, Bardin Hill Opportunistic Credit Master Fund LP, Marathon Asset Management L.P., and Cetus Capital VI, L.P., or affiliates thereof (collectively, the “OWJ Group”). In addition to the bids received at the Auction from KPS and the OWJ Group, the Debtors also received a transaction proposal in parallel from Centerbridge Partners, L.P. (“Centerbridge”), Oaktree Capital Management, L.P. (“Oaktree”), Honeywell International Inc. and certain other investors and parties (the “Additional Investors” and, collectively, the “CO Group”). The Auction was completed on January 8, 2021, at which point the Debtors filed with the Bankruptcy Court (i) an auction notice noting that a bid received from KPS was the successful bid at the Auction but that the Debtors were still considering the proposal from the CO Group, (ii) a plan of reorganization (as may be amended, restated, supplemented or otherwise modified from time to time, the “Plan”) and (iii) a related disclosure statement (as may be amended, restated, supplemented or otherwise modified from time to time, (the “Disclosure Statement”).

On January 11, 2021, the Debtors, having determined that the proposal from the CO Group was a higher and better proposal than the successful bid of KPS at the Auction, entered into a Plan Support Agreement with the CO Group (as amended, restated, supplemented or otherwise modified from time to time, the "PSA") and announced their intention to pursue a restructuring transaction with the CO Group (the "Transaction"). As a result of the entry into the PSA, (i) the Debtors filed a supplemental auction notice with the Bankruptcy Court on January 11, 2021 describing the Debtors' determination to proceed with the Transaction, (ii) the Debtors filed a revised Plan to implement the Transaction and a related revised Disclosure Statement with the Bankruptcy Court on January 22, 2021 and (iii) the Stalking Horse Purchase Agreement became terminable, following which, on January 15, 2021, the Stalking Horse Bidder terminated the Stalking Horse Purchase Agreement and the Debtors subsequently paid a termination payment of $63 million and an expense reimbursement payment of $15.7 million to the Stalking Horse Bidder pursuant to the terms of the Stalking Horse Purchase Agreement and the Bidding Procedures Order.

In accordance with the terms of the PSA, on January 22, 2021, the Debtors' entered into an Equity Backstop Commitment Agreement (as amended, restated, supplemented, replaced or otherwise modified from time to time, the "EBCA") with certain members of the CO Group (the "Original Backstop Parties"), pursuant to which, among other things, the Company would conduct the rights offering contemplated by the PSA (as modified pursuant to the PSA from time to time, the "Rights Offering") and each Original Backstop Party committed to (i) exercise its rights, as a stockholder of the Company, to purchase in the Rights Offering shares of the convertible Series A preferred stock of the Company to be offered in the Rights Offering (the "Series A Preferred Stock") and (ii) purchase, on a pro rata basis (in accordance with percentages set forth in the EBCA), shares of Series A Preferred Stock which were offered but not subscribed for in the Rights Offering.

On January 24, 2021, representatives of, the official committee of equity securities holders (the "Equity Committee") submitted a restructuring term sheet for a proposed plan of reorganization sponsored by Atlantic Park. The Equity Committee subsequently filed with the Bankruptcy Court on February 5, 2021, a proposed plan of reorganization and related disclosure statement with respect to such transaction (as reflected in the proposed plan of reorganization filed with the Bankruptcy Court, the "Atlantic Park Proposal"). The transactions contemplated under the Atlantic Park Proposal were proposed as an alternative to the transactions contemplated under the Plan. In connection with the Atlantic Park Proposal, the Equity Committee filed a motion with the Bankruptcy Court seeking to modify the Debtors' exclusive periods to file and solicit votes on a Chapter 11 plan (the "Equity Committee Exclusivity Motion"). On February 9, 2021, the Equity Committee filed an objection to the Debtors' motion seeking authority to enter into and perform under the PSA and the EBCA (the "Equity Committee Objection"). The Company had significant concerns with the feasibility of the Atlantic Park Proposal and concluded at the time that the transactions contemplated under the Atlantic Park Proposal were not reasonably likely to lead to a higher and better alternative plan of reorganization as compared to the Plan. The Equity Committee filed a revised proposed plan of reorganization and disclosure statement in connection with the Atlantic Park Proposal with the Bankruptcy Court on February 15, 2021.

On February 15, 2021, the Debtors and the CO Group agreed with certain of the Consenting Lenders to amend and restate the PSA so as to, among other things, add certain of the Consenting Lenders as parties thereto supporting the Plan.

Following a hearing in the Bankruptcy Court on February 16, 2021, the Debtors, the CO Group, the Equity Committee and certain additional parties agreed to proceed with a court-approved mediation process to attempt to reach a consensual resolution regarding the Equity Committee Exclusivity Motion and the Equity Committee Objection at that time.

Through the mediation, the Debtors, the CO Group, Equity Committee and the additional parties to the mediation reached a consensual resolution regarding certain aspects of the Plan, and on March 9, 2021, the PSA was subsequently amended and restated, and a replacement EBCA among the Debtors and certain of the Additional Investors (the "Equity Backstop Parties") was entered into, to provide for, among other things: (i) a direct equity investment of $668.8 million by Centerbridge and Oaktree to purchase Series A Preferred Stock, (ii) two Rights Offerings in an aggregate amount of $632 million (including an allocation of subscription rights to the Equity Backstop Parties as consideration for their agreement to backstop the Rights Offerings), and (iii) an increase of the conversion price to common stock of the Series A Preferred Stock from $3.50 to $5.25. On March 9, 2021 the Debtors filed amended versions of the Plan and Disclosure Statement with the Bankruptcy Court to reflect this consensual resolution. On March 12, 2021 the Bankruptcy Court entered orders approving the Disclosure Statement, proposed procedures for solicitation of votes on the Plan and the Debtors' entry into and performance and obligations under the PSA and the EBCA, which remain subject to customary closing conditions. On March 12, 2021 the Debtors filed the solicitation versions of the Plan and Disclosure Statement with the Bankruptcy Court.

As contemplated by the Plan, the Company filed a supplement to the Plan (as amended, restated, supplemented or otherwise modified from time to time, the "Plan Supplement") with the Bankruptcy Court on April 9, 2021, which includes drafts of certain documents related to the Plan and referenced therein. On April 20, 2021 and April 22, 2021, the Debtors filed amended Plan Supplements reflecting updates and other changes and corrections to certain of the draft documentation. Also, on April 20, 2021, the Debtors also filed an amended version of the Plan, reflecting, among other things, revised treatment of certain claims and certain other technical changes and corrections. Following a hearing in the Bankruptcy Court on April 23, 2021, the Debtors filed a further amended Plan on April 26, 2021.

On April 26, 2021, the Bankruptcy Court entered an order (the "Confirmation Order") among other things, confirming the Plan. The Company expects that the effective date of the Plan (the "Effective Date") will occur as soon as all conditions precedent to the Plan have been satisfied, which the Company is targeting for April 30, 2021. Although the Company is targeting occurrence of the Effective Date on April 30, 2021, the Company can make no assurances as to when, or ultimately if, the Plan will become effective. It is also possible that technical amendments could be made to the Plan prior to the Effective Date.

The disclosures in this Quarterly Report on Form 10-Q should be read in the context of the Chapter 11 Cases. All documents filed with the Bankruptcy Court are available for inspection at the Office of the Clerk of the Bankruptcy Court or online (a) for a fee on the Bankruptcy Court's website at www.ecf.uscourts.gov and (b) free of charge on the website of the Debtors' claims and noticing agent, Kurtzman Carson Consultants LLC at http://www.kccllc.net/garrettmotion.

See Note 2 Reorganization and Chapter 11 Proceedings of the Notes to the Company's Condensed and Combined Consolidated Interim Financial Statements for additional information regarding the Chapter 11 Cases, the RSA, the Stalking Horse Purchase Agreement, the PSA, the EBCA, the Transaction and the DIP Credit Agreement.

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.

Unless the context otherwise requires, references to "Garrett," "we," "us," "our," and "the Company" in this Quarterly Report on Form 10-Q refer to Garrett Motion Inc. and its subsidiaries.

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. 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, the consequences and outcome of the Chapter 11 Cases, the timing and satisfaction of the conditions to effectiveness of the Plan, the terms of our credit agreements following emergence from the Chapter 11 Cases (“Emergence”), other potential claims against the Debtors related to the Chapter 11 Cases, the completion of the Transaction (including our global settlement with Honeywell), the impact of the delisting of our common stock from the New York Stock Exchange, the anticipated impact of the COVID-19 pandemic and expected recovery on our business, results of operations and financial position, expectations regarding the growth of the turbocharger and electric vehicle markets and other industry trends, the sufficiency of our cash and cash equivalents, anticipated sources and uses of cash, anticipated investments in our business, our business strategy, pending litigation, anticipated interest expense, and the plans and objectives of management for future operations and capital expenditures are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential,” or “continue” or the negative of these terms or other similar expressions. The forward looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are subject to a number of important factors that could cause actual results to differ materially from those in the forward-looking statements, including:

- restrictions on our operations as a result of the Chapter 11 Cases, the PSA and the DIP Credit Agreement;
- ability to satisfy the conditions to effectiveness of the Plan and complete a restructuring transaction (in accordance with the PSA and the EBCA);
- the potential adverse effects of extended operation during the Chapter 11 Cases on our business, financial condition, results of operations and liquidity, including potential loss of customers and suppliers, management and other key personnel;
- the availability of additional financing to maintain our operations if the DIP Term Loan Facility should become unavailable or insufficient;
- the potential to experience increased levels of employee attrition as a result of the Chapter 11 Cases;
- ability to utilize our net operating loss carryforwards in future years;
- the delisting of our common stock from NYSE and resulting limited liquidity and increased price volatility of our common stock;
- other litigation and the inherent risks involved in a bankruptcy process;
- the effect of the Chapter 11 Cases on the trading price and liquidity of our securities;
- changes in the automotive industry and economic or competitive conditions;
- our ability to develop new technologies and products, and the development of either effective alternative turbochargers or new replacement technologies;
- any failure to protect our intellectual property or allegations that we have infringed the intellectual property of others; and our ability to license necessary intellectual property from third parties;
- potential material losses and costs as a result of any warranty claims and product liability actions brought against us;
- any 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;
- changes in the 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;

- any 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;
- inaccuracies in estimates of volumes of awarded business;
- work stoppages, other disruptions or the need to relocate any of our facilities;
- supplier dependency;
- any failure to meet our minimum delivery requirements under our supply agreements;
- any failure to increase productivity or successfully execute repositioning projects or manage our workforce;
- potential material environmental liabilities and hazards;
- natural disasters and physical impacts of climate change;
- pandemics, including without limitation the COVID-19 pandemic, and effects on our workforce and supply chain;
- technical difficulties or failures, including cybersecurity risks;
- the outcome of and costs associated with pending and potential material litigation matters, including the settlement pursuant to the Plan of our pending lawsuit against Honeywell;
- changes in legislation or government regulations or policies, including with respect to CO2 reduction targets in Europe as part of the Green Deal objectives or other similar changes which may contribute to a proportionately higher level of battery electric vehicles;
- 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;
- the terms of our indebtedness and our ability to access capital markets;
- unforeseen adverse tax effects;
- our leveraged capital structure and liabilities to Honeywell may pose significant challenges to our overall strategic and financial flexibility and have a material adverse effect on our business, liquidity position and financial position;
- inability to recruit and retain qualified personnel; and
- the other factors described under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020, as updated in this Quarterly Report on Form 10-Q, and in our other filings with the Securities and Exchange Commission.

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

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

GARRETT MOTION INC.
(DEBTOR-IN-POSSESSION)
CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in millions, except per share amounts)	
Net sales (Note 4)	$ 997	$ 745
Cost of goods sold	801	607
Gross profit	196	138
Selling, general and administrative expenses	55	57
Other expense, net (Note 6)	1	16
Interest expense (excludes contractual interest for the three months ended March 31, 2021 of $9 million) (Note 2)	21	16
Non-operating expense (income)	26	(4)
Reorganization items, net (Note 2)	174	—
(Loss) income before taxes	(81)	53
Tax expense (Note 7)	24	1
Net (loss) income	$ (105)	$ 52
Earnings (loss) per common share		
Basic	$ (1.38)	$ 0.69
Diluted	$ (1.38)	$ 0.68
Weighted average common shares outstanding		
Basic	75,904,898	75,040,932
Diluted	75,904,898	76,261,545

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

GARRETT MOTION INC.
(DEBTOR-IN-POSSESSION)
CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in millions)	
Net (loss) income	$ (105)	$ 52
Foreign exchange translation adjustment	110	39
Changes in fair value of effective cash flow hedges, net of tax (Note 15)	1	—
Total other comprehensive income, net of tax	111	39
Comprehensive income	$ 6	$ 91

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

GARRETT MOTION INC.
(DEBTOR-IN-POSSESSION)
CONSOLIDATED INTERIM BALANCE SHEETS
(Unaudited)

	March 31, 2021	December 31, 2020
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 382	$ 592
Restricted cash	195	101
Accounts, notes and other receivables – net (Note 8)	807	841
Inventories – net (Note 10)	258	235
Other current assets	93	110
Total current assets	1,735	1,879
Investments and long-term receivables	30	30
Property, plant and equipment – net	484	505
Goodwill	193	193
Deferred income taxes	262	275
Other assets (Note 11)	131	135
Total assets	$ 2,835	$ 3,017
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,099	$ 1,019
Borrowings under revolving credit facility	370	370
Current maturities of long-term debt	6	—
Debtor-in-possession Term Loan (Note 2)	100	200
Accrued liabilities (Note 12)	277	248
Total current liabilities	1,852	1,837
Long-term debt	1,049	1,082
Deferred income taxes	2	2
Other liabilities (Note 13)	125	114
Total liabilities not subject to compromise	3,028	3,035
Liabilities subject to compromise (Note 2)	2,107	2,290
Total liabilities	$ 5,135	$ 5,325
COMMITMENTS AND CONTINGENCIES (Note 18)		
EQUITY (DEFICIT)		
Common stock, par value $0.001; 400,000,000 shares authorized, 76,531,559 and 76,229,578 issued and 76,068,026 and 75,813,634 outstanding as of March 31, 2021 and December 31, 2020, respectively	$ —	$ —
Additional paid-in capital	30	28
Retained deficit	(2,312)	(2,207)
Accumulated other comprehensive loss (Note 16)	(18)	(129)
Total deficit	(2,300)	(2,308)
Total liabilities and deficit	$ 2,835	$ 3,017

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

GARRETT MOTION INC.
(DEBTOR-IN-POSSESSION)
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in millions)	
Cash flows from operating activities:		
Net (loss) income	$ (105)	$ 52
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Reorganization items, net	19	—
Deferred income taxes	4	(15)
Depreciation	23	19
Amortization of deferred issuance costs	2	2
Foreign exchange loss	33	12
Stock compensation expense	2	2
Other	(6)	8
Changes in assets and liabilities:		
Accounts, notes and other receivables	(2)	58
Inventories	(34)	(14)
Other assets	14	(10)
Accounts payable	74	(29)
Accrued liabilities	17	1
Obligations payable to Honeywell	—	(21)
Other liabilities	(9)	(8)
Net cash provided by operating activities	$ 32	$ 57
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(18)	(39)
Other	1	—
Net cash used for investing activities	$ (17)	$ (39)
Cash flows from financing activities:		
Payments of debtor-in-possession financing	(100)	—
Proceeds from revolving credit facility	—	621
Payments of revolving credit facility	—	(555)
Payments of long-term debt	—	(1)
Debtor-in-possession financing fees	(1)	—
Other	—	(3)
Net cash (used for) provided by financing activities	(101)	62
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(30)	(13)
Net (decrease)/increase in cash, cash equivalents and restricted cash	(116)	67
Cash, cash equivalents and restricted cash at beginning of period	693	187
Cash, cash equivalents and restricted cash at end of period	$ 577	$ 254
Supplemental Cash Flow Disclosure:		
Reorganization items paid	145	—

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

GARRETT MOTION INC.
(DEBTOR-IN-POSSESSION)
CONSOLIDATED INTERIM STATEMENTS OF EQUITY (DEFICIT)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained (Deficit) Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Deficit
	Shares	Amount				
			(in millions)			
Balance at December 31, 2019	75	—	$ 19	$ (2,282)	$ 130	$ (2,133)
Net income	—	—	—	52	—	52
Other comprehensive income, net of tax	—	—	—	—	39	39
Stock-based compensation	—	—	2	—	—	2
Tax withholding related to vesting of restricted stock units and other	—	—	(1)	—	—	(1)
Adoption impact of ASU 2016-13, Financial Instruments - Credit Losses	—	—	—	(5)	—	(5)
Balance at March 31, 2020	75	—	$ 20	$ (2,235)	$ 169	$ (2,046)
Balance at December 31, 2020	76	—	28	(2,207)	(129)	(2,308)
Net loss	—	—	—	(105)	—	(105)
Other comprehensive income, net of tax	—	—	—	—	111	111
Stock-based compensation	—	—	2	—	—	2
Balance at March 31, 2021	76	—	$ 30	$ (2,312)	$ (18)	$ (2,300)

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

Note 1. Background and Basis of Presentation

Background

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

COVID-19 and Our Credit Facilities

In 2020, the COVID-19 virus was declared a pandemic and spread across the world, including throughout Asia, the United States and Europe. Our business operations have been materially disrupted and our revenues have decreased significantly as a result of the COVID-19 pandemic and related response measures, and we expect our financial performance in future fiscal quarters, to be materially negatively affected by the pandemic and its impact on the global automotive industry.

On June 12, 2020, the Company entered into an amendment (the “2020 Amendment”) to its Credit Agreement, dated as of September 27, 2018 (as amended, the “Prepetition Credit Agreement”) by and among the Company, Garrett LX I S.à r.l., Garrett LX II S.à r.l., Garrett LX III S.à r.l., Garrett Borrowing LLC, and Garrett Motion Sàrl (f/k/a Honeywell Technologies Sàrl), the lenders and issuing banks party thereto and JPMorgan Chase Bank, N.A., as administrative agent, consisting of:

- a seven-year term B loan facility, consisting of a tranche denominated in Euro of €375 million and a tranche denominated in U.S. Dollars of $425 million (the “Term B Facility”);
- a five-year 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
- a five-year revolving credit facility in an aggregate principal amount of €430 million (the “Revolving Facility” and, together with the Term Loan Facilities, the “Senior Credit Facilities”).

The primary purpose for entering into the 2020 Amendment was to obtain covenant relief with respect to the total leverage ratio and interest coverage ratios under the Prepetition Credit Agreement as a result of the impact of the COVID-19 pandemic and the Company’s leveraged capital structure.

The 2020 Amendment qualified as a debt modification that did not result in an extinguishment or have a material impact on our Consolidated Interim Financial Statements.

The commencement of the Chapter 11 Cases (as defined below) constituted an event of default that accelerated the Company’s obligations, as applicable, under the Prepetition Credit Agreement. The Prepetition Credit Agreement provides that as a result of the commencement of the Chapter 11 Cases, the principal, interest and all other amounts due thereunder shall be immediately due and payable. Any efforts to enforce the payment obligations under the Prepetition Credit Agreement are automatically stayed as a result of the Chapter 11 Cases, and the creditors’ rights of enforcement in respect of the Prepetition Credit Agreement are subject to the applicable provisions of the Bankruptcy Code.

The Plan (as defined below) provides for payment in full of the Company’s obligations under the Prepetition Credit Agreement. The Bankruptcy Court (as defined below) entered the Confirmation Order (as defined below) on April 26, 2021. The Company expects that the Effective Date (as defined below) will occur as soon as all conditions precedent to the Plan have been satisfied, which the Company is targeting for April 30, 2021. Although the Company is targeting occurrence of the Effective Date on April 30, 2021, the Company can make no assurances as to when, or ultimately if, the Plan will become effective.

Voluntary Filing Under Chapter 11

On September 20, 2020 (the “Petition Date”), the Company and certain of its subsidiaries (collectively, the “Debtors”) each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). The Debtors’ chapter 11 cases (the “Chapter 11 Cases”) are being jointly administered under the caption “In re: Garrett Motion Inc., 20-12212.” On September 22 and 24, 2020, the

Bankruptcy Court entered orders granting interim approval of certain forms of relief requested by the Debtors, enabling the Debtors to conduct their business activities in the ordinary course, subject to the terms and conditions of such orders, including authorizing the Debtors to pay employee wages and benefits, to pay certain taxes and certain governmental fees and charges, to continue to operate the Debtors' cash management system in the ordinary course, to maintain certain customer programs, and to pay the prepetition claims of certain of the Debtors' vendors. On October 20 and 21, 2020, the Bankruptcy Court entered orders granting such relief on a final basis. For goods and services provided following the Petition Date, the Debtors continue to pay vendors under normal terms.

The Consolidated Interim Financial Statements included herein have been prepared in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 852, Reorganizations. See Note 2, Reorganization and Chapter 11 Proceedings, for further details.

Delisting from NYSE

On September 20, 2020, the Company was notified by the New York Stock Exchange (the "NYSE") that, as a result of the Chapter 11 Cases, and in accordance with Section 802.01D of the NYSE Listed Company Manual, that the NYSE had commenced proceedings to delist the Company's common stock from the NYSE. The NYSE indefinitely suspended trading of the Company's common stock on September 21, 2020. The Company determined not to appeal the NYSE's determination. On October 8, 2020, the NYSE filed a Form 25-NSE with the Securities and Exchange Commission, which removed the Company's common stock from listing and registration on the NYSE effective as of the opening of business on October 19, 2020. Trading of the Company's common stock now occurs on the OTC Pink Market under the symbol "GTXMQ." Any over-the-counter market quotations of the Company's common stock reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Going Concern

The accompanying Consolidated Interim Financial Statements have been prepared assuming that the Company will continue as a going concern and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. Liabilities subject to compromise will be resolved in connection with the Chapter 11 Cases. The Company's ability to continue as a going concern is contingent upon the Company's ability to successfully implement a plan of reorganization in the Chapter 11 Cases, among other factors. As a result of the Chapter 11 Cases, the realization of assets and the satisfaction of liabilities are subject to uncertainty. While operating as debtors-in-possession under the Bankruptcy Code, the Company may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business, for amounts other than those reflected in the accompanying Consolidated Interim Financial Statements. Further, any plan of reorganization in the Chapter 11 Cases could materially change the amounts and classifications of assets and liabilities reported in the Consolidated Interim Financial Statements. The accompanying Consolidated Interim Financial Statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern or as a consequence of the Chapter 11 Cases. As a result of our financial condition, uncertainty related to the impacts of COVID-19, and the risks and uncertainties surrounding the Chapter 11 Cases, substantial doubt exists that we will be able to continue as a going concern.

Basis of Presentation

The Consolidated Interim Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All amounts presented are in millions, except per share amounts.

Asbestos-related expenses, net of probable insurance recoveries, are presented within Other expense, net in the Consolidated 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. 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 (the "Honeywell Indemnity Agreement"), under which Garrett ASASCO is 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 Honeywell Indemnity 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. We have accounted for the Honeywell liability consistent with the agreement up to the Petition Date and classified it as part of Liabilities Subject to Compromise.

Under the terms of the PSA and the Transaction, the Plan (as defined below), as confirmed by the Bankruptcy Court, includes a global settlement with Honeywell providing for (a) the full and final satisfaction, settlement, release, and discharge of all liabilities under or related to the Honeywell Indemnity Agreement, that certain Indemnification Guarantee Agreement, dated as of September 27, 2018 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time), by and among Honeywell ASASCO 2 Inc. as payee, Garrett ASASCO as payor, and certain subsidiary guarantors as defined therein (the "Guarantee Agreement," and together with the Honeywell Indemnity Agreement, the "Indemnity Agreements") and the Tax Matters Agreement and (b) the dismissal with prejudice of the Honeywell Litigation in exchange for (x) a $375 million cash payment at Emergence from the Chapter 11 Cases and (y) the new Series B Preferred Stock issued by the Company payable in installments of $35 million in 2022, and $100 million annually 2023-2030 (the "Series B Preferred Stock"). The Company will have the option to prepay the Series B Preferred Stock in full at any time at a call price equivalent to $584 million as of Emergence (representing the present value of the installments at a 7.25% discount rate). The Company will also have the option to make a partial payment of the Series B Preferred Stock, reducing the present value to $400 million, at any time within 18 months of Emergence. In every case the duration of future liabilities to Honeywell will be reduced from 30 years prior to the Chapter 11 filing to a maximum of nine years.

For additional information, see Note 18, Commitments and Contingencies, of the Notes to the Consolidated Interim Financial Statements.

The preparation of the financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases these estimates on assumptions that it believes to be reasonable under the circumstances, including considerations for the impact from the outbreak of the COVID-19 pandemic on the Company's business due to various global macroeconomic, operational and supply chain risks as a result of COVID-19. Actual results could differ from the original estimates, requiring adjustments to these balances in future periods. Furthermore, while operating as "debtors-in-possession" under Chapter 11, the Debtors may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business and subject to restrictions of the debtor in possession ("DIP") financing, for amounts other than those reflected in the accompanying unaudited Consolidated Interim Financial Statements. Any such actions occurring during the Chapter 11 Cases, including through a plan of reorganization confirmed by the Bankruptcy Court could materially impact the amounts and classifications of assets and liabilities reported in the unaudited Consolidated Interim Financial Statements.

The Consolidated 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 Interim Financial Statements should be read in conjunction with the audited annual Consolidated and Combined Financial Statements for the year ended December 31, 2020 included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on February 16, 2020 (our "2020 Form 10-K"). The results of operations for three months ended March 31, 2021 and cash flows for the three months ended March 31, 2021 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 March 31, 2021. Our actual closing dates for the three months ended March 31, 2021 and 2020 were April 3, 2021 and March 28, 2020, respectively.

Note 2. Reorganization and Chapter 11 Proceedings

Key Events and Voluntary Petition for Reorganization

Due to the Company´s highly leveraged capital structure resulting from the Spin-Off, the Company began a strategic review process assisted by external financial advisers before the COVID-19 pandemic. The pandemic accelerated the review process to include the careful monitoring of liquidity and the consideration of potential court-supervised restructuring processes.

The strategic review process lasted months and considered a wide variety of options, including strategic mergers and stand-alone recapitalizations, both out-of-court and with the assistance of Chapter 11. The result of the Company's strategic review process was the decision to commence a pre-filing marketing process for a cash sale of the business in Chapter 11, with the proceeds of the sale and any litigation recoveries related to the spin-off to be distributed to stakeholders. After the bidding process, the Company selected a winning bid of $2.1 billion from AMP Intermediate B.V. (the "Stalking Horse Bidder") and AMP U.S. Holdings, LLC, each affiliate of KPS Capital Partners, LP, ("KPS").

As described in greater detail below, the Stalking Horse Bidder and certain of the Debtors entered into a share and asset purchase agreement (the "Stalking Horse Purchase Agreement") on the Petition Date. The Stalking Horse Purchase Agreement constituted a "stalking horse" bid that was subject to higher and better offers by third parties in accordance with the bidding procedures approved by the Bankruptcy Court in an order entered by the Bankruptcy Court after hearings on October 21, 2020 and October 23, 2020 (the "Bidding Procedures Order"). The Bidding Procedures Order permitted third parties to submit competing proposals for the purchase and/or reorganization of the Debtors and approved stalking horse protections for the Stalking Horse Bidder.

Following entry into the Stalking Horse Purchase Agreement, the Chapter 11 Cases were commenced on the Petition Date. The Debtors filed certain motions and applications intended to limit the disruption of the Chapter 11 Cases on their operations. Since the commencement of the Chapter 11 Cases, the Debtors have continued to operate their businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

The Bankruptcy Court granted the first day relief the Debtors requested that was designed primarily to mitigate the impact of Chapter 11 Cases on our operations, customers and employees. As a result, we are able to conduct normal business activities and pay all associated obligations for the period following the Petition Date and we are also authorized to pay prepetition employee wages and benefits and certain vendors and suppliers in the ordinary course for goods and services provided prior to the Petition Date. During the pendency of the Chapter 11 Cases, all transactions outside of the ordinary course of business require the prior approval of Bankruptcy Court.

In accordance with the Bidding Procedures Order, the Debtors held an auction (the "Auction") at which they solicited and received higher and better offers from KPS and from a consortium made up of Owl Creek Asset Management, L.P., Warlander Asset Management, L.P., Jefferies LLC, Bardin Hill Opportunistic Credit Master Fund LP, Marathon Asset Management L.P., and Cetus Capital VI, L.P., or affiliates thereof (collectively, the "OWJ Group"). In addition to the bids received at the Auction from KPS and the OWJ Group, the Debtors also received a transaction proposal in parallel to the Auction from Centerbridge Partners, L.P. ("Centerbridge"), Oaktree Capital Management, L.P. ("Oaktree"), Honeywell International Inc. and certain other investors and parties (collectively, the "CO Group"). The Auction was completed on January 8, 2021, at which point the Debtors filed with the Bankruptcy Court (i) an auction notice noting that a bid received from KPS was the successful bid at the Auction but that the Debtors were still considering the proposal from the CO Group, (ii) a plan of reorganization (as may be amended, restated, supplemented or otherwise modified from time to time, the "Plan") and (iii) a related disclosure statement (as may be amended, restated, supplemented or otherwise modified from time to time, the "Disclosure Statement").

On January 11, 2021, the Debtors, having determined that the proposal from the CO Group was a higher and better proposal than the successful bid of KPS at the Auction, entered into a Plan Support Agreement with the CO Group (as amended, restated, supplemented or otherwise modified from time to time, the "PSA") and announced their intention to pursue a restructuring transaction with the CO Group (the "Transaction"). As a result of the entry into the PSA, (i) the Debtors filed a supplemental auction notice with the Bankruptcy Court on January 11, 2021 describing the Debtors' determination to proceed with the Transaction, (ii) the Debtors filed a revised Plan and related revised disclosure statement with the Bankruptcy Court on January 22, 2021 to implement the Transaction and (iii) the Stalking Horse Purchase Agreement became terminable, following which, on January 15, 2021, the Stalking Horse Bidder terminated the Stalking Horse Purchase Agreement and the Debtors subsequently paid a termination payment of $63 million and an expense reimbursement payment of $ 15.7 million to the Stalking Horse Bidder pursuant to the terms of the Stalking Horse Purchase Agreement and the Bidding Procedures Order.

In accordance with the terms of the PSA, on January 22, 2021, the Debtors' entered into an Equity Backstop Commitment Agreement (as amended, restated, supplemented, replaced or otherwise modified from time to time, the "EBCA") with certain members of the CO Group (the "Original Backstop Parties"), pursuant to which, among other things, the Company would conduct the rights offering contemplated by the PSA (as modified pursuant to the PSA from time to time, the "Rights Offering") and each Original Backstop Party committed to (i) exercise its rights, as a stockholder of the Company, to purchase in the Rights Offering shares of the convertible Series A preferred stock of the Company to be offered in the Rights Offering (the "Series A Preferred Stock") and (ii) purchase, on a pro rata basis (in accordance with percentages set forth in the EBCA), shares of Series A Preferred Stock which were offered but not subscribed for in the Rights Offering.

On January 24, 2021, representatives of the official committee of equity securities holders (the "Equity Committee") submitted a restructuring term sheet for a proposed plan of reorganization sponsored by Atlantic Park. The Equity Committee subsequently filed with the Bankruptcy Court on February 5, 2021, a proposed plan of reorganization and related disclosure statement with respect to such transaction (as reflected in the proposed plan of reorganization filed with the Bankruptcy Court, the "Atlantic Park Proposal"). The transactions contemplated under the Atlantic Park Proposal were proposed as an alternative to the transactions contemplated under the Plan. In connection with the Atlantic Park Proposal, the Equity Committee filed a motion with the Bankruptcy Court seeking to modify the Debtors' exclusive periods to file and solicit votes on a Chapter 11 plan (the "Equity Committee Exclusivity Motion"). On February 9, 2021, the Equity Committee filed an objection to the Debtors' motion seeking authority to enter into and perform under the PSA and the EBCA (the "Equity Committee Objection"). The Company had significant concerns with the feasibility of the Atlantic Park Proposal and concluded at the time that the transactions contemplated under the Atlantic Park Proposal were not

reasonably likely to lead to a higher and better alternative plan of reorganization as compared to the Plan. The Equity Committee filed a revised proposed plan of reorganization and disclosure statement in connection with the Atlantic Park Proposal with the Bankruptcy Court on February 15, 2021.

On February 15, 2021, the Debtors and the CO Group agreed with certain of the Consenting Lenders to amend and restate the PSA so as to, among other things, add certain of the Consenting Lenders as parties thereto supporting the Plan.

Following a hearing in the Bankruptcy Court on February 16, 2021, the Debtors, the CO Group, the Equity Committee and certain additional parties agreed to proceed with a court-approved mediation process to attempt to reach a consensual resolution regarding the Equity Committee Exclusivity Motion and the Equity Committee Objection.

Through the mediation, the Debtors, the CO Group, the Equity Committee and the additional parties to the mediation, reached a consensual resolution regarding certain aspects of the Plan, and on March 9, 2021, the PSA was subsequently amended and restated, and a replacement EBCA among the Debtors and certain of the Additional Investors (the "Equity Backstop Parties") was entered into, to provide for, among other things: (i) a direct equity investment of $668.8 million by Centerbridge and Oaktree to purchase the Series A Preferred Stock to be issued pursuant to the Plan, (ii) two Rights Offerings in an aggregate amount of $632 million (including an allocation of subscription rights to the Equity Backstop Parties as consideration for their agreement to backstop the Rights Offerings), and (iii) an increase of the conversion price to common stock of the Series A Preferred Stock from $3.50 to $5.25. On March 9, 2021 the Debtors filed amended versions of the Plan and Disclosure Statement with the Bankruptcy Court to reflect this consensual resolution. On March 12, 2021 the Bankruptcy Court entered orders approving the Disclosure Statement, the proposed procedures for solicitation of votes on the Plan and the Debtors' entry into and performance and obligations under the PSA and the EBCA, which remain subject to customary closing conditions. On March 12, 2021 the Debtors filed the solicitation versions of the Plan and Disclosure Statement with the Bankruptcy Court.

As contemplated by the Plan, the Company filed a supplement to the Plan (as amended, restated, supplemented or otherwise modified from time to time, the "Plan Supplement") with the Bankruptcy Court on April 9, 2021, which includes drafts of certain documents related to the Plan and referenced therein. On April 20, 2021, and April 22, 2021, the Debtors filed amended Plan Supplements reflecting updates and other changes and corrections to certain of the draft documentation. Also, on April 20, 2021, the Debtors also filed an amended version of the Plan, reflecting, among other things, revised treatment of certain claims and certain other technical changes and corrections. Following a hearing in the Bankruptcy Court on April 23, 2021, the Debtors filed a further amended Plan on April 26, 2021.

On April 26, 2021, the Bankruptcy Court entered an order (the "Confirmation Order"), among other things, confirming the Plan. The Company expects that the effective date of the Plan (the "Effective Date") will occur as soon as all conditions precedent to the Plan have been satisfied, which the Company is targeting for April 30, 2021. Although the Company is targeting occurrence of the Effective Date on April 30, 2021, the Company can make no assurances as to when, or ultimately if, the Plan will become effective.

Plan Support Agreement and Equity Backstop Commitment Agreement

On the Petition Date, certain of the Debtors entered into the Stalking Horse Purchase Agreement with the Stalking Horse Bidder, pursuant to which the Stalking Horse Bidder agreed to purchase, subject to the terms and conditions contained therein, substantially all of the assets of the Debtors. The Stalking Horse Purchase Agreement constituted a "stalking horse" bid that was subject to higher and better offers by third parties in accordance with the bidding procedures approved by the Bidding Procedures Order. The Bidding Procedures Order permitted third parties to submit competing proposals for the purchase and/or reorganization of the Debtors and approved stalking horse protections for the Stalking Horse Bidder. In accordance with the Bidding Procedures Order, the Debtors held the Auction at which they solicited and received higher and better offers from KPS and the OWJ Group. In addition to the bids received at the Auction from KPS and the OWJ Group, the Debtors also received a transaction proposal in parallel from the CO Group. The Auction was completed on January 8, 2021, at which point the Debtors filed with the Bankruptcy Court (i) an auction notice noting that a bid received from KPS was the successful bid at the Auction but that the Debtors were still considering the proposal from the CO Group, (ii) a Plan and (iii) a related Disclosure Statement.

On January 11, 2021, the Debtors, having determined that the proposal from the CO Group was a higher and better proposal than the successful bid of KPS at the Auction, entered into the PSA and announced their intention to pursue the Transaction. As a result of the entry into the PSA, (i) the Debtors filed a supplemental auction notice with the Bankruptcy Court on January 11, 2021 describing the Debtors' determination to proceed with the Transaction, (ii) the Debtors filed a revised Plan and a related revised Disclosure Statement with the Bankruptcy Court on January 22, 2021 to implement the Transaction and (iii) the Stalking Horse Purchase Agreement became terminable, following which, on January 15, 2021, the Stalking Horse Bidder terminated the Stalking Horse Purchase Agreement and the Debtors subsequently paid a termination payment of $63 million and an expense reimbursement payment of $15.7 million to the Stalking Horse Bidder pursuant to the terms of the Stalking Horse Purchase Agreement and the Bidding Procedures Order. The subsequent payment was recorded in Reorganization items, net in the first quarter of 2021, due to the termination notice by KPS. On February 15, 2021, the Debtors and the CO Group agreed with certain of the Consenting Lenders to

amend and restate the PSA so as to, among other things, add certain of the Consenting Lenders as parties thereto. On March 9, 2012, the PSA was subsequently amended and restated to reflect changes agreed to among the Debtors, the CO Group, the Equity Committee and other parties during the court-approved mediation process.

Under the PSA, the material terms of the Transaction include:

- Committed direct equity investment in the form of Series A Preferred Stock of the reorganized Company by Centerbridge and Oaktree in the amount of $668.8 million in the aggregate in cash;
- Two Rights Offerings of the reorganized Company's Series A Preferred Stock for a maximum aggregate value of $632 million (including an allocation of subscription rights to the Equity Backstop Parties as consideration for their agreement to backstop the Rights Offerings) to existing holders of the Company's common stock, backstopped by the Equity Backstop Parties on a fully committed basis;
- Holders of shares of the Company's existing common stock may effectively retain their shares or, at each stockholder's election (unless such stockholder is a party to the PSA), receive cash at $6.25 per share in exchange for cancellation of their shares;
- Re-listing of the reorganized Company's common stock on a national securities exchange;
- Payment in full of all customer, supplier, trade, vendor, employee, pension, regulatory, environmental and other liabilities of the Debtors and their worldwide subsidiaries; and
- A final global settlement for substantially all claims by Honeywell International Inc. and its affiliates (including spin-off-related claims, but excluding claims arising under ordinary course business dealings);
- Committed debt financing for the reorganized Debtors upon Emergence, consisting of an approximately $1,250 million term loan facility and an approximately $300 million revolving credit facility at Emergence.

The PSA contains customary representations, warranties and covenants. The PSA is subject to certain termination events, subject to certain exceptions, including (a) the breach by any party of any of the representations, warranties, covenants, obligations or commitments set forth therein, where such breach would materially and adversely interfere with the Transaction and remains uncured; (b) the issuance by any governmental authority of an order that would have an adverse effect on a material provision of the PSA or a material portion of the Transaction or the Plan or a material adverse effect on the Debtors' business; (c) an examiner, trustee or receiver is appointed in the Chapter 11 Cases; (d) conversion of one or more of the Chapter 11 Cases to cases under Chapter 7 of the Bankruptcy Code or dismissal of any of the Chapter 11 Cases; (e) if any of the restructuring documents after completion (i) contain terms, conditions, representations, warranties or covenants that are materially inconsistent with the terms of the PSA, (ii) are materially and adversely amended or modified with respect to the terminating party or (iii) are withdrawn without the consent of the applicable party; (f) if any party proposes, supports, assists, solicits or files a pleading seeking approval of any alternative transaction without the prior written consent of certain parties; (g) if, on or after April 19, 2021, the Plan is not filed with the Bankruptcy Court, subject to certain extensions; (h) if the effective date of the Plan has not occurred by June 30, 2021, subject to certain extensions; (i) if the Bankruptcy Court grants relief that is inconsistent with the PSA in any material respect or that would materially frustrate the purposes of the PSA; or (j) by the Debtors, if their boards of directors reasonably determine in good faith after receiving the advice of outside counsel that the Debtors' continued performance under the PSAs would be inconsistent with the exercise of such boards' fiduciary duties under applicable law.

The PSA provides for the reimbursement by the Debtors of professional fees and expenses of the CO Group, subject to an interim cap of $25 million prior to Emergence and with the balance to be paid at Emergence, and certain of the Consenting Lenders and Consenting Noteholders. As of February 15, 2021, the CO Group estimated that the aggregate amount of professional fees and expenses expected to be payable by the Debtors under the PSA (inclusive of any amounts payable prior to Emergence) was approximately $82 million.

On March 9, 2021 the Debtors entered into the replacement EBCA with the Equity Backstop Parties, pursuant to which, among other things, the Company will conduct the Rights Offerings and each Equity Backstop Party committed to (i) exercise its rights, as a stockholder of the Company, to purchase in the Rights Offerings shares of the Series A Preferred Stock and (ii) purchase, on a *pro rata* basis (in accordance with percentages set forth in the EBCA), shares of Series A Preferred Stock which were offered but not subscribed for in the Rights Offerings. The EBCA provides for the reimbursement by the Debtors of professional fees and expenses and filing fees incurred by the Equity Backstop Parties in connection with the Chapter 11 Cases in an aggregate amount that, together with and inclusive of amounts to be reimbursed pursuant to the PSA, do not exceed $25 million prior to Emergence. The EBCA further provides for indemnification by the Debtors of losses, claims, damages, liabilities, costs and expenses incurred by the Equity Backstop Parties in connection with the Transaction.

The EBCA contains customary representations, warranties and covenants. The EBCA is subject to certain termination events, including, without limitation, (a) by mutual agreement of the parties, (b) by the Company following an uncured breach of a representation, warranty or covenant in the EBCA by an Equity Backstop Party, or (c) by the Equity Backstop Parties constituting each of Centerbridge, Oaktree and a number of the other Equity Backstop Parties holding at least a majority of the rights to purchase Series A Preferred Stock pursuant to the PSA (excluding any such rights held by Centerbridge and Oaktree) following an uncured breach by the Debtors of a representation, warranty or covenant in the EBCA. The EBCA will automatically terminate if the Plan Support Agreement terminates with respect to the rights and obligations of the Debtors prior to the occurrence of the effective date of the Plan in accordance with its terms.

Restructuring Support Agreement

On the Petition Date, the Debtors entered into a Restructuring Support Agreement (as amended, restated, supplemented or otherwise modified from time to time, the "RSA") with consenting lenders (the "Consenting Lenders") holding, in the aggregate, approximately 61% of the aggregate outstanding principal amount of loans under the Prepetition Credit Agreement. Pursuant to the RSA, the Consenting Lenders and the Debtors agreed to the principal terms of a financial restructuring, which will be implemented through a plan of reorganization under the Bankruptcy Code and which could include the sale of all or substantially all of the assets of certain Debtors and of the stock of certain Debtors and other subsidiaries, as further described below. On January 6, 2021, the Debtors and Consenting Lenders holding no less than a majority of the aggregate outstanding principal amount of loans under the Prepetition Credit Agreement then held by all Consenting Lenders entered into Amendment No. 1 to the Restructuring Support Agreement (the "Amendment"), which, among other things, extended certain milestones contained in the RSA.

The RSA provides that the Consenting Lenders will support the Debtors' restructuring efforts, including the approval of the Plan, as set forth in, and subject to the terms and conditions of, the RSA. In addition, the Consenting Lenders agreed to the Debtors' entry into the DIP Term Loan Facility (as defined below) discussed below.

The RSA provides certain milestones for the Chapter 11 Cases. Failure of the Debtors to satisfy these milestones without a waiver or consensual amendment would provide the Requisite Consenting Lenders a termination right under the RSA. These milestones, as modified from time to time, include (a) no later than February 22, 2021, (i) the hearing to approve the Disclosure Statement shall have occurred and (ii) the Bankruptcy Court shall have entered an order approving the Disclosure Statement on a final basis, which shall be in form and substance reasonably acceptable to the Requisite Consenting Lenders; (b) no later than April 7, 2021, a hearing shall have occurred for approval of the Plan, and within 2 Business Days thereafter, the Bankruptcy Court shall have entered the Confirmation Order on a final basis, which shall be in form and substance reasonably acceptable to the Requisite Consenting Lenders; and (c) no later than April 30, 2021, (i) the Transaction shall have closed and (ii) the Plan Effective Date shall have occurred.

Plan of Reorganization

As described above, the Debtors filed the Plan and Disclosure Statement on January 8, 2021 and filed a revised Plan and revised Disclosure Statement on January 22, 2021 to implement the Transaction, with further amended versions of the Plan and Disclosure Statement filed with the Bankruptcy Court on February 15, 2021 and March 9, 2021. On March 12, 2021, the Debtors filed the solicitation versions of the Plan and the Disclosure Statement, and on April 20, 2021, the Debtors filed a further revised Plan. Following a hearing in the Bankruptcy Court on April 23, 2021, the Debtors filed a further revised Plan on April 26, 2021. On April 26, 2021, the Bankruptcy Court entered the Confirmation Order. It is possible that technical amendments could be made to the Plan prior to the Effective Date.

Chapter 11 Accounting

The Company has applied ASC 852 in preparing our Consolidated Interim Financial Statements. ASC 852 requires the financial statements for periods subsequent to the Petition Date to distinguish transactions and events that are directly associated with the Company's reorganization from the ongoing operations of the business. Accordingly, revenues, expenses, realized gains and losses, and provisions for losses directly resulting from the reorganization and restructuring shall be reported separately as Reorganization items, net in the Consolidated Interim Statements of Operations. In addition, the balance sheet distinguishes pre-petition liabilities subject to compromise from those pre-petition liabilities that are not subject to compromise and post-petition liabilities. Pre-petition liabilities that are not fully secured or those that have at least a possibility of not being repaid at the allowed claim amount have been classified as liabilities subject to compromise on the Consolidated Interim Balance Sheet at March 31, 2021.

Under the Bankruptcy Code, the Debtors may assume and assign or reject executory contracts and unexpired leases subject to the approval of the Bankruptcy Court and certain other conditions. Generally, the rejection of an executory contract or unexpired lease is treated as a prepetition breach of such executory contract or unexpired lease and, subject to certain exceptions, relieves the Debtors of performing their future obligations under such executory contract or unexpired lease but entitles the contract counterparty or lessor to a pre-petition general unsecured claim for damages caused by such deemed breach subject, in the case of the rejection of unexpired leases of real property, to certain caps on damages. Counterparties to such rejected contracts or leases may assert unsecured claims in the Bankruptcy Court against the applicable Debtor's estate for such damages. Generally, the assumption or assumption and assignment of an executory contract or unexpired lease requires the Debtors to cure existing monetary defaults under such executory

contract or unexpired lease and provide adequate assurance of future performance thereunder. Accordingly, any description of an executory contract or unexpired lease with a Debtor in this quarterly report, including where applicable a quantification of the Company's obligations under any such executory contract or unexpired lease with a Debtor is qualified by any overriding rejection rights the Company has under the Bankruptcy Code. The Plan provides for the assumption of all of the Debtors' executory contracts and unexpired leases except for certain agreements with Honeywell.

Reorganization Items, Net

The Debtors have incurred and will continue to incur significant costs associated with the reorganization, including the write-off of original issue discount and deferred long-term debt fees on debt, a component of liabilities subject to compromise, costs of debtor-in-possession financing and legal and professional fees. The amount of these charges, which since the Petition Date are being expensed as incurred, are expected to significantly affect the Company's results of operations. In accordance with applicable guidance, costs associated with the bankruptcy proceedings have been recorded as Reorganization items, net within the Company's Consolidated Interim Statements of Operations for the three months ended March 31, 2021.

Reorganization items, net, are comprised of the following for the three months ended March 31, 2021:

		Three Months Ended March 31, 2021
		(Dollars in millions)
Advisor fees	$	84
DIP Financing fees		1
Bid termination and expense reimbursement		79
Other		10
Total reorganization items, net	$	174

Pre-petition Long-Term Debt during the Chapter 11 Cases

We are party to the Prepetition Credit Agreement, consisting of: a seven-year term B loan facility, consisting of a tranche denominated in Euro of €375 million and a tranche denominated in U.S. Dollars of $425 million (the "Term B Facility"); a five-year 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 a five-year revolving credit facility in an aggregate principal amount of €430 million (the "Revolving Facility" and, together with the Term Loan Facilities, the "Senior Secured Credit Facilities"). The Prepetition Credit Agreement was amended on June 12, 2020 (the "2020 Amendment").

On September 27, 2018, we completed the offering of €350 million (approximately $410 million based on exchange rates as of September 27, 2018) 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 Senior 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.

All debt issuance costs, except for those associated to the Revolving Credit Facility, are deferred and recognized as a direct deduction to the related debt liability and are amortized to interest expense over the debt term. The Company paid approximately $37 million of debt issuance costs in connection with the Term A Facility, Term B Facility, and Senior Notes.

Debt issuance costs associated with the Revolving Credit Facility were capitalized in Other assets and are amortized to interest expense over the debt term. Approximately, $6 million of debt issuance costs were paid in connection with the Revolving Credit Facility issued on September 27, 2018.

As a result of the Chapter 11 Cases, and in order to adjust the carrying amount of the debt to the expected allowed claim amount in accordance with ASC 852, the Company expensed $6 million of deferred issuance costs related to the pre-petition Senior Notes which are not fully secured in 2020. These costs were recorded to Reorganization items, net, in the Consolidated Statement of Operations for the year ended December 31, 2020. Refer to Note 2, Reorganization and Chapter 11 Proceedings for further discussion.

The principal amounts outstanding on our Senior Secured Credit Facilities and the Senior Notes as of March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021	December 31, 2020
	(Dollars in millions)	
Senior Secured Credit Facilities (1):		
Term Loans	$ 1,055	$ 1,082
Borrowings under revolving credit facility	370	370
Total consolidated Secured Debt	1,425	1,452
Long-term debt, net subject to compromise (2):		
Senior Notes	412	429
Total debt, prior to reclassification to Liabilities subject to compromise	1,837	1,881
Less: current portion	(376)	(370)
Less: Amounts reclassified to Liabilities subject to compromise	(412)	(429)
Total long-term debt	$ 1,049	$ 1,082

(1) The Term A Facility, Term B Facility and Revolving Facility are fully secured. These continue to be accounted for under ASC 470.

(2) The Senior Notes are not fully secured and have been reclassified to Liabilities subject to compromise in the Company's Consolidated Interim Balance Sheet as of March 31, 2021. As of the Petition Date, the Company ceased accruing related interest expense and amortization of debt issuance costs.

The commencement of the Chapter 11 Cases constituted an event of default that accelerated the Company’s obligations and terminated undrawn commitments, as applicable, under the Prepetition Credit Agreement. The Prepetition Credit Agreement provides that as a result of the commencement of the Chapter 11 Cases, the principal, interest and all other amounts due thereunder shall be immediately due and payable. Any efforts to enforce the payment obligations under the Prepetition Credit Agreement are automatically stayed as a result of the Chapter 11 Cases, and the creditors’ rights of enforcement in respect of the Prepetition Credit Agreement are subject to the applicable provisions of the Bankruptcy Code.

During the Chapter 11 Cases and pursuant to an order of the Bankruptcy Court, we make monthly payments of adequate protection at the contractual non-default rate of interest on loans and certain other obligations under our Senior Secured Credit Facilities.

Following commencement of the Chapter 11 Cases, the contractual non-default rate of interest that is applicable under Senior Secured Credit Facilities is either (a) in the case of dollar denominated borrowings, 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) in the case of borrowings denominated in certain permitted foreign currencies other than dollars or euros, an adjusted LIBOR rate (“LIBOR”) (which shall not be less than zero), or (c) in the case of borrowings denominated in euros, an adjusted EURIBOR rate (“EURIBOR”) (which shall not be less than zero), in each case, plus an applicable margin. Pursuant to the 2020 Amendment, (i) the margin applicable to loans under the Term B Facility increased by 75 basis points through the maturity date and (ii) the margin applicable to loans under the Revolving Facility and Term A Facility increased by 25 basis points until the Company delivers consolidated financial statements as of and for its first fiscal quarter ending on or after the last day of the Relief Period (as defined in the 2020 Amendment). Pursuant to the 2020 Amendment, the margin applicable to loans under our Senior Secured Credit Facilities increased by 25 basis points on September 4, 2020 following a downgrade in our corporate credit rating by S&P Global ratings.

The applicable margin for the U.S. Dollar tranche of the Term B Facility is currently 2.50% per annum (for ABR loans) while that for the euro tranche of the Term B Facility is currently 3.75% per annum (for EURIBOR loans). The applicable margin for each of the Term A Facility and the Revolving Facility varies based on our leverage ratio. Accordingly, the interest rates for the Senior Secured Credit Facilities will fluctuate during the term of the Credit Agreement based on changes in the ABR, LIBOR, EURIBOR or future changes in our corporate rating or leverage ratio.

Financial Statement Classification of Liabilities Subject to Compromise

As a result of the Chapter 11 Cases, the payment of pre-petition liabilities is generally subject to compromise pursuant to a plan of reorganization. Generally, actions to enforce or otherwise effect payment of pre-bankruptcy filing liabilities are stayed. Although payment of pre-petition claims generally is not permitted, the Bankruptcy Court granted the Debtors authority to pay certain pre-petition claims in designated categories and subject to certain terms and conditions. This relief generally was designed to preserve the value of the Debtors’ business and assets. Among other things, the Bankruptcy Court authorized, but did not require, the Debtors to pay certain pre-petition claims relating to employee wages and benefits, taxes, critical vendors and foreign vendors. Pre-petition

liabilities that are subject to compromise are required to be reported at the amounts expected to be allowed by the Bankruptcy Court, even if they may be settled for different amounts. The amounts classified as liabilities subject to compromise may be subject to future adjustments depending on Bankruptcy Court actions, further developments with respect to disputed claims, determination of secured status of certain claims, the determination as to the value of any collateral securing claims, proof of claims or other events.

The following table presents liabilities subject to compromise as reported in the Consolidated Interim Balance Sheet at March 31, 2021 and December 31, 2020, respectively:

	March 31, 2021	December 31, 2020
	(Dollars in millions)	
Obligations payable to Honeywell (Note 18)	$ 1,421	$ 1,482
Long-term debt (1)	412	429
Pension, compensation, benefit and other employee related	82	92
Uncertain tax positions and deferred taxes	61	69
Accounts payable	35	82
Advanced discounts from suppliers	28	33
Lease liability (Note 14)	17	19
Product warranties and performance guarantees	16	16
Freight Accrual	—	27
Other	35	41
Total liabilities subject to compromise	$ 2,107	$ 2,290

(1) Please see above *Pre-petition Long-Term Debt during the Chapter 11 Cases* sub-section for details of the pre-petition debt reported as liabilities subject to compromise.

As discussed above, the Confirmation Order has been entered. The amounts in the table above represent the best estimate of our pre-petition liabilities of that date.

Potential Claims

On November 3, 2020, the Debtors filed with the Bankruptcy Court schedules and statements for Garrett Motion Inc., Garrett Motion Holdings Inc., Garrett ASASCO Inc. and Garrett Motion Holdings II Inc. (collectively, the “Initial Reporting Debtors”), setting forth, among other things, the assets and liabilities of each of the Initial Reporting Debtors, subject to the assumptions filed in connection therewith. On December 18, 2020, the Debtors filed with the Bankruptcy Court schedules and statements for each of the remaining Debtors, setting forth, among other things, the assets and liabilities of each of the remaining Debtors, subject to the assumptions filed in connection therewith. These schedules and statements are subject to further amendment or modification. As part of the Chapter 11 Cases, parties believing that they have claims or causes of action against the Debtors may file proofs of claim evidencing such claims. All holders of pre-petition claims against the Initial Reporting Debtors were required to have submitted proofs of claim with respect to such claims by December 18, 2020 (other than holders of claims under U.S. securities laws, which were required to have submitted proofs of claim with respect to such claims by March 1, 2021). All holders of governmental pre-petition claims against the Initial Reporting Debtors are required to submit proofs of claim with respect to such claims by May 3, 2021. All holders of pre-petition claims against the remaining Debtors were required to have submitted proofs of claim with respect to such claims by March 1, 2021. All holders of governmental pre-petition claims against the remaining Debtors are required to submit proofs of claim with respect to such claims by June 14, 2021.

The Debtors' have received 2,487 proofs of claim as of April 26, 2021, for an amount of approximately $146 billion. Such amount includes duplicate claims across multiple debtor legal entities. As claims are filed against the Debtors, the claims will be reconciled to amounts recorded in the Company's accounting records. Differences in amounts recorded and claims filed by creditors will be investigated and resolved, including through the filing of objections with the Bankruptcy Court, where appropriate. In addition, the Company may ask the Bankruptcy Court to disallow claims that the Company believes are duplicative, have been later amended or superseded, are without merit, are overstated or should be disallowed for other reasons. In light of the substantial number of claims already filed, and expected to be filed, the claims resolution process may take considerable time to complete and may continue after the Debtors emerge from bankruptcy. As of April 26, 2021 the Company’s assessment of the validity of claims received has not been completed.

DIP Credit Agreement

On October 6, 2020, the Bankruptcy Court entered an order granting interim approval of the Debtors’ entry into a Senior Secured Super-Priority Debtor-in-Possession Credit Agreement (the “DIP Credit Agreement”), with the lenders party thereto (as amended, restated, supplemented or otherwise modified from time to time, the “DIP Lenders”) and Citibank N.A. as administrative

agent (the “DIP Agent”). On October 9, 2020 (the “Closing Date”), the Company, the DIP Agent and the DIP Lenders entered into the DIP Credit Agreement. The DIP Credit Agreement provides for a senior secured, super-priority term loan (the “DIP Term Loan Facility”) with a maximum principal amount of $200 million, $100 million of which was funded on the Closing Date and $100 million of which was subsequently funded on October 22, 2020 (the “Delayed Draw Borrowing Date”), following entry of the Bankruptcy Court’s final order approving the DIP Term Loan Facility on October 21, 2020. The proceeds of the DIP Term Loan Facility are to be used by the Debtors to (a) pay certain costs, premiums, fees and expenses related to the Chapter 11 Cases, (b) make payments pursuant to any interim or final order entered by the Bankruptcy Court pursuant to any “first day” motions permitting the payment by the Debtors of any prepetition amounts then due and owing; (c) make certain adequate protection payments in accordance with the DIP Credit Agreement and (d) fund working capital needs of the Debtors and their subsidiaries to the extent permitted by the DIP Credit Agreement.

The original maturity date of the DIP Term Loan Facility was the earlier to occur of (a) March 31, 2021 (the “Scheduled Maturity Date”); provided, however, that upon the Company’s written request such Scheduled Maturity Date can be extended by three separate one-month extensions subject to (i) the payment of an extension fee to the Lenders equal to 0.50% of the principal amount of the Loans outstanding at the time of such extension, (ii) no default or Event of Default (as defined in the DIP Credit Agreement) existing at the time of such extension and (iii) accuracy of the representations and warranties in all material respects at the time of such extension and after giving effect thereto; and (b) the effective date of a plan of reorganization; and certain other events under the DIP Credit Agreement. On March 17, 2021, the Company prepaid $100 million that was previously outstanding under the DIP Credit Agreement, and on March 31, 2021 the Company exercised its first extension option and extended the maturity date for the loans remaining outstanding under the DIP Credit Agreement to April 30, 2021.

Following the exercise by the Company of its initial maturity date extension option, the outstanding principal amount under the DIP Term Loan Facility bears interest at a rate equal to LIBOR (subject to a 1.00% LIBOR floor) plus 5.50% per annum payable every 30 days in arrears. On the Closing Date, the Company paid 1.00% in commitment fees on the total commitment plus 2.00% in fees in the form of original issue discount on the initial $100 million borrowing. On the Delayed Draw Borrowing Date, the Company paid 2.00% in fees in the form of original issue discount on the $100 million delayed draw loan. Upon an event of default, all outstanding amounts under the DIP Credit Agreement will bear interest at a rate equal to the applicable interest rate plus an additional 2.00% per annum and be payable on demand.

Pursuant to the terms of the DIP Credit Agreement, certain subsidiaries of the Company that guarantee the obligations arising under the prepetition Credit Agreement and that are Debtors in the Chapter 11 Case have guaranteed the Company’s obligations under the DIP Credit Agreement. Subject to certain exceptions, the DIP Term Loan Facility is secured by a security interest in substantially all of the assets of the Company and the guarantors. The DIP Financing is subject to certain covenants, including, without limitation, related to the incurrence of additional debt, liens, the making of restricted payments, and the Company’s failure to comply with certain bankruptcy-related covenants, in each case as set forth in the DIP Credit Agreement. The DIP Credit Agreement contains representations, warranties and events of default that are customary for debtor-in-possession facilities of this type. The DIP Financing is subject to certain prepayment events, including, without limitation, upon the sale of certain assets, in each case as set forth in the DIP Credit Agreement.

On October 12, 2020, the Company, the DIP Agent and the DIP Lenders entered into the First Amendment to the DIP Credit Agreement (the “First Amendment”). The First Amendment eliminates the obligation for the Company to pay certain fees to the DIP Lenders in connection with certain prepayment events under the DIP Credit Agreement.

The principal amounts outstanding on Debtor-in-possession financing as of March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021	December 31, 2020
	(Dollars in millions)	
Debtor-in-possession financing	$ 100	$ 200

Automatic Stay

Subject to certain specific exceptions under the Bankruptcy Code, the commencement of the Chapter 11 Cases automatically stayed most judicial or administrative actions against the Debtors and efforts by creditors to collect on or otherwise exercise rights or remedies with respect to pre-petition claims. Absent an order from the Bankruptcy Court, substantially all of the Debtors’ pre-petition liabilities are subject to settlement in accordance with the Bankruptcy Code.

Condensed Combined Debtor Only Financial Information

The financial statements below represent the condensed and combined interim financial statements of the Debtors as of and for the three months ended March 31, 2021. Any entities which are non-debtor entities, are not included in these condensed and combined

interim financial statements. Intercompany transactions among the Debtors have been eliminated in the financial statements contained herein. Intercompany transactions among the Debtors and the non-debtor entities have not been eliminated in the Debtors' financial statements.

	For the Three Months Ended March 31, 2021
	(Dollars in millions)
Net sales	$ 753
Cost of goods sold	602
Gross profit	151
Selling, general and administrative expenses	53
Interest expense	23
Non-operating expense	12
Reorganization items, net	174
Income before taxes	(111)
Tax expense	20
Net loss	$ (131)

	March 31, 2021	December 31, 2020
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 276	$ 516
Restricted cash	40	30
Accounts, notes and other receivables – net	450	430
Accounts and other receivables from non-debtor affiliates	263	240
Inventories – net	178	166
Other current assets	75	91
Total current assets	1,282	1,473
Investments and long-term receivables	8	6
Investment in subsidiaries	888	883
Property, plant and equipment – net	304	319
Goodwill	193	193
Deferred income taxes	229	236
Other assets	89	93
Total assets	$ 2,993	$ 3,203
LIABILITIES		
Current liabilities:		
Accounts payable	$ 597	$ 497
Borrowings under revolving credit facility	370	370
Current maturities of long-term debt	6	—
Debtor-in-possession Term Loan	100	200
Accrued liabilities	135	106
Total current liabilities	1,208	1,173
Long-term debt	1,049	1,082
Other liabilities	29	22
Total liabilities not subject to compromise	2,286	2,277
Liabilities subject to compromise		
External	2,107	2,290
With non-debtor affiliates	488	528
Total liabilities subject to compromise	2,595	2,818
Total liabilities	$ 4,881	$ 5,095
COMMITMENTS AND CONTINGENCIES (Note 18)		
EQUITY (DEFICIT)		
Total deficit attributable to the Debtors	(1,888)	(1,892)
Total liabilities and deficit	$ 2,993	$ 3,203

	For the Three Months Ended March 31, 2021
	(Dollars in millions)
Cash Flows from operating activities:	
Net cash used for operating activities	$ (100)
Cash Flows from investing activities:	
Expenditures for property, plant and equipment	(5)
Other	1
Net cash used for investing activities	(4)
Cash Flows from financing activities:	
Payments of debtor-in-possession financing	(100)
Debtor-in-possession financing fees	(1)
Net cash used for financing activities	(101)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(26)
Net decrease in cash, cash equivalents and restricted cash	(231)
Cash, cash equivalents and restricted cash at beginning of period	547
Cash, cash equivalents and restricted cash at end of period	$ 316

Note 3. Summary of Significant Accounting Policies

The accounting policies of the Company are set forth in Note 3 to the audited annual Consolidated and Combined Financial Statements for the year ended December 31, 2020 included in our 2020 Form 10-K. There were no new accounting pronouncements adopted during the three months ended March 31, 2021.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to current year classifications, specifically certain items that had been previously recorded in selling, general and administrative expenses presented now within cost of goods sold. The reclassifications had no impact on net income, equity, or cash flows as previously reported.

Recently Issued Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of Effects of Reference Rate Reform on Financial Reporting, provide optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions affected by reference rate reform. The amendments in this Update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. In January 2021, the FASB issued clarification on the scope of relief related to the reference rate reform. The Company is currently evaluating the impact of the guidance related to certain existing debt agreements on our Consolidated Financial Statements.

There are no other recently issued, but not yet adopted, accounting pronouncements which are expected to have a material impact on the Company’s Consolidated Interim Financial Statements and related disclosures.

Note 4. Revenue Recognition and Contracts with Customers

Disaggregated Revenue

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

	Three months ended March 31, 2021			
	OEM	Aftermarket	Other	Total
	(Dollars in millions)			
United States	$ 100	$ 36	$ 2	$ 138
Europe	481	39	8	528
Asia	302	10	7	319
Other International	6	6	—	12
	$ 889	$ 91	$ 17	$ 997

	Three months ended March 31, 2020			
	OEM	Aftermarket	Other	Total
	(Dollars in millions)			
United States	$ 92	$ 40	$ —	$ 132
Europe	394	30	9	433
Asia	159	8	6	173
Other International	3	4	—	7
	$ 648	$ 82	$ 15	$ 745

Contract Balances

The following table summarizes our contract assets and liabilities balances:

	2021
	(Dollars in millions)
Contract assets—January 1	$ 61
Contract assets—March 31	65
Change in contract assets—Increase/(Decrease)	4
Contract liabilities—January 1	$ (2)
Contract liabilities—March 31	(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 March 31,	
	2021	2020
	(Dollars in millions)	
Research and development costs	$ 33	$ 30
Engineering-related expenses	6	6
	$ 39	$ 36

Note 6. Other Expense, Net

	Three Months Ended March 31,	
	2021	2020
	(Dollars in millions)	
Indemnification related — post Spin-Off	$ —	$ 15
Indemnification related — litigation	—	1
Factoring and notes receivables discount fees	1	—
	$ 1	$ 16

Note 7. Income Taxes

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in millions)	
Tax expense	$ 24	$ 1
Effective tax rate	(29.6)%	1.9%

The effective tax rate was (29.6%) and 1.9% for the three months ended March 31, 2021 and 2020, respectively. The negative effective tax rate for 2021 reflects a tax expense in a period of an overall pre-tax loss. The change in the effective tax rate for the three months ended March 31, 2021 compared to the prior year period primarily related to the increase in nondeductible bankruptcy costs and the absence of tax benefits from lower withholding taxes.

The effective tax rate for the three months ended March 31, 2021 was lower than the U.S. federal statutory rate of 21% primarily because of pre-tax losses related to nondeductible bankruptcy and restructuring costs.

For the period ended March 31, 2020 the Company computed its effective tax rate using actual year to date information rather than a full year forecast to compute an annual effective tax rate. Based on available forecasts which took into account a range of potential impacts from COVID-19, the Company's effective tax rate was expected to be highly sensitive to changes in pre-tax book income because of non-deductible asbestos related expenses which have no correlation to earnings. Accordingly, the Company concluded that computing its effective tax rate using year to date actual results was its best estimate of tax expense for the period ended March 31, 2020.

The effective tax rate can vary from quarter to quarter due to changes in the Company's global mix of earnings, impacts of COVID-19, 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.

In connection with the global outbreak of COVID-19, many countries have enacted legislation to provide various forms of emergency economic relief, including the CARES Act in the United States, that may provide financial benefits to the Company. Such benefits have not had a material impact on the Company.

Note 8. Accounts, Notes and Other Receivables—Net

	March 31, 2021	December 31, 2020
	(Dollars in millions)	
Trade receivables	$ 672	$ 625
Notes receivables	70	152
Other receivables	75	77
	817	854
Less—Allowance for doubtful accounts	(10)	(13)
	$ 807	$ 841

Trade Receivables include $65 million and $61 million of unbilled balances as of March 31, 2021 and December 31, 2020, respectively. These amounts are billed in accordance with the terms of customer contracts to which they relate. Unbilled receivables include $65 million and $61 million of contract assets as of March 31, 2021 and December 31, 2020, respectively. See Note 4, Revenue Recognition and Contracts with Customers.

Note 9. Factoring and Notes Receivable

The Company has entered into arrangements with financial institutions to sell eligible trade receivables. During the periods ended March 31, 2021 and December 31, 2020, the Company sold $180 million and $473 million of eligible receivables, respectively, without recourse, and accounted for these arrangements as true sales.

The Company also received guaranteed bank notes without recourse, in settlement of accounts receivables, primarily in the Asia Pacific region. The Company can hold the bank notes until maturity, exchange them with suppliers to settle liabilities, or sell them to third party financial institutions in exchange for cash. During the periods ended March 31, 2021 and December 31, 2020, the Company sold $0 and $160 million of bank notes, respectively, without recourse, and accounted for these as true sales. As of March 31, 2021 and December 31, 2020, the Company has pledged as collateral $15 million and $18 million of guaranteed bank notes which have not been sold in order to be able to issue bank notes as payment to certain suppliers. Such pledged amounts are included as Notes receivables in Accounts, notes and other receivables – Net (Note 8).

Note 10. Inventories—Net

	March 31, 2021	December 31, 2020
	(Dollars in millions)	
Raw materials	$ 150	$ 160
Work in process	21	19
Finished products	124	97
	295	276
Less—Reserves	(37)	(41)
	$ 258	$ 235

Note 11. Other Assets

	March 31, 2021	December 31, 2020
	(Dollars in millions)	
Advanced discounts to customers, non-current	$ 68	$ 70
Operating right-of-use assets (Note 14)	36	36
Other	27	29
	$ 131	$ 135

Note 12. Accrued Liabilities

Due to the Chapter 11 filing, Accrued Liabilities that existed as of March 31, 2021 and December 31, 2020 and were deemed pre-petition, unsecured were reclassified as Liabilities subject to compromise, refer to Note 2, Reorganization and Chapter 11 Proceedings.

	March 31, 2021	December 31, 2020
	(Dollars in millions)	
Customer pricing reserve	$ 87	$ 82
Compensation, benefit and other employee related	59	62
Taxes	29	37
Product warranties and performance guarantees	16	14
Repositioning	13	7
Advanced discounts from suppliers, current	5	5
Customer advances and deferred income[(a)]	9	8
Short-term lease liability (Note 14)	5	5
Other (primarily operating expenses)	54	28
	$ 277	$ 248

(a) Customer advances and deferred income include $1 million and $2 million of contract liabilities as of March 31, 2021 and December 31, 2020, respectively. See Note 4, Revenue Recognition and Contracts with Customers.

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

	Severance Costs	Exit Costs	Total
		(Dollars in millions)	
Balance at December 31, 2019	$ 3	$ 1	$ 4
Charges	5	—	5
Usage—cash	(2)	—	(2)
Balance at March 31, 2020	$ 6	$ 1	$ 7

	Severance Costs	Exit Costs	Total
		(Dollars in millions)	
Balance at December 31, 2020	$ 7	$ —	$ 7
Charges	8	—	8
Usage—cash	(2)	—	(2)
Balance at March 31, 2021	$ 13	$ —	$ 13

Note 13. Other Liabilities

Due to the Chapter 11 filing, Other Liabilities that existed as of March 31,2021 and December 31, 2020 and were deemed pre-petition, unsecured were reclassified as Liabilities subject to compromise, refer to Note 2, Reorganization and Chapter 11 Proceedings.

	March 31, 2021	December 31, 2020
	(Dollars in millions)	
Income taxes	$ 47	$ 45
Designated and undesignated derivatives	21	22
Pension and other employee related	18	14
Long-term lease liability (Note 14)	14	15
Advanced discounts from suppliers	10	11
Other	15	7
	$ 125	$ 114

Note 14. Leases

We have operating leases that primarily consist of real estate, machinery and equipment. Our leases have remaining lease terms of up to 10 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 March 31,	
	2021	2020
	(Dollars in millions)	
Operating lease cost	$ 4	$ 3

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

	Three Months Ended March 31,	
	2021	2020
	(Dollars in millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 3	$ 2
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	1	—

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

	March 31, 2021	December 31, 2020
	(Dollars in millions)	
Other assets	$ 36	$ 36
Accrued liabilities	5	5
Other liabilities	14	15
Liabilities subject to compromise	17	19

	March 31, 2021	December 31, 2020
Weighted-average lease term (in years)	5.02	5.14
Weighted-average discount rate	6.18%	6.16%

Maturities of operating lease liabilities were as follows:

	March 31, 2021
	(Dollars in millions)
2021	$ 9
2022	10
2023	7
2024	5
2025	4
Thereafter	8
Total lease payments	43
Less imputed interest	(6)
	$ 37

Note 15. Financial Instruments and Fair Value Measures

Our credit, market and foreign currency risk management policies are described in Note 18, Financial Instruments and Fair Value Measures, of the notes to the audited annual Consolidated and Combined Financial Statements for the year ended December 31, 2020 included in our 2020 Form 10-K. At March 31, 2021 and December 31, 2020, we had contracts with aggregate gross notional amounts of $170 million and $19 million, respectively, to limit interest rate risk and to exchange foreign currencies, principally the U.S. Dollar, Swiss Franc, British Pound, Euro, Chinese Yuan, Japanese Yen, Mexican Peso, New Romanian Leu, Czech Koruna, Australian Dollar and Korean Won.

As a result of the Chapter 11 Cases, the Company has been limited in its ability to enter into hedging transactions. The Company has obtained Bankruptcy Court authorization for continuing hedging activities in the ordinary course of business, however, counterparties have either been unwilling to enter into hedging transactions with the Company during the Chapter 11 Cases or have required the Company to fully cash collateralize its obligations under the relevant hedging instrument, which has effectively reduced the Company's ability to hedge foreign currency exposures beyond those relating to trade payables and receivables.

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 March 31, 2021 and December 31, 2020:

	Notional Amounts		Fair Value Assets		
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	
	(Dollars in millions)				
Undesignated forward currency exchange contracts	$ 170	$ 19	$ 2	$ —	(a)

(a) Recorded within Other current assets in the Company's Consolidated Interim Balance Sheets

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.

Following our voluntary filing for Chapter 11 protection, and as noted in the table above, the majority of our foreign exchange, interest rate swap, and cross-currency swap contracts were terminated at or prior to September 30, 2020. All outstanding amounts as

of March 31, 2021 and December 31, 2020 were classified as Other Liabilities and are fully secured and payable upon Emergence. Any valuation difference from our Petition Date to the termination date will be reflected in Reorganization items, net. See Note 2, Reorganization and Chapter 11 Proceedings, for additional information.

A number of our forward currency exchange contracts are also designated as accounting hedges. Upon termination, these amounts have been dedesignated. As the Company still anticipates the forecasted transaction to commence, the amounts in accumulated comprehensive incomes will be released based on our original forecast.

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

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

	March 31, 2021	
	Carrying Value	Fair Value
	(Dollars in millions)	
Liabilities not subject to compromise:		
Terms Loans A and B	$ 1,055	$ 1,073
DIP Financing	100	100
Liabilities subject to compromise:		
Senior Notes	412	440

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

Note 16. 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	Pension Adjustments	Total Accumulated Other Comprehensive Income (Loss)
	(Dollars in millions)			
Balance at December 31, 2019	$ 153	$ 4	$ (27)	$ 130
Other comprehensive income (loss) before reclassifications	39	—	—	39
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—	—
Net current period other comprehensive income (loss)	39			39
Balance at March 31, 2020	$ 192	$ 4	$ (27)	$ 169

	Foreign Exchange Translation Adjustment	Changes in Fair Value of Effective Cash Flow Hedges	Pension Adjustments	Total Accumulated Other Comprehensive Income (Loss)
	(Dollars in millions)			
Balance at December 31, 2020	$ (81)	$ (3)	$ (45)	$ (129)
Other comprehensive (loss) before reclassifications	110	—	—	110
Amounts reclassified from accumulated other comprehensive income (loss)	—	1	—	1
Net current period other comprehensive (loss)	110	1		111
Balance at March 31, 2021	$ 29	$ (2)	$ (45)	$ (18)

Note 17. Earnings (Loss) Per Share

The details of the earnings (loss) per share ("EPS") calculations for the three months ended March 31, 2021 and 2020 are as follows:

	Three Months Ended March 31,	
	2021	2020
	(Dollars in millions except per share amounts)	
Basic		
Net (loss) income	$ (105)	$ 52
Weighted average common shares outstanding	75,904,898	75,040,932
EPS – Basic	$ (1.38)	$ 0.69

	Three Months Ended March 31,	
	2021	2020
	(Dollars in millions except per share amounts)	
Diluted		
Net (loss) income	$ (105)	$ 52
Weighted average common shares outstanding – Basic	75,904,898	75,040,932
Dilutive effect of unvested RSUs and other contingently issuable shares	—	1,220,613
Weighted average common shares outstanding – Diluted	75,904,898	76,261,545
EPS – Diluted	$ (1.38)	$ 0.68

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 months ended March 31, 2021 and March 31, 2020, the weighted number of stock options excluded from the computations was 399,489 and 441,966, respectively. These stock options were outstanding for the three months ended March 31, 2021 and 2020, respectively.

Note 18. Commitments and Contingencies

Chapter 11 Proceedings

Commencement of the Chapter 11 Cases automatically stayed the proceedings and actions against us that are described below, in addition to actions seeking to collect pre-petition indebtedness or to exercise control over the property of the Company's bankruptcy estates. The Plan filed by the Debtors, as confirmed by the Bankruptcy Court provides for the treatment of claims against the Company's bankruptcy estates, including pre-petition liabilities that have not been satisfied or addressed during the Chapter 11 Cases.

See Note 1, Background and Basis of Presentation and Note 2, Reorganization and Chapter 11 Proceedings for additional information on the Chapter 11 Cases, the RSA, the Stalking Horse Purchase Agreement, the PSA, the EBCA, the Transaction and the DIP Credit Agreement.

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, Garrett ASASCO, a wholly owned indirect subsidiary of the Company, entered into the Honeywell Indemnity

Agreement with Honeywell on September 12, 2018. As of the Spin-Off date of October 1, 2018, Garrett ASASCO is obligated to make payments to Honeywell in amounts equal to 90% of certain Honeywell 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 Honeywell Indemnity Agreement, Garrett ASASCO is 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 Garrett ASASCO is required to make to Honeywell pursuant to the terms of the Honeywell Indemnity Agreement will not be deductible for U.S. federal income tax purposes. The Honeywell Indemnity 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 first quarter of 2020, Garrett ASASCO paid Honeywell the Euro-equivalent of $35 million in connection with the Honeywell Indemnity Agreement. Honeywell and Garrett agreed to defer the payment under the Honeywell Indemnity Agreement due May 1, 2020 to December 31, 2020 (the "Q2 Payment"), however we do not expect Garrett ASASCO to make payments to Honeywell under the Honeywell Indemnity Agreement during the pendency of the Chapter 11 Cases. The Plan, as confirmed by the Bankruptcy Court, includes a global settlement with Honeywell providing for, among other things, the full and final satisfaction, settlement, release, and discharge of all liabilities under or related to the Indemnity Agreements.

On December 2, 2019, the Company and its subsidiary Garrett ASASCO, filed a Summons with Notice in the Commercial Division of the Supreme Court of the State of New York, County of New York (the "NY Supreme Court") commencing an action (the "Action") against Honeywell, certain of Honeywell's subsidiaries and certain of Honeywell's employees for declaratory judgment, breach of contract, breach of fiduciary duties, aiding and abetting breach of fiduciary duties, corporate waste, breach of the implied covenant of good faith and fair dealing, and unjust enrichment. On January 15, 2020, the Company and Garrett ASASCO, filed a Complaint in the NY Supreme Court in connection with the Action. The lawsuit arises from the Honeywell Indemnity Agreement. The Company is seeking declaratory relief; compensatory damages in an amount to be determined at trial; rescission of the Honeywell Indemnity Agreement; attorneys' fees and costs and such other and further relief as the Court may deem just and proper. There can be no assurance as to the time and resources that will be required to pursue these claims or the ultimate outcome of the lawsuit. Among other claims, Garrett asserts that Honeywell is not entitled to indemnification because it improperly seeks indemnification for amounts attributable to punitive damages and intentional misconduct, and because it has failed to establish other prerequisites for indemnification under New York law. Specifically, the claim asserts that Honeywell has failed to establish its right to indemnity for each and every asbestos settlement of the thousands for which it seeks indemnification. The Action seeks to establish that the Honeywell Indemnity Agreement is not enforceable, in whole or in part. On March 5, 2020, Honeywell filed a "Notice of Motion to Dismiss Garrett's Complaint". On September 20, 2020, Garrett and certain of its subsidiaries each filed the Chapter 11 Cases. On September 23, 2020, Garrett removed the case to the United States District Court for the Southern District of New York, and on September 24, 2020, the case was referred to the Bankruptcy Court, where the case is currently pending. On October 13, 2020, Honeywell filed a motion to dismiss in the Bankruptcy Court. Garrett does not believe Honeywell's motion has merit. A pre-trial conference took place on October 22, 2020. The Court heard argument on Honeywell's pending motion to dismiss on November 18, 2020; the Court has not yet issued a decision. On November 2, 2020, the Garrett entities that are Debtors and Debtors in Possession filed a Motion Pursuant to Sections 105(a) and 502(c) To Establish Procedures For Estimating The Maximum Amount Of Honeywell's Claims And Related Relief ("Motion"). The Court heard argument on the Motion on November 18. The Court ordered an estimation proceeding to take place to estimate all of Honeywell's claims against the Garrett entities that are Debtors and Debtors in Possession.

On December 18, 2020, Honeywell filed proofs of claim in the Chapter 11 Cases, asserting that the Company owes at least $1.9 billion in respect of such claims. The Bankruptcy Court was scheduled to estimate the amount of Honeywell's claims in an estimation proceeding that was scheduled to commence on February 1, 2021. As noted below, the estimation proceeding has been stayed by order of the Bankruptcy Court.

On January 11, 2021, the Company announced that it had agreed to settle Honeywell's claims as part of a broader revised Plan. The Plan is subject to various conditions.

Under the Plan, Honeywell would receive a $375 million payment and Series B Preferred Stock payable in installments of $35 million in 2022, and $100 million annually 2023-2030. The Company would have the option to prepay the Series B Preferred Stock in full at any time at a call price equivalent to $584 million as of the Emergence date (representing the present value of the installments at a 7.25% discount rate). The Company will also have the option to make a partial payment of the Series B Preferred Stock, reducing the present value to $400 million, at any time within 18 months of Emergence.

On January 15, 2021, the Bankruptcy Court ordered that the Action and the estimation proceeding both be stayed pending the Bankruptcy Court's consideration of the Plan. On April 26, 2021, the Bankruptcy Court entered the Confirmation Order.

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, value-added 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, Garrett ASASCO 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. Additionally, the Tax Matters Agreement provides that Garrett ASASCO is to make payments to a subsidiary of Honeywell for a portion of Honeywell’s net tax liability under Section 965(h)(6)(A) of the Internal Revenue Code for mandatory transition taxes that Honeywell determined is attributable to us (the “MTT Claim”). Following the Spin-Off, Honeywell asserted that Garrett ASASCO was obligated to pay $240 million to Honeywell for the MTT Claim under the Tax Matters Agreement. Accordingly, and in connection with the Tax Matters Agreement, we made payments to Honeywell, under protest, for the Euro-equivalent of $18 million and $19 million during 2019 and the fourth quarter of 2018, respectively, for the MTT Claim. On October 30, 2020, however, Honeywell filed an SEC Form 10-Q for the quarterly period ended September 30, 2020, reporting that its claim against us under the Tax Matters Agreement, including the MTT Claim, is now $273 million. Under the terms of the Tax Matters Agreement, Garrett ASASCO is 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 2018, Garrett ASASCO paid the first annual installment in October 2018, with subsequent annual installments to be paid in April of each year. The annual installment due on April 1, 2020 was initially deferred to December 31, 2020 in agreement with Honeywell, and subsequently not paid as a result of the automatic stay applicable to the Debtors under the Bankruptcy Code as a result of the Chapter 11 Cases. We do not expect Garrett ASASCO to make payments to Honeywell under the Tax Matters Agreement during the pendency of the Chapter 11 Cases.

On July 17, 2020, we provided notice to Honeywell asserting that Honeywell has caused material breaches of the Tax Matters Agreement and that the Tax Matters Agreement is unenforceable. The value and validity of Honeywell’s claims under the Tax Matters Agreement, including the MTT Claim, are currently being litigated in the Chapter 11 Cases. As described above, the Plan, as confirmed by the Bankruptcy Court, includes a global settlement with Honeywell providing for, among other things, the full and final satisfaction, settlement, release, and discharge of all liabilities under or related to the Tax Matters Agreement.

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 Obligation payable to Honeywell related to these agreements was deemed a pre-petition, unsecured liability subject to compromise. On the Petition Date, the Obligation was stayed from further payment and, in accordance with ASC 852-10, measured at the expected allowed claim amount. The Company measured the expected allowed claim as of December 31, 2020 utilizing a combination of data points including: (1) the historical actuarial claims data provided by Honeywell up to December 31, 2019 (2) the aforementioned Honeywell claims estimation trial proceedings, (3) Honeywell’s bankruptcy claim filed with the Bankruptcy Court, and (4) the expected settlement of the Honeywell liabilities as per the Plan of Reorganization.

The following table summarizes our Obligation payable to Honeywell related to these agreements. As of March 31, 2021 and December 31, 2020, all amounts have been reclassified to Liabilities subject to compromise on the Consolidated Interim Balance Sheets:

	Three Months Ended March 31, 2021		
	Asbestos and environmental	Tax Matters	Total
	(Dollars in millions)		
Beginning of year	$ 1,196	$ 286	$ 1,482
Currency translation adjustment	(49)	(12)	(61)
End of period	$ 1,147	$ 274	$ 1,421
Current	2	39	41
Non-current	1,145	235	1,380
Total	$ 1,147	$ 274	$ 1,421

	Twelve Months Ended December 31, 2020		
	Asbestos and environmental	Tax Matters	Total
	(Dollars in millions)		
Beginning of year	$ 1,090	$ 261	$ 1,351
Legal fees expensed	41	—	41
Payments to Honeywell	(35)	—	(35)
Currency translation adjustment	100	25	125
End of period	$ 1,196	$ 286	$ 1,482
Current	2	40	42
Non-current	1,194	246	1,440
Total	$ 1,196	$ 286	$ 1,482

Asbestos Matters

The accounting for the majority of our asbestos-related liability payments and accounts payable reflect the terms of the Honeywell Indemnity Agreement with Honeywell entered into by Garrett ASASCO on September 12, 2018, under which Garrett ASASCO is 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 Honeywell Indemnity 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. As stated above, on January 11, 2021, the Company announced that it had agreed to settle Honeywell's claims as part of a revised Plan. This settlement would extinguish our obligations to Honeywell under the Honeywell Indemnity Agreement. The Plan is subject to various conditions. On April 26, 2021, the Bankruptcy Court entered the Confirmation Order.

Securities Litigation

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

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

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

All three actions are currently assigned to Judge John P. Cronan. Su Ping Lu filed a waiver of service in the Gabelli Action on November 10, 2020. On November 24, 2020, competing motions were filed seeking the appointment of lead plaintiff and lead counsel and the consolidation of the Husson, Gabelli, and Froehlich Actions.

On December 8, 2020, counsel for the plaintiffs in the Gabelli Action – the Entwistle & Cappucci law firm – filed an unopposed stipulation and proposed order that would (1) appoint the plaintiffs in the Gabelli Action – the "Gabelli Entities" – the lead plaintiffs; (2) would appoint Entwistle & Cappucci as lead counsel for the plaintiff class; and (3) consolidate the Gabelli Action, the Husson Action, and the Froehlich Action. On January 21, 2021, the Court granted the motion to consolidate the actions and granted the Gabelli Entities' motions for appointment as lead plaintiff and for selection of lead counsel. On February 25, 2021, plaintiffs filed a Consolidated Amended Complaint for Violation of the Federal Securities Laws. Defendants' motion to dismiss is due by April 26, 2021; Plaintiffs' opposition is due by June 25, 2021; and Defendants' reply is due by July 26, 2021.

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

The bankruptcy court set a bar date of March 1, 2021 for current and former shareholders to file claims against the Debtors arising from rescission of a purchase or sale of common stock of Garrett Motion Inc., for damages arising from the purchase or sale of common stock of Garrett Motion Inc., or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such claims arising (or deemed to have arisen) prior to the Petition Date for all securities claims arising prior to the Petition Date. We are not yet able to assess the likelihood that any such claims will be allowed. To the extent allowed, each holder of such claims will be entitled to receive, (x) its pro rata share of the aggregate cash payments received or recoverable from any insurance policies of the Company on account of any such allowed claims and (y) solely to the extent that such payments are less than the amount of its allowed claim, payment in full of the remaining amount of its allowed claim, at the option of the reorganized Debtors, in cash or a number of shares of Garrett common stock at a value of $6.25 per share.

Make-Whole Litigation

On November 13, 2020, certain of the Debtors (the "Plaintiffs") filed a complaint in the Bankruptcy Court against the indenture trustee (the "Indenture Trustee") of the 5.125% senior notes due 2026 (the "Senior Notes") seeking declaratory judgment on two claims for relief that the Debtors do not owe, and the holders of the Senior Notes (the "Noteholders") are not entitled to, any make-whole premium under the Indenture (the "Make-Whole" and such litigation, the "Make-Whole Litigation"). Certain Noteholders have contended in these Chapter 11 Cases that the Noteholders are entitled to payment of the Make-Whole under the terms of the Indenture, which provide for the payment of the Make-Whole if the Debtors exercise their right to redeem the Senior Notes prior to maturity, as a result of the Debtors' commencement of their Chapter 11 Cases. The Plaintiffs' position is that the Noteholders are not entitled to any Make-Whole because the Debtors have not exercised their right of redemption as contemplated by the Indenture and, in the alternative, the Make-Whole should be disallowed as unmatured interest pursuant to Section 502(b)(2) of the Bankruptcy Code. On January 8, 2021, the Indenture Trustee filed an answer to the Debtors' complaint. On January 11, 2021, the Company announced that it had agreed to settle the Make-Whole Litigation as part of the transactions and settlements embodied in the Plan. The Plan is subject to various conditions. Pursuant to the settlement embodied in the Plan, the Make Whole is an allowed claim in the amount of $15 million. As the Confirmation Order was not entered by the Bankruptcy Court until April 26, 2021, the Make Whole was not recorded as of March 31, 2021. The Debtors and the Indenture Trustee agreed to suspend all litigation activities related to and stay the Make-Whole Litigation to permit Bankruptcy Court consideration of the Plan and to dismiss with prejudice the Make-Whole Litigation upon the Effective Date.

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.

In September 2020, the Brazilian tax authorities issued an infraction notice against Garrett Motion Industria Automotiva Brasil Ltda, challenging the use of certain tax credits ("BEFIEX Credits") between January 2017 and February 2020. The infraction notice results in a loss contingency that may or may not ultimately be incurred by the Company. The estimated total amount of the contingency as of March 31, 2021 was $27 million including penalties and interest. The Company appealed the infraction notice on October 23, 2020. In March 2021, in response to our request, the Brazilian Tax Authorities reconsidered their position for a portion of the $27 million mentioned above and allowed Garrett Motion Brazil the right to offset Federal Tax with the BEFIEX Credits. The letter does not qualify as a formal decision and requires formal recognition from the Judge and from the Federal Judgement Office in charge of the disputes. The Company believes, based on management's assessment and the advice of external legal counsel, that it has meritorious arguments in connection with the infraction notice and any liability for the infraction notice is currently not probable. Accordingly, no accrual is required at this time.

Note 19. Pension Benefits

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 2021. We expect to make contributions of cash and/or marketable securities of approximately $7 million to our non-U.S. pension plans to satisfy regulatory funding standards in 2021, of which $1 million has been contributed through the first three months of the year.

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

	Three Months Ended March 31,			
	U.S. Plans		Non-U.S. Plan,	
	2021	2020	2021	2020
	(Dollars in millions)			
Service cost	$ —	$ —	$ 3	$ 2
Interest cost	1	1	—	—
Expected return on plan assets	(3)	(3)	(2)	(1)
	$ (2)	$ (2)	$ 1	$ 1

For both our U.S. and non-U.S. defined benefit pension plans, 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.

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

The following discussion and analysis of our financial condition and results of operations, which we refer to as our "MD&A," should be read in conjunction with our Consolidated Interim Financial Statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q as well as the audited annual Consolidated and Combined Financial Statements for the year ended December 31, 2020, included in our Form 10-K, as filed with the Securities and Exchange Commission on February 16, 2021 (our "2020 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 2020 Form 10-K and this Quarterly Report on Form 10-Q, our actual results could differ materially from the results described in, or implied, by these forward-looking statements.

The following, 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 months ended March 31, 2021.

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, natural gas 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 53% in 2020 to approximately 56% by 2024, according to IHS Markit ("IHS"), which we believe will allow the turbocharger market to grow at a faster rate than overall automobile production. We expect that the powertrain mix evolution trends will remain mostly unchanged, which should support the turbocharger industry in the short to medium term. In particular, the reduction of battery electric vehicle ("BEV") incentives in China from June 2019 and the change in new energy vehicles ("NEV") credit policy in November 2019, led to a drop in BEV penetration in China between July 2019 and June 2020. Renewed sales incentives, especially in Tier 2 and Tier 3 cities, as well as non-financial incentives such as more generous license-plate quotas for major metropolitan areas, bolstered Chinese BEV penetration in the second half of 2020. In Europe, the COVID-19 stimulus packages are mostly directed to electric vehicles, but we do not expect a material adverse impact on the turbocharger market in the short term, as selling price, charging time, charging infrastructure availability and profitability issues for OEMs remain challenged to adoption. However, in the long term, a revision of CO2 reduction targets by 2030 proposed by the E.U. could drive an increase of BEV penetration in Europe beyond currently forecasted levels. The turbocharger market volume growth is expected to be particularly strong in China and other high-growth regions in the same period.

In the short to medium term, we believe that turbo penetration will grow as turbos remain one of the most cost-efficient levers to improve the fuel efficiency of conventional Gasoline and Diesel vehicles as well as hybrid and fuel-cell vehicles. Growth in the turbo market is expected in all regions, with special mention for high-growth regions in Asia, where rising income levels continue to drive long-term automotive and vehicle content demand. While these positive factors do not isolate the turbo industry from fluctuations in global vehicle production volumes, such factors may mitigate the negative impact of macroeconomic cycles, or the negative impact of a shift from light vehicle Diesel to light vehicle Gasoline engines. At the same time, the global semiconductor shortage is creating uncertainty across multiple industries, including the automotive industry, and will influence our operating activity this year. Automotive OEMs have reduced production plans in the first two quarters and have planned recovery of lost production in the second half of 2021. The situation is fluid and we believe it is premature to quantify the full year impact. The Company is currently reviewing production at OEM plants and is closely monitoring supply chain disruptions related to semiconductor shortages in an effort to minimize the impact of the bottleneck in supply and to mitigate any potential disruption in production.

In addition, specific to Garrett's reorganization and Chapter 11 Cases (as defined below), financial situation and high debt leverage, we have seen an increase in potential risk developing with some OEMs questioning whether to award (or award less) new business to Garrett in the next few years, which has impacted our long term revenue expectations. In the shorter term, financial stability concerns could also drive some OEMs to consider dual sourcing some of the high volume engine platforms, already awarded to Garrett, in order to balance perceived supply risk and possibly shift volumes to the second source supplier.

Reorganization and Chapter 11 Proceedings

On the Petition Date, the Debtors each entered into the RSA and filed a voluntary petition for relief under the Bankruptcy Code in the Bankruptcy Court. The Chapter 11 Cases are being jointly administered under the caption "In re: Garrett Motion Inc., 20-12212."

On the Petition Date, certain of the Debtors also entered into the Stalking Horse Purchase Agreement with the Stalking Horse Bidder and AMP U.S. Holdings, LLC, each affiliates of KPS, pursuant to which the Stalking Horse Bidder agreed to purchase, subject to the terms and conditions contained therein, substantially all of the assets of the Debtors. The Stalking Horse Purchase Agreement constituted a "stalking horse" bid that was subject to higher and better offers by third parties in accordance with the bidding procedures approved by the Bankruptcy Court in the Bidding Procedures Order. The Bidding Procedures Order permitted third parties to submit competing proposals for the purchase and/or reorganization of the Debtors and approved stalking horse protections for the Stalking Horse Bidder.

On the Petition Date, we were notified by the New York Stock Exchange (the "NYSE") that, as a result of the Chapter 11 Cases, and in accordance with Section 802.01D of the NYSE Listed Company Manual, that NYSE had commenced proceedings to delist our common stock from the NYSE. The NYSE indefinitely suspended trading of our common stock on September 21, 2020. We determined not to appeal the NYSE's determination. On October 8, 2020, the NYSE filed a Form 25-NSE with the Securities and Exchange Commission, which removed our common stock from listing and registration on the NYSE effective as of the opening of business on October 19, 2020. The delisting of our common stock from NYSE has and could continue to limit the liquidity of our common stock, increase the volatility in the price of our common stock, and hinder our ability to raise capital.

In accordance with the Bidding Procedures Order, the Debtors held the Auction at which they solicited and received higher and better offers from KPS and the OWJ Group. In addition to the bids received at the Auction from KPS and the OWJ Group, the Debtors also received a transaction proposal in parallel from the CO Group. The Auction was completed on January 8, 2021, at which point the Debtors filed with the Bankruptcy Court (i) an auction notice noting that a bid received from KPS was the successful bid at the Auction but that the Debtors were still considering the proposal from the CO Group, (ii) the Plan and Disclosure Statement. On January 11, 2021, the Debtors, having determined that the proposal from the CO Group was a higher and better proposal than the successful bid of KPS at the Auction, entered into the PSA and announced their intention to pursue a restructuring transaction with the CO Group. As a result of the entry into the PSA, (i) the Debtors filed a supplemental auction notice with the Bankruptcy Court on January 11, 2021 describing the Debtors' determination to proceed with the Transaction, (ii) the Debtors filed a revised Plan and related revised Disclosure Statement with the Bankruptcy Court on January 22, 2021 to implement the Transaction and (iii) the Stalking Horse Purchase Agreement became terminable, following which, on January 15, 2021, the Stalking Horse Bidder terminated the Stalking Horse Purchase Agreement and the Debtors subsequently paid a termination payment of $63 million and an expense reimbursement payment of $15.7 million to the Stalking Horse Bidder pursuant to the terms of the Stalking Horse Purchase Agreement and the Bidding Procedures Order.

In accordance with the terms of the PSA, on January 22, 2021, the Debtors' entered into the EBCA with the Original Backstop Parties, pursuant to which, among other things, the Company would conduct the Rights Offering and each Original Backstop Party committed to (i) exercise its rights, as a stockholder of the Company, to purchase in the Rights Offering shares of the convertible Series A preferred stock of the Company to be offered in the Rights Offering and (ii) purchase, on a pro rata basis (in accordance with percentages set forth in the EBCA), shares of Series A Preferred Stock which were offered but not subscribed for in the Rights Offering.

On January 24, 2021, representatives of the Equity Committee submitted a restructuring term sheet for a proposed plan of reorganization sponsored by Atlantic Park. The Equity Committee subsequently filed with the Bankruptcy Court on February 5, 2021, a proposed plan of reorganization and related disclosure statement with respect to such transaction (as reflected in the proposed plan of reorganization filed with the Bankruptcy Court, the "Atlantic Park Proposal"). The transactions contemplated under the Atlantic Park Proposal were proposed as an alternative to the transactions contemplated under the Plan. In connection with the Atlantic Park Proposal, the Equity Committee filed the Equity Committee Exclusivity Motion. On February 9, 2021, the Equity Committee filed the Equity Committee Objection. The Company had significant concerns with the feasibility of the Atlantic Park Proposal and concluded at the time that the transactions contemplated under the Atlantic Park Proposal were not reasonably likely to lead to a higher and better alternative plan of reorganization as compared to the Plan. The Equity Committee filed a revised proposed plan of reorganization and disclosure statement in connection with the Atlantic Park Proposal with the Bankruptcy Court on February 15, 2021.

On February 15, 2021, the Debtors and the CO Group agreed with certain of the Consenting Lenders to amend and restate the PSA so as to, among other things, add certain of the Consenting Lenders as parties thereto supporting the Plan.

Following a hearing in the Bankruptcy Court on February 16, 2021, the Debtors, the CO Group, the Equity Committee and certain additional parties agreed to proceed with a court-approved mediation process to attempt to reach a consensual resolution regarding the Equity Committee Exclusivity Motion and the Equity Committee Objection.

Through the mediation, the Debtors, the CO Group, Equity Committee and the additional parties to the mediation reached a consensual resolution regarding certain aspects of the Plan, and on March 9, 2021, the PSA was subsequently amended and restated, and a replacement EBCA among the Debtors and the Equity Backstop Parties was entered into, to provide for, among other things: (i) a direct equity investment of $668.8 million by Centerbridge and Oaktree to purchase Series A Preferred Stock, (ii) two Rights Offerings in an aggregate amount of $632 million (including an allocation of subscription rights to the Equity Backstop Parties as consideration for their agreement to backstop the Rights Offerings), and (iii) an increase of the conversion price to common stock of the Series A Preferred Stock from $3.50 to $5.25. On March 9, 2021 the Debtors filed amended versions of the Plan and Disclosure Statement with the Bankruptcy Court to reflect this consensual resolution. On March 12, 2021 the Bankruptcy Court entered orders approving the Disclosure Statement, the proposed procedures for solicitation of votes on the Plan and the Debtors' entry into and performance and obligations under the PSA and the EBCA, which remain subject to customary closing conditions. On March 12, 2021 the Debtors filed the solicitation versions of the Plan and Disclosure Statement with the Bankruptcy Court.

As contemplated by the Plan, the Company filed a supplement to the Plan (as amended, restated, supplemented or otherwise modified from time to time, the "Plan Supplement") with the Bankruptcy Court on April 9, 2021, which includes drafts of certain documents related to the Plan and referenced therein. On April 20, 2021 and April 22, 2021, the Debtors filed amended Plan Supplements reflecting updates and other changes and corrections to certain of the draft documentation. Also, on April 20, 2021, the Debtors also filed an amended version of the Plan, reflecting, among other things, revised treatment of certain claims and certain other technical changes and corrections. Following a hearing in the Bankruptcy Court on April 23, 2021, the Debtors filed a further amended Plan on April 26, 2021.

Pursuant to the PSA and the Plan, the Transaction involves, among other things, an election for holders of shares of the Company's existing common stock to either effectively retain their shares or (unless such stockholder is a party to the PSA), receive cash at $6.25 per share in exchange for cancellation of their shares (the "Cash Out Option"). The Company expects that approximately 11,031,990 shares of its existing common stock will be canceled pursuant to the Cash-Out Option, for which the Company expects to pay the holders of such existing common stock an aggregate of approximately $69 million.

As of the Effective Date (when and if it occurs), the Company expects to have an aggregate of approximately 247,771,428 shares of Series A Preferred Stock issued and outstanding, 834,800,000 shares of Series B Preferred Stock issued and outstanding and approximately 65,036,036 shares of common stock issued and outstanding (or 312,807,464 shares of common stock outstanding on a fully diluted basis assuming conversion of the Series A Preferred Stock). In addition, the Company expects to have approximately 31,280,746 shares of common stock reserved for issuance under an equity incentive plan. As authorized by the Plan, on or around the Effective Date (when and if it occurs) the Company expects to adopt a new amended and restated certificate of incorporation to increase its authorized share capital in order to permit such issuances and reservations for issuance pursuant to the Plan.

As of the Effective Date (when and if it occurs), the Company expects affiliated funds of Centerbridge Partners, L.P., to hold 3,390,000 shares of the Company's common stock and 68,607,182 shares of Series A Preferred Stock, representing aggregate holdings, assuming the conversion of the Series A Preferred Stock, of 71,997,182 shares of the Company's common stock and 23.0% of all issued and outstanding shares of common stock on a fully diluted basis. As of the Effective Date (when and if it occurs), the Company expects affiliated funds of Oaktree Capital Management, L.P., to hold 3,593,111 shares of the Company's common stock and 68,901,481 shares of Series A Preferred Stock, representing aggregate holdings, assuming the conversion of the Series A Preferred Stock, of 72,494,592 shares of the Company's common stock and 23.2% of all issued and outstanding common stock on a fully diluted basis.

On April 26, 2021, the Bankruptcy Court entered the Confirmation Order. The Company expects that the Effective Date will occur as soon as all conditions precedent to the Plan have been satisfied, which the Company is targeting for April 30, 2021. Although the Company is targeting occurrence of the Effective Date on April 30, 2021, the Company can make no assurances as to when, or ultimately if, the Plan will become effective.

For additional information regarding the Chapter 11 Cases, reorganization, the PSA, the EBCA and the Transaction, see "Explanatory Note" and Note 2, Reorganization and Chapter 11 Proceedings of the Notes to the Consolidated Interim Financial Statements.

Impact of COVID-19 Pandemic

After the extensive impact on our sales in the second half of 2020 year caused by the COVID-19 pandemic, we have observed a fast recovery in all geographies since mid-2020, that enabled us to ramp up production in most of our production sites to normal levels in the third quarter of 2020 and continuing through the first quarter of 2021, despite the resurgence of infection rates in the U.S. and European Union. If the COVID-19 pandemic, despite vaccination campaigns, drives new lockdown measures impacting our manufacturing facilities, our facilities may be forced to shut down or operate at reduced capacity again. Additional or continued

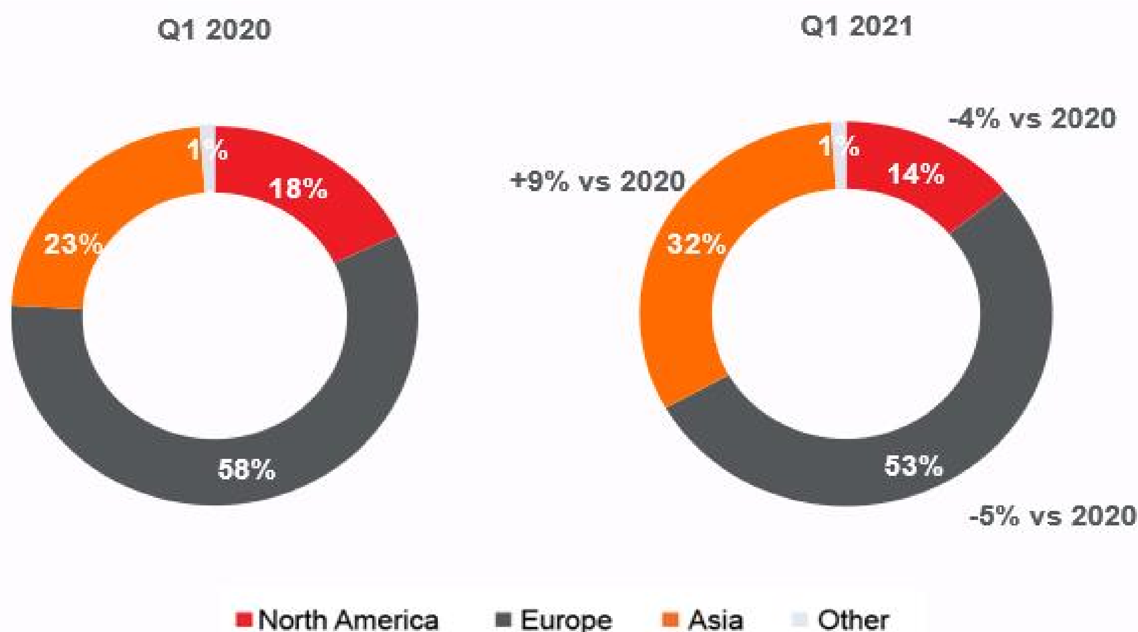
facility closures or reductions in operations could significantly reduce our production volumes and have a material adverse impact on our business, results of operations and financial condition.

In 2020 a 17% decrease in global light vehicle production and a 10% decline in commercial vehicle production were observed, a larger drop than during the financial crisis in 2008 and 2009. In 2021, a partial recovery is expected with a rebound of light vehicle production of 14% and commercial vehicles of 6%. As a result, we estimate that a contraction of approximately 13% for the combined light and commercial vehicle turbocharger industry volume occurred in 2020 and we expect a strong rebound in 2021, which is observed since the second half of 2020. We have prepared contingency plans for multiple scenarios that we believe will allow us to react swiftly to changes in customer demand while protecting Garrett's long-term growth potential. The supplies needed for our operations were generally available throughout 2020. In limited circumstances, certain suppliers experienced financial distress during 2020, resulting in supply disruptions. In line with action already started in 2020, we continue to systematically monitor supplier risks associated with COVID-19 and other material supply shortages and believe we have substantially addressed such risks with manageable economic impacts including use of Premium Freight or adjusted payment terms that are limited in time. In addition, we have implemented cost control measures and cash management actions, including:

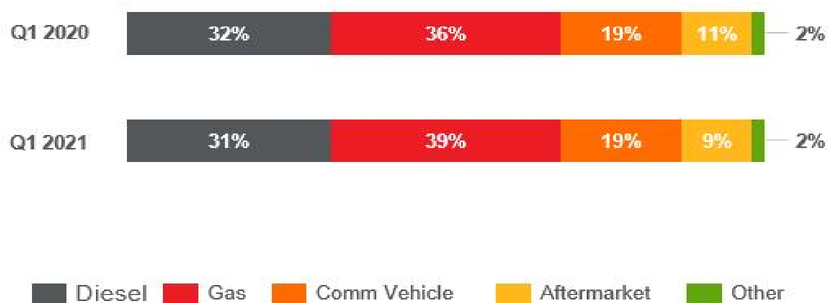
- Postponing capital expenditures;
- Optimizing working capital requirements;
- Lowering discretionary spending;
- Flexing organizational costs by implementing short-term working schemes;
- Reducing temporary workforce and contract service workers; and
- Restricting external hiring.

The following charts show our percentage of revenues by geographic region and product line for the three months ended March 31, 2021 and the percentage change from the prior year comparable period.

By Geography



By Product Line



- We are a global business that generated revenues of approximately $1 billion for the three months ended March 31, 2021.
- Light vehicle products (which includes Diesel and Gas products, including products for passenger cars, SUVs, light trucks, and other products) accounted for approximately 70% of our revenues for the three months ended March 31, 2021. Commercial vehicle products (products for on-highway trucks and off-highway trucks, construction, agriculture and power-generation machines) accounted for 19% of our revenues for the three months ended March 31, 2021.
- Our OEM sales contributed approximately 89% of our revenues while our aftermarket and other products contributed 11% of our revenues for the three months ended March 31, 2021.
- Approximately 53% of our revenues came from sales to customers located in Europe, 32% from sales to customers located in Asia, 14% from sales to customers in North America, and 1% from sales to customers in other international markets for the three months ended March 31, 2021.

Basis of Presentation

The Consolidated Interim Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All amounts presented are in millions, except per share amounts.

Liabilities under the Honeywell Indemnity Agreement

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 (as amended, the "Honeywell Indemnity Agreement"), under which Garrett ASASCO is 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 Honeywell Indemnity 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 first quarter of 2020, Garrett ASASCO paid Honeywell the Euro-equivalent of $35 million in connection with the Honeywell Indemnity Agreement. Honeywell and Garrett agreed to defer the payment from Garrett ASASCO under the Honeywell Indemnity Agreement due May 1, 2020 to December 31, 2020 (the "Q2 Payment"), however we do not expect Garrett ASASCO to make payments to Honeywell under the Honeywell Indemnity Agreement during the pendency of the Chapter 11 Cases. The Plan (as defined below), as confirmed by the Bankruptcy Court, includes a global settlement with Honeywell providing for, among other things, the full and final satisfaction, settlement, release, and discharge of all liabilities under or related to the Honeywell Indemnity Agreement, that certain Indemnification Guarantee Agreement, dated as of September 27, 2018 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time), by and among Honeywell ASASCO 2 Inc. as payee, Garrett ASASCO as payor, and certain subsidiary guarantors as defined therein (the "Guarantee Agreement," and together with the Honeywell Indemnity Agreement, the "Indemnity Agreements") and the Tax Matters Agreement.

On December 2, 2019, the Company and Garrett ASASCO, filed a Summons with Notice in the Commercial Division of the Supreme Court of the State of New York, County of New York (the "NY Supreme Court") commencing an action (the "Action") against Honeywell, certain of Honeywell's subsidiaries and certain of Honeywell's employees for declaratory judgment, breach of contract, breach of fiduciary duties, aiding and abetting breach of fiduciary duties, corporate waste, breach of the implied covenant of good faith and fair dealing, and unjust enrichment. On January 15, 2020, the Company and Garrett ASASCO, filed a Complaint in the NY Supreme Court in connection with the Action. The lawsuit arises from the Honeywell Indemnity Agreement. The Company is seeking declaratory relief; compensatory damages in an amount to be determined at trial; rescission of the Honeywell Indemnity Agreement; attorneys' fees and costs and such other and further relief as the Court may deem just and proper. There can be no assurance as to the time and resources that will be required to pursue these claims or the ultimate outcome of the lawsuit. Among other claims, Garrett asserts that Honeywell is not entitled to indemnification because it improperly seeks indemnification for amounts attributable to punitive damages and intentional misconduct, and because it has failed to establish other prerequisites for indemnification under New York law. Specifically, the claim asserts that Honeywell has failed to establish its right to indemnity for each and every asbestos settlement of the thousands for which it seeks indemnification. The Action seeks to establish that the Honeywell Indemnity Agreement is not enforceable, in whole or in part. On March 5, 2020, Honeywell filed a "Notice of Motion to Dismiss Garrett's Complaint". On September 20, 2020, Garrett and certain of its subsidiaries each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of New York. On September 23, 2020, Garrett removed the Action to the United States District Court for the Southern District of New York, and on September 24, 2020, the Action was referred to the Bankruptcy Court, where the case is currently pending. The defendants' motion to dismiss the Action is pending.

On December 18, 2020, Honeywell filed proofs of claim in the Chapter 11 Cases, asserting that the Company owes at least $1.9 billion in respect of such claims. The Bankruptcy Court was scheduled to estimate the amount of Honeywell's claims in a estimation proceeding that was scheduled to commence on February 1, 2021. As noted below, the estimation proceeding has been stayed by order of the Bankruptcy Court.

On January 11, 2021, the Company announced that it had agreed to settle Honeywell's claims as part of the Plan. The Plan is subject to various conditions.

Under the settlement embodied in the Plan, Honeywell would receive a $375 million payment and Series B Preferred Stock payable in installments of $35 million in 2022, and $100 million annually 2023-2030. The Company would have the option to prepay the Series B Preferred Stock in full at any time at a call price equivalent to $584 million as of the Emergence (representing the present value of the installments at a 7.25% discount rate). The Company will also have the option to make a partial payment of the Series B Preferred Stock, reducing the present value to $400 million, at any time within 18 months of Emergence.

On January 15, 2021, the Bankruptcy Court ordered that the Action and the estimation proceeding both be stayed pending the Bankruptcy Court's consideration of the Plan. As noted above, on April 26, 2021, the Bankruptcy Court entered the Confirmation Order.

Results of Operations for the three months ended March 31, 2021 compared with the three months ended March 31, 2020

Net Sales

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
	(Dollars in millions)	
Net sales	$ 997	$ 745
% change compared with prior period	33.8%	

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

	For the Three Months Ended March 31, 2021
Volume	28.7%
Price	(3.1)
Foreign Currency Translation	8.2
	33.8%

Our net sales increased for the three months ended March 31, 2021 compared to the prior year period by $252 million or 33.8% (including a favorable impact of 8.2% due to foreign currency translation). The increase in sales was primarily driven by light vehicles OEM products increase of $197 million, commercial vehicles OEM products increase of $44 million, aftermarket products net sales increase of $9 million and other products increases of $2 million.

The increase in our light vehicles OEM products was primarily driven by higher gasoline volumes in China and higher diesel volumes in Europe. The production of our facilities in China has increased significantly, with an increase in net sales of 116% compared to the three months ended March 31, 2020, given that our manufacturing facility in Wuhan, China, was shut down for six weeks in February and March 2020 and we saw diminished production in our Shanghai, China facility for the same time period, due to the COVID-19 pandemic. The increase in net sales for commercial vehicles was mainly driven by higher volumes in Europe and China. The increase in aftermarket product sales was primarily driven by higher volumes in Europe, partially offset by volume decreases in North America.

Cost of Goods Sold

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
	(Dollars in millions)	
Cost of goods sold	$ 801	$ 607
% change compared with prior period	32.0%	
Gross profit percentage	19.7%	18.5%

Costs of goods sold increased for the three months ended March 31, 2021 compared to the prior year period by $194 million or 32% primarily due to an increase in direct material and labor costs of $160 million.

Gross profit percentage increased by 1.2 percentage points primarily due to favorable impact of productivity including higher volume leverage (5.0 percentage points) and the favorable impacts from foreign and exchange rates (0.5 percentage points), partially offset by unfavorable impacts from mix and price (2.9 percentage points), unfavorable impacts from inflation (0.4 percentage points), unfavorable impact from repositioning costs (0.3 percentage points), and other factors (0.7 percentage points), mainly driven by Brazil environmental expenses.

Selling, General and Administrative Expenses

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in millions)	
Selling, general and administrative expense	$ 55	$ 57
% of sales	5.5%	7.7%

Selling, general and administrative expenses decreased for the three months ended March 31, 2021 compared to the prior year period by $2 million, mainly due to a $4 million in bad debt recovery. As a percentage of net sales, SG&A for the three months ended March 31, 2021 was 5.5% versus 7.7% in the prior year period.

Other Expense, Net

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in millions)	
Other expense, net	$ 1	$ 16
% of sales	0.1%	2.1%

Other expense, net decreased for the three months ended March 31, 2021 compared to the prior year period by $15 million. The decrease was attributable to the staying of the liability related to the Honeywell Indemnity Agreement during bankruptcy proceedings, and hence no additional legal expenses relating to the Honeywell Indemnity Agreement or litigation against Honeywell were recognized this quarter.

Interest Expense

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in millions)	
Interest expense	$ 21	$ 16

Interest expense increased in the three months ended March 31, 2021 compared to the prior year period by $5 million, mainly due to higher outstanding Revolving Credit Facility drawings, additional fees associated with the amendment of our prepetition Credit Agreement dated September 18, 2018 (as amended, the “Prepetition Credit Agreement”), higher interest margins, banks’ cancellations of cross-currency interest rate swaps as a result of our Chapter 11 Cases and the addition of supplementary financing under our Senior Secured Super-Priority Debtor-in-Possession Credit Agreement (as amended, restated, supplemented or otherwise modified from time to time, the “DIP Credit Agreement”).

Non-operating expense (income)

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in millions)	
Non-operating expense (income)	$ 26	$ (4)

Non-operating expense (income) for the three months ended March 31, 2021 decreased to an expense of $26 million from income of $4 million in the prior year period, primarily due to a significant unhedged exposure driven by the termination of all derivatives and closing of the credit lines, as a result of the Chapter 11 Cases.

Reorganization items, net

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in millions)	
Reorganization items, net	$ 174	$ —

Reorganization items, net for the three months ended March 31, 2021 were $174 million, representing professional service fees related to the Chapter 11 Cases of which $79 million is related to termination of and expense reimbursement under the Stalking Horse Purchase Agreement. There were no Reorganization items, net for the three months ended March 31, 2020, since these are new items related to the Chapter 11 Cases.

Tax Expense

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in millions)	
Tax expense	$ 24	$ 1
Effective tax rate	(29.6)%	1.9%

See Note 7, Income Taxes of the Notes to the Consolidated Interim Financial Statements for a discussion of the change in effective tax rates for the three months ended March 31, 2021 versus the prior year periods.

Net (loss) Income

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in millions)	
Net (loss) income	$ (105)	$ 52

As a result of the factors described above, net loss was $105 million for the three months ended March 31, 2021 as compared to net income of $52 million for the three months ended March 31, 2020.

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 March 31,	
	2021	2020
	(Dollars in millions)	
Net (loss) income — GAAP	**$ (105)**	**$ 52**
Net interest expense	20	15
Tax expense	24	1
Depreciation	23	19
EBITDA (Non-GAAP)	**$ (38)**	**$ 87**
Other expense, net (which consists of indemnification, asbestos and environmental expenses)[(2)]	—	16
Non-operating income[(3)]	(3)	(2)
Reorganization items, net[(4)]	174	—
Stock compensation expense[(5)]	2	2
Repositioning charges[(6)]	8	5
Foreign exchange gain (loss) on debt, net of related hedging (gain) loss	33	—
Adjusted EBITDA (Non-GAAP)	**$ 176**	**$ 108**

(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/benefit and depreciation. We define "Adjusted EBITDA" as EBITDA, plus the sum of non-operating income/expense, other expenses, net (which consists of indemnification, asbestos and environmental expenses), stock compensation expense, reorganization items, net, repositioning charges and foreign exchange gain/loss on debt, net of related hedging gain/loss. 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) The accounting for the majority of our asbestos-related liability payments and accounts payable reflect the terms of the Honeywell Indemnity Agreement with Honeywell entered into on September 12, 2018, under which Garrett ASASCO is currently required to make payments to Honeywell in amounts equal to 90% of Honeywell's asbestos-related liability payments and accounts payable, primarily related to Honeywell's former 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 Bendix 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 Plan as confirmed by the Bankruptcy Court includes a global settlement with Honeywell providing for, among other things, the full and final satisfaction, settlement, release, and discharge of all liabilities under or related to the Honeywell Indemnity Agreement, that certain Indemnification Guarantee Agreement, dated as of September 27, 2018 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time), by and among Honeywell ASASCO 2 Inc. as payee, Garrett ASASCO as payor, and certain subsidiary guarantors as defined therein (the "Guarantee Agreement," and together with the Honeywell Indemnity Agreement, the "Indemnity Agreements") and the Tax Matters Agreement. See Note 18, Commitments and Contingencies of Notes to the Consolidated Interim Financial Statements.

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

(4) The Company has applied ASC 852 in preparing its Consolidated Interim Financial Statements. ASC 852 requires the financial statements for periods subsequent to the Petition Date to distinguish transactions and events that are directly associated with the Company's reorganization from the ongoing operations of the business. Accordingly, certain expenses and gains incurred during the Chapter 11 Cases are recorded within Reorganization items, net in the Consolidated Interim Statements of Operations. See Note 2, Reorganization and Chapter 11 Proceedings of Notes to the Consolidated Interim Financial Statements.

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

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

Adjusted EBITDA (non-GAAP) increased by $68 million for the three months ended March 31, 2021 compared to the prior year period. The increase was primarily due to favorable impacts of sales volume ($65 million), foreign exchange including the prior years hedge gains ($16 million), favorable impact of productivity, net of mix ($15 million) and lower selling, general and administrative expenses ($2 million), partially offset by price ($23 million), inflation ($4 million) and higher research and development expenses ($3 million).

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

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in millions)	
Net cash provided by operating activities — GAAP	$ 32	$ 57
Expenditures for property, plant and equipment	(18)	(39)
Cash flow from operations less Expenditures for property, plant and equipment (Non-GAAP)	$ 14	$ 18

(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 Interim Statements of Cash Flows.

Cash flow from operations less Expenditures for property, plant and equipment (non-GAAP) decreased by $4 million for the three months ended March 31, 2021 versus the prior year period, primarily due to an increase in net loss, net of deferred taxes and non-cash expenses of $108 million, partially offset by favorable impact from working capital of $23 million, a decrease in Obligations to Honeywell of $21 million and an increase of $39 million in other items (mainly other assets and accrued liabilities). Additionally, Expenditures for property, plant and equipment expenses decreased by $21 million.

Liquidity and Capital Resources During Chapter 11 Cases

As described above, the commencement of the Chapter 11 Cases constituted an event of default that accelerated the Company's obligations, as applicable, under the Prepetition Credit Agreement (as defined below) and the Company's 5.125% senior notes due 2026 (the "Senior Notes"). The Prepetition Credit Agreement and Senior Notes provide that as a result of the commencement of the Chapter 11 Cases, the principal, interest and all other amounts due thereunder shall be immediately due and payable. Any efforts to enforce the payment obligations under the Prepetition Credit Agreement and Senior Notes are automatically stayed as a result of the Chapter 11 Cases, and the creditors' rights of enforcement in respect of the Prepetition Credit Agreement and Senior Notes are subject to the applicable provisions of the Bankruptcy Code.

We expect that our cash requirements for the remainder of 2021 will primarily be to fund operating activities, working capital, Chapter 11 case related costs and capital expenditures. We have historically funded our cash requirements, which included requirements to meet our obligations under our debt instruments and the Honeywell Indemnity Agreement described below, as well as the tax matters agreement with Honeywell (the "Tax Matters Agreement"), through the combination of cash flows from operating activities, available cash balances and available borrowings through our debt agreements. During the Chapter 11 Cases, our principal sources of liquidity are expected to be limited to cash flow from operations, cash on hand and borrowings under the DIP Credit Agreement. Based on our current expectations, we believe these principal sources of liquidity during the Chapter 11 Cases will be sufficient to fund our operations during the pendency of the Chapter 11 Cases.

Going Concern

Our ability to continue as a going concern is contingent upon the Company's ability to successfully implement a plan of reorganization in the Chapter 11 Cases, among other factors. As a result of the Chapter 11 Cases, the realization of assets and the satisfaction of liabilities are subject to uncertainty. While operating as debtors-in-possession under the Bankruptcy Code, we may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business, for amounts other than those reflected in our Consolidated Interim Financial Statements. Further, any plan of reorganization in the Chapter 11 Cases could materially change the amounts and classifications of assets and liabilities reported in the Consolidated Interim Financial Statements. As a result of our financial condition, uncertainty related to the impacts of COVID-19, and the risks and uncertainties surrounding the Chapter 11 Cases, substantial doubt exists that we will be able to continue as a going concern.

Senior Credit Facilities

On September 27, 2018, we entered into a Credit Agreement by and among us, certain of our subsidiaries, the lenders and issuing banks party thereto and JPMorgan Chase Bank, N.A., as administrative agent (the "Prepetition Credit Agreement"). The Prepetition Credit Agreement was amended on June 12, 2020 (the "2020 Amendment"). The Prepetition 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) a 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 the Swiss Borrower (as defined in the Prepetition Credit Agreement), 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 Secured Credit Facilities").

Following the commencement of the Chapter 11 Cases, the contractual non-default rate of interest applicable under the Senior Secured Credit Facilities is either (a) in the case of dollar denominated loans, 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) in the case of loans denominated in certain permitted foreign currencies other than dollars or euros, an adjusted LIBOR rate ("LIBOR") (which shall not be less than zero), or (c) in the case of loans denominated in euros, an adjusted EURIBOR rate ("EURIBOR") (which shall not be less than zero), in each case, plus an applicable margin. Pursuant to the 2020 Amendment, (i) the margin applicable to loans under the Term B Facility increased by 75 basis points through the maturity date and (ii) the margin applicable to loans under the Revolving Facility and Term A Facility increased by 25 basis points until the Company delivers consolidated financial statements as of and for its first fiscal quarter ending on or after the last day of the Relief Period (as defined in the 2020 Amendment). Pursuant to the 2020 Amendment, the margin applicable to Revolving Credit Facility and Term Loan A Facility increased by a further 25 basis points on September 4, 2020 following a downgrade in our corporate credit rating by S&P Global ratings.

The applicable margin for the U.S. Dollar tranche of the Term B Facility is currently 2.50% per annum (for ABR loans) while that for the euro tranche of the Term B Facility is currently 3.75% per annum (for EURIBOR loans). The applicable margin for each of the Term A Facility and the Revolving Facility varies based on our leverage ratio which is increased by 50 basis points (including above mentioned Ratings event step up) until the Company delivers consolidated financial statements as of and for its first fiscal quarter ending on or after the last day of the Relief Period. Accordingly, the interest rates for the Senior Secured Credit Facilities will fluctuate during the term of the Prepetition Credit Agreement based on changes in the ABR, LIBOR, EURIBOR or future changes in our corporate rating or leverage ratio. The applicable margins for credit arrangements are summarized as follows:

	Applicable margin per annum	
	Until end of Relief period	**Thereafter**
Credit Arrangements:		
Revolving Credit Facility LIBOR / EURIBOR	3.00%	2.75%
Revolving Credit Facility ABR	2.00%	1.75%
Term Loan A	3.00%	2.75%
Term Loan B EUR EURIBOR	3.75%	3.75%
Term Loan B USD LIBOR	3.50%	3.50%
Term Loan B USD ABR	2.50%	2.50%

The commencement of the Chapter 11 Cases described above constituted an event of default that accelerated the Company's obligations and terminated undrawn commitments, as applicable, under the Prepetition Credit Agreement. The Prepetition Credit Agreement provides that as a result of the commencement of the Chapter 11 Cases, the principal, interest and all other amounts due thereunder shall be immediately due and payable. Any efforts to enforce the payment obligations under the Prepetition Credit Agreement are automatically stayed as a result of the Chapter 11 Cases, and the creditors' rights of enforcement in respect of the Prepetition Credit Agreement are subject to the applicable provisions of the Bankruptcy Code.

During the Chapter 11 Cases and pursuant to an order of the Bankruptcy Court, we make monthly payments of adequate protection at the contractual non-default rate of interest on loans and certain other obligations under our Senior Secured Credit Facilities.

The Plan provides for payment in full of the Company's obligations under the Prepetition Credit Agreement. The Bankruptcy Court entered the Confirmation Order on April 26, 2021. The Company expects that the Effective Date will occur as soon as all conditions precedent to the Plan have been satisfied, which the Company is targeting for April 30, 2021. Although the Company is targeting occurrence of the Effective Date on April 30, 2021, the Company can make no assurances as to when, or ultimately if, the Plan will become effective.

Senior Notes

On September 27, 2018, we completed the offering of €350 million (approximately $410 million based on exchange rates as of September 27, 2018) in aggregate principal amount of 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, 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.

The commencement of the Chapter 11 Cases described above constituted an event of default that accelerated the Company's obligations, as applicable, under the Senior Notes. The Senior Notes provide that as a result of the commencement of the Chapter 11 Cases, the principal, interest and all other amounts due thereunder shall be immediately due and payable. Any efforts to enforce the payment obligations under the Senior Notes are automatically stayed as a result of the Chapter 11 Cases, and the creditors' rights of enforcement in respect of the Senior Notes are subject to the applicable provisions of the Bankruptcy Code.

The Plan provides for payment in full of the Company's obligations under the Senior Notes. The Bankruptcy Court entered the Confirmation Order on April 26, 2021. The Company expects that the Effective Date will occur as soon as all conditions precedent to the Plan have been satisfied, which the Company is targeting for April 30, 2021. Although the Company is targeting occurrence of the Effective Date on April 30, 2021, the Company can make no assurances as to when, or ultimately if, the Plan will become effective.

DIP Credit Agreement

On October 6, 2020, the Bankruptcy Court entered an order granting interim approval of the Debtors' entry into the DIP Credit Agreement, with the lenders party thereto (the "DIP Lenders") and Citibank N.A. as administrative agent (the "DIP Agent"). On October 9, 2020 (the "Closing Date"), the Company, the DIP Agent and the DIP Lenders entered into the DIP Credit Agreement. The DIP Credit Agreement provides for a senior secured, super-priority term loan (the "DIP Term Loan Facility") with a maximum principal amount of $200 million, $100 million of which was funded on the Closing Date and $100 million of which was subsequently funded on October 26, 2020, following entry of the Bankruptcy Court's final order approving the DIP Term Loan Facility on October 23, 2020. The proceeds of the DIP Term Loan Facility are to be used by the Debtors to (a) pay certain costs, premiums, fees and expenses related to the Chapter 11 Cases, (b) make payments pursuant to any interim or final order entered by the Bankruptcy Court pursuant to any "first day" motions permitting the payment by the Debtors of any prepetition amounts then due and owing; (c) make certain adequate protection payments in accordance with the DIP Credit Agreement and (d) fund working capital needs of the Debtors and their subsidiaries to the extent permitted by the DIP Credit Agreement. On October 12, 2020, the Company, the DIP Agent and the DIP Lenders entered into the First Amendment to the DIP Credit Agreement (the "First Amendment"). The First Amendment eliminates the obligation for the Company to pay certain fees to the DIP Lenders in connection with certain prepayment events under the DIP Credit Agreement. On March 17, 2021, the Company prepaid $100 million that was previously outstanding under the DIP Credit Agreement, and on March 31, 2021 the Company extended the maturity date for the loans remaining outstanding thereunder to April 30, 2021. For additional information regarding the terms of the DIP Credit Agreement, see Note 2, Reorganization and Chapter 11 Proceedings of the Notes to the Consolidated Interim Financial Statements.

The Plan provides for payment in full of the Company's obligations under the DIP Credit Agreement. The Bankruptcy Court entered the Confirmation Order on April 26, 2021. The Company expects that the Effective Date will occur as soon as all conditions precedent to the Plan have been satisfied, which the Company is targeting for April 30, 2021. Although the Company is targeting occurrence of the Effective Date on April 30, 2021, the Company can make no assurances as to when, or ultimately if, the Plan will become effective.

Delisting from NYSE

On September 20, 2020, we were notified by the New York Stock Exchange (the "NYSE") that, as a result of the Chapter 11 Cases, and in accordance with Section 802.01D of the NYSE Listed Company Manual, that NYSE had commenced proceedings to delist our common stock from the NYSE. The NYSE indefinitely suspended trading of our common stock on September 21, 2020. We determined not to appeal the NYSE's determination. On October 8, 2020, the NYSE filed a Form 25-NSE with the Securities and Exchange Commission, which removed our common stock from listing and registration on the NYSE effective as of the opening of business on October 19, 2020. The delisting of our common stock from NYSE has and could continue to limit the liquidity of our common stock, increase the volatility in the price of our common stock, and hinder our ability to raise capital.

Honeywell Indemnity Agreement

On September 12, 2018, Garrett ASASCO entered into the Honeywell Indemnity Agreement, under which Garrett ASASCO is 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 Honeywell Indemnity Agreement, Garrett ASASCO is responsible for paying to Honeywell such amounts, up to a cap 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. In addition, the payments that Garrett ASASCO is required to make to Honeywell pursuant to the terms of the Honeywell Indemnity Agreement will not be deductible for U.S. federal income tax purposes. The Honeywell Indemnity 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 first quarter of 2020, Garrett ASASCO paid Honeywell the Euro-equivalent of $35 million in connection with the Honeywell Indemnity Agreement. In January 2020 we received from Honeywell the 2019 Prior Year Aggregate Loss Statement (as defined in the Honeywell Indemnity Agreement) which confirmed that the payments made to Honeywell as required by the Honeywell Indemnity Agreement in 2019 included an overpayment of $33 million. This payment would have been deducted from the second quarter 2020 payment and would have reduced the cash payments payable to Honeywell in 2020. Honeywell and Garrett agreed to defer the second quarter 2020 payment due May 1, 2020 to December 31, 2020 but the second quarter 2020 payment was not paid on this date as a result of the automatic stay applicable to the Debtors under the Bankruptcy Code as a result of the Chapter 11 Cases. We do not expect Garrett ASASCO to make payments to Honeywell under the Honeywell Indemnity Agreement during the pendency of the Chapter 11 Cases.

Under the terms of the PSA and the Transaction, the Plan includes a global settlement with Honeywell providing for (a) the full and final satisfaction, settlement, release, and discharge of all liabilities under or related to the Indemnity Agreements and the Tax Matters Agreement, and (b) the dismissal with prejudice of the Honeywell Litigation in exchange for (x) a $375 million cash payment at Emergence and (y) the new Series B Preferred Stock issued by the Company payable in installments of $35 million in 2022, and $100 million annually 2023-2030 (the "Series B Preferred Stock"). The Company will have the option to prepay the Series B Preferred Stock in full at any time at a call price equivalent to $584 million as of Emergence (representing the present value of the installments at a 7.25% discount rate). The Company will also have the option to make a partial payment of the Series B Preferred Stock, reducing the present value to $400 million, at any time within 18 months of Emergence. In every case, the duration of future liabilities to Honeywell will be reduced from 30 years prior to the Chapter 11 filing to a maximum of nine years.

The Bankruptcy Court entered the Confirmation Order on April 26, 2021. The Company expects that the Effective Date will occur as soon as all conditions precedent to the Plan have been satisfied, which the Company is targeting for April 30, 2021. Although the Company is targeting occurrence of the Effective Date on April 30, 2021, the Company can make no assurances as to when, or ultimately if, the Plan will become effective.

Tax Matters Agreement

On September 12, 2018, we entered into a 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 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, Garrett ASASCO 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. Additionally, the Tax Matters Agreement provides that Garrett ASASCO is to make payments to a subsidiary of Honeywell for a portion of Honeywell's net tax liability under Section 965(h)(6)(A) of the Internal Revenue Code for mandatory transition taxes that Honeywell determined is attributable to us (the "MTT Claim"). Following the Spin-Off, Honeywell asserted that Garrett ASASCO was obligated to pay $240 million to Honeywell for the MTT Claim under the Tax Matters Agreement. Accordingly, and in connection with the Tax Matters Agreement, we made payments to Honeywell, under protest, for the Euro-equivalent of $18 million and $19 million during 2019 and the fourth quarter of 2018, respectively, for the MTT Claim. On October 30, 2020, however, Honeywell filed an SEC Form 10-Q for the quarterly period ended September 30, 2020, reporting that its claim against us under the Tax Matters Agreement, including the MTT Claim, is now $273 million. Under the terms of the Tax Matters Agreement, Garrett ASASCO is 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. Garrett ASASCO paid the first annual installment in October 2018 and subsequent annual installments are due in April of each year. The annual installment due on April 1, 2020 was deferred to December 31, 2020 in agreement with Honeywell but was not paid on this date as a result of the automatic stay applicable to the Debtors under the Bankruptcy Code as a result of the Chapter 11 Cases. We do not expect Garrett ASASCO to make payments to Honeywell under the Tax Matters Agreement during the pendency of the Chapter 11 Cases.

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.

As described above, under the terms of the PSA and the Transaction, the Plan includes a global settlement with Honeywell providing for the full and final satisfaction, settlement, release, and discharge of all liabilities under or related to the Tax Matters Agreement. In every case the duration of future liabilities to Honeywell will be reduced from 30 years prior to the Chapter 11 filing to a maximum of nine years.

The Bankruptcy Court entered the Confirmation Order on April 26, 2021. The Company expects that the Effective Date will occur as soon as all conditions precedent to the Plan have been satisfied, which the Company is targeting for April 30, 2021. Although the Company is targeting occurrence of the Effective Date on April 30, 2021, the Company can make no assurances as to when, or ultimately if, the Plan will become effective.

Liquidity and Capital Resources Following Emergence

Under the terms of the Transaction contemplated by the PSA and the Plan, the CO Group obtained a commitment from certain lenders to provide us with a new term loan facility of approximately $1,250 million and a new revolving credit facility of approximately $300 million on the Effective Date. If and when the Effective Date occurs, we expect to enter into definitive documentation for such credit facilities (the "Exit Credit Facility") in connection with Emergence.

The Exit Credit Facility is expected to be comprised of a (i) $715 million term loan (the "USD Term Loan"), (ii) €450 million term loan (the "Euro Term Loan" and, together with the USD Term Loan, the "Term Loans") and (iii) $300 million revolving credit facility, with borrowings and letters of credit available in US dollars and certain other permitted foreign currencies (the "Revolving Credit Facility"). The Revolving Credit Facility and the Term Loans are expected to mature on the fifth and seventh anniversaries, respectively, of the date the Exit Credit Facility is entered into.

The USD Term Loan is expected to bear interest at a rate per annum selected by us that is equal to either (a) an alternate base rate ("ABR") (which shall not be less than 1.50%) or (b) an adjusted LIBOR rate ("LIBOR") (which shall not be less than 0.50%), in each case, plus an applicable margin equal to 3.25% in the case of LIBOR loans and 2.25% in the case of ABR loans. The Euro Term Loan is expected to bear interest at a rate per annum equal to an adjusted EURIBOR rate ("EURIBOR") (which shall not be less than zero) plus an applicable margin equal to 3.50%. The Revolving Credit Facility is expected to be subject to an interest rate comprised of an applicable benchmark rate (which shall not be less than 1.00% if such benchmark is the ABR rate and not less than 0.00% in the case of other applicable benchmark rates) that is selected based on the currency in which borrowings are outstanding thereunder, in each case, plus an applicable margin. The applicable margin for the Revolving Credit Facility is expected to vary based on our leverage ratio. Accordingly, the interest rates under the Exit Credit Facility are expected to fluctuate during the term of the Exit Credit

Facility based on changes in the ABR, LIBOR, EURIBOR and other applicable benchmark rates or future changes in our leverage ratio. In addition to paying interest on outstanding borrowings under the Revolving Credit Facility, the borrowers are expected to be required to pay a quarterly commitment fee based on the unused portion of the Revolving Credit Facility, which is determined by our leverage ratio and ranges from 0.25% to 0.50% per annum.

The Exit Credit Facility is expected to contain 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 or to make other distributions or redemptions/repurchases in respect of our and our subsidiaries' equity interests. The Exit Credit Facility is expected to expressly permit payments-in-kind on our Series A Preferred Stock as well as mandatory cash redemptions in respect of our Series B Preferred Stock. During the fiscal years ending December 31, 2021 and December 31, 2022, the Exit Credit Facility is expected to restrict our ability to pay cash dividends on or to redeem or otherwise acquire for cash the Series A Preferred Stock unless a ratable payment (on an as-converted basis) is made to holders of our common equity and such payments would otherwise be permitted under the terms of the Exit Credit Facility. Our ability to make ratable payments to holders of common equity and Series A Preferred Stock is expected to be restricted by the terms of the Series A Preferred Stock and, as a result, we do not expect to pay cash dividends on the Series A Preferred Stock until the end of the fiscal year ending 2022.

In addition, the Revolving Credit Facility is also expected to contain a financial covenant requiring the maintenance of a consolidated total leverage ratio of not greater than 4.70 to 1.00 as of the end of each fiscal quarter if, on the last day of any such fiscal quarter, the aggregate amount of loans and letters of credit (excluding backstopped or cash collateralized letters of credit and other letters of credit with an aggregate face amount not exceeding $30 million) outstanding under the Revolving Credit Facility exceeds 35% of the aggregate commitments thereunder.

Following Emergence, we expect that our primary sources of liquidity will be cash on hand, cash flow from operations, borrowing capacity under the Exit Credit Facility and offerings of debt and equity securities. Following the Effective Date, we expect that our primary anticipated uses of liquidity will be to fund our working capital, debt service, capital expenditures and other obligations. Our ability to fund our working capital, debt service, capital expenditures and other obligations, and to comply with the financial covenants under our financing agreements, depends on our future operating performance and cash flows from operations, which are subject to prevailing economic conditions and other factors, many of which are beyond our control. A significant amount of our cash requirements will be for debt service obligations. Our future success will depend on our ability to achieve our operating performance goals, address our annual cash interest obligations and reduce our outstanding debt.

Cash Flow Summary for the three Months Ended March 31, 2021 and 2020

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in millions)	
Cash (used for) provided by:		
Operating activities	$ 32	$ 57
Investing activities	(17)	(39)
Financing activities	(101)	62
Effect of exchange rate changes on cash and restricted cash	(30)	(13)
Net decrease in cash, cash equivalents and restricted cash	$ (116)	$ 67

Cash provided by operating activities decreased by $25 million for the three months ended March 31, 2021 versus the prior year period, primarily due to an increase in net loss, net of deferred taxes and non-cash expenses of $108 million, partially offset by a favorable impact from working capital of $23 million, a decrease in Obligations to Honeywell of $21 million and an increase of $39 million in other items (mainly other assets and accrued liabilities).

Cash used for investing activities decreased by $22 million for the three months ended March 31, 2021 versus the prior year period, primarily due to a decrease in Expenditures for property, plant and equipment of $21 million, due to higher customer contribution and lower spend.

Cash used for financing activities increased by $163 million for the three months ended March 31, 2021 versus the prior year period. The change was driven by a draw down, net of payments, on our Revolving Facility of $66 million in the three months ended March 31, 2020 and payments on our DIP Credit Agreement, net of financing fees, of $101 million in the three months ended March 31, 2021.

Seasonality

Our business is typically 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 have historically reflected 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 typically 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

Other than with respect to the anticipated timing of our payments under the Honeywell Indemnity Agreement as described elsewhere in this Quarterly Report on Form 10-Q, the additional borrowing under the Credit Agreement and DIP Credit Agreement as described above or otherwise as a result of the Chapter 11 Cases, there have been no material changes to our contractual obligations from those described in our 2020 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 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 2020 Form 10-K. In connection with the filing of the Chapter 11 Cases on the Petition Date, the Consolidated Interim Financial Statements included herein have been prepared in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 852, Reorganizations. See Note 2, Reorganization and Chapter 11 Proceedings, of the Consolidated Interim Financial Statements for further details.

Recent Accounting Pronouncements

See Note 3, Summary of Significant Accounting Policies of the Notes to Consolidated Interim Financial Statements for further discussion of recent accounting pronouncements.

Other Matters

Litigation and Environmental Matters

See Note 18, Commitments and Contingencies of the Notes to the Consolidated Interim Financial Statements for a discussion of environmental, asbestos and other litigation matters.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to the Company’s quantitative and qualitative disclosures about market risks as disclosed in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risks, in our 2020 Form 10-K.

Item 4. Controls and Procedures.

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2021.

There were no changes in the Company’s internal control over financial reporting that occurred during the quarter ended March 31, 2021 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.

On December 2, 2019, the Company and its subsidiary, Garrett ASASCO Inc., filed a Summons with Notice in the Commercial Division of the Supreme Court of the State of New York, County of New York (the "NY Supreme Court") commencing an action (the "Action") against Honeywell, certain of Honeywell's subsidiaries and certain of Honeywell's employees for declaratory judgment, breach of contract, breach of fiduciary duties, aiding and abetting breach of fiduciary duties, corporate waste, breach of the implied covenant of good faith and fair dealing, and unjust enrichment. On January 15, 2020, the Company and Garrett ASASCO Inc. filed a Complaint in the NY Supreme Court in connection with the Action. The lawsuit arises from the Honeywell Indemnity Agreement. The Company is seeking declaratory relief, compensatory damages in an amount to be determined at trial rescission of the Honeywell Indemnity Agreement, attorneys' fees and costs, and such other and further relief as the Court may deem just and proper. Among other claims, Garrett asserts that Honeywell is not entitled to indemnification because it improperly seeks indemnification for amounts attributable to punitive damages and intentional misconduct, and because it has failed to establish other prerequisites for indemnification under New York law. Specifically, the claim asserts that Honeywell has failed to establish its right to indemnity for each and every asbestos settlement of the thousands for which it seeks indemnification. The Action seeks to establish that the Honeywell Indemnity Agreement is not enforceable, in whole or in part. On March 5, 2020, Honeywell filed a "Notice of Motion to Dismiss Garrett's Complaint." On September 20, 2020, Garrett and certain of its subsidiaries each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of New York. On September 23, 2020, Garrett removed the Action to the United States District Court for the Southern District of New York, and on September 24, 2020, the Action was referred to the Bankruptcy Court, where the case is currently pending. A pre-trial conference took place on October 22, 2020. The Court heard argument on Honeywell's pending motion to dismiss on November 18, 2020; the Court has not yet issued a decision. On November 2, 2020, the Garrett entities that are Debtors and Debtors in Possession filed a Motion Pursuant to Sections 105(a) and 502(c) To Establish Procedures for Estimating The Maximum Amount Of Honeywell's Claims And Related Relief (the "Motion"). The Court heard argument on the Motion on November 18. The Court ordered an estimation proceeding to take place to estimate all of Honeywell's claims against the Garrett entities that are Debtors and Debtors in Possession. On December 18, 2020, Honeywell filed proofs of claim in the Chapter 11 Cases, asserting that the Company owes at least $1.9 billion. The Bankruptcy Court was scheduled to estimate the amount of Honeywell's claims in an estimation proceeding that was scheduled to commence on February 1, 2021. As noted below, the estimation proceeding has been stayed by order of the Bankruptcy Court.

On January 11, 2021, the Company announced that it had agreed to settle Honeywell's claims as part of the Plan. The Plan is subject to various conditions. Under the Plan settlement, Honeywell would receive a $375 million payment and Series B Preferred Stock payable in installments of $35 million in 2022, and $100 million annually 2023-2030. The Company would have the option to prepay the Series B Preferred Stock in full at any time at a call price equivalent to $584 million as of the Emergence (representing the present value of the installments at a 7.25% discount rate). The Company will also have the option to make a partial payment of the Series B Preferred Stock, reducing the present value to $400 million, at any time within 18 months of Emergence.

On January 15, 2021, the Bankruptcy Court ordered that the Action and the estimation proceeding both be stayed pending the Bankruptcy Court's consideration of the Plan. On April 26, 2021, the Bankruptcy Court entered the Confirmation Order.

The Debtors' Chapter 11 Cases are being jointly administered under the caption "In re: Garrett Motion Inc., 20-12212." For additional information regarding the Chapter 11 Cases, see Note 1 Background and Basis of Preparation and Note 2 Reorganization and Chapter 11 Proceedings of the Notes to the Consolidated Interim Financial Statements.

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

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

On November 5, 2020, another putative securities class action complaint was filed against certain current and former Garrett officers and directors, in the United States District Court for the Southern District of New York. This case bears the caption: *Joseph Froehlich, Individually and On Behalf of All Others Similarly Situated, v. Olivier Rabiller, Allesandro Gili, Peter Bracke, Sean*

Deason, and Su Ping Lu, Case No. 1:20-cv-09279-JPC (SDNY) (the “Froehlich Action”). The Froehlich Action also asserted claims under Sections 10(b) and 20(a) of the Exchange Act.

All three cases seek compensatory damages as well as interest, fees and costs. All three actions are currently assigned to Judge John P. Cronan. Su Ping Lu filed a waiver of service in the Gabelli Action on November 10, 2020. On November 24, 2020, competing motions were filed seeking the appointment of lead plaintiff and lead counsel and the consolidation of the Husson, Gabelli, and Froehlich Actions.

On December 8, 2020, counsel for the plaintiffs in the Gabelli Action – the Entwistle & Cappucci law firm – filed an unopposed stipulation and proposed order that would (1) appoint the plaintiffs in the Gabelli Action – the “Gabelli Entities” – the lead plaintiffs; (2) would appoint Entwistle & Cappucci as lead counsel for the plaintiff class; and (3) consolidate the Gabelli Action, the Husson Action, and the Froehlich Action. On January 21, 2021, the Court granted the motion to consolidate the actions and granted the Gabelli Entities’ motions for appointment as lead plaintiff and for selection of lead counsel. On February 25, 2021, plaintiffs filed a Consolidated Amended Complaint for Violation of the Federal Securities Laws. Defendants’ motion to dismiss is due by April 26, 2021; Plaintiffs’ opposition is due by June 25, 2021; and Defendants’ reply is due by July 26, 2021.

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

The Bankruptcy Court set a bar date of March 1, 2021 for current and former shareholders to file securities-related claims against the Debtors arising from rescission of a purchase or sale of common stock of Garrett Motion Inc., for damages arising from the purchase or sale of common stock of Garrett Motion Inc., or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such claims arising (or deemed to have arisen) prior to the Petition Date for all securities claims arising prior to the Petition Date. We are not yet able to assess the likelihood that any such claims will be allowed. To the extent allowed, each holder of such claims will be entitled to receive, (x) its pro rata share of the aggregate cash payments received or recoverable from any insurance policies of the Company on account of any such allowed claims and (y) solely to the extent that such payments are less than the amount of its allowed claim, payment in full of the remaining amount of its allowed claim, at the option of the reorganized Debtors, in cash or a number of shares of Garrett common stock at a value of $6.25 per share.

In September 2020, the Brazilian tax authorities issued an infraction notice against Garrett Motion Industria Automotiva Brasil Ltda, challenging the use of certain tax credits between January 2017 and February 2020. The infraction notice results in a loss contingency that may or may not ultimately be incurred by the Company. The estimated total amount of the contingency as of March 31, 2021 was $27 million including penalties and interest. The Company appealed the infraction notice on October 23, 2020. In March 2021, in response to our request, the Brazilian Tax Authorities reconsidered their position for a portion of the $27 million mentioned above and allowed Garrett Motion Brazil the right to offset Federal Tax with the BEFIEX Credits. The letter does not qualify as a formal decision and requires formal recognition from the Judge and from the Federal Judgement Office in charge of the disputes. The Company believes, based on management’s assessment and the advice of external legal counsel, that it has meritorious arguments in connection with the infraction notice and any liability for the infraction notice is currently not probable. Accordingly, no accrual is required at this time.

On November 13, 2020, certain of the Debtors (the “Plaintiffs”) filed a complaint in the Bankruptcy Court against the indenture trustee (the “Indenture Trustee”) of the 5.125% senior notes due 2026 (the “Senior Notes”) seeking declaratory judgment on two claims for relief that the Debtors do not owe, and the holders of the Senior Notes (the “Noteholders”) are not entitled to, any make-whole premium under the Indenture (the “Make-Whole” and such litigation, the “Make-Whole Litigation”). Certain Noteholders have contended in these Chapter 11 Cases that the Noteholders are entitled to payment of the Make-Whole under the terms of the Indenture, which provide for the payment of the Make-Whole if the Debtors exercise their right to redeem the Senior Notes prior to maturity, as a result of the Debtors’ commencement of their Chapter 11 Cases. The Plaintiffs believe that the Noteholders are not entitled to any Make-Whole because the Debtors have not exercised their right of redemption as contemplated by the Indenture and, in the alternative, the Make-Whole should be disallowed as unmatured interest pursuant to Section 502(b)(2) of the Bankruptcy Code. On January 8, 2021, the Indenture Trustee filed an answer to the Debtors’ complaint. Pursuant to the PSA, the Debtors have agreed to suspend all litigation activities related to and stay the Make-Whole Litigation through Emergence (the “Effective Date”) and to dismiss with prejudice such proceedings upon Emergence.

For additional information regarding our legal proceedings, see Note 18, Commitments and Contingencies of the Notes to the Consolidated Interim Financial Statements.

We are involved in various other 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.

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 2020 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.

Other than the below, there have been no material changes in the risks affecting the Company since the filing of our 2020 Form 10-K. We are updating the risk factors included in our 2020 Form 10-K to include the following:

Risks Relating to Our Chapter 11 Cases

Our ability to emerge from the Chapter 11 Cases will depend on the satisfaction of the conditions to effectiveness to the Plan, not all of which are within our control.

On April 26, 2021, the Bankruptcy Court entered the Confirmation Order. The Company expects that the Effective Date will occur as soon as all conditions precedent to the Plan have been satisfied, which the Company is targeting for April 30, 2021. Such conditions include, among others: (i) all definitive documentation for the transactions pursuant to the Plan shall have been executed and remain in full force and effect; (ii) the PSA, EBCA and certain equity commitment letters provided by the CO Group remain in full force and effect; (iii) the Debtors obtain all applicable authorizations, consents, regulatory approvals, rulings, or documents that are necessary to implement and effectuate the Plan (and all applicable waiting periods have expired); (iv) the Debtors shall have implemented the transactions pursuant to the Plan in a manner consistent with the Plan and the PSA; (v) the Rights Offerings shall have been conducted in accordance with the procedures approved by the Bankruptcy Court; (vi) no governmental entity or federal or state court of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law or order (whether temporary, preliminary or permanent), in any case which is in effect and which prevents or prohibits consummation of the Plan, and no governmental entity has instituted any action or proceeding (which remains pending at what would otherwise be the Effective Date) seeking to enjoin, restrain or otherwise prohibit consummation of the transactions contemplated by the Plan; and (vii) certain expenses of various parties involved in the Chapter 11 Cases shall have been paid in full in cash. Although the Company is targeting occurrence of the Effective Date on April 30, 2021, the Company can make no assurances as to when, or ultimately if, the Plan will become effective.

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

None.

Item 3. Defaults Upon Senior Securities.

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

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
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	2/27/2020	
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	
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.	S-8	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, the Company, 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	Restructuring Support Agreement, dated as of September 20, 2020, by and among Garrett Motion Inc., the Company Parties and the Consenting Lenders.	8-K	001-38636	10.1	9/21/2020	
10.2	First Amendment, dated as of January 6, 2021, to the Restructuring Support Agreement, dated as of September 20, 2020, by and among Garrett Motion Inc., the Company Parties and the Consenting Lenders.	8-K	001-38636	10.1	1/8/2021	
10.3	Second Amended and Restated Plan Support Agreement, dated as of March 9, 2021, by and among the Debtors, Centerbridge Partners, L.P., Oaktree Capital Management, L.P., Honeywell International Inc., and the additional parties named therein.	8-K	001-38636	10.1	3/10/2021	
10.4	Replacement Equity Backstop Commitment Agreement, dated as of March 9, 2021, by and among the Debtors and the Equity Backstop Parties.	8-K	001-38636	10.2	3/10/2021	
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					*

Exhibit Number	Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					*

* Filed herewith.

** Furnished herewith.

+ Portions of these exhibits have been redacted pursuant to Item 601(b)(2) of Regulation S-K. The omitted information is not material and would likely cause competitive harm to the Company if publicly disclosed. The Company hereby undertakes to furnish unredacted copies of the exhibits upon request by the Securities and Exchange Commission.

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: April 29, 2021	By: /s/ Olivier Rabiller **Olivier Rabiller** **President and Chief Executive Officer**
Date: April 29, 2021	By: /s/ Sean Deason **Sean Deason** **Senior Vice President and Chief Financial Officer**

Exhibit 31.1

CERTIFICATION

I, Olivier Rabiller, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: April 29, 2021

By: /s/ Olivier Rabiller

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

Exhibit 31.2

CERTIFICATION

I, Sean Deason, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: April 29, 2021

By: /s/ Sean Deason
Sean Deason
Senior Vice President and Chief Financial Officer
(*principal financial officer*)

Exhibit 32.1

CERTIFICATION PURSUANT TO

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

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Garrett Motion Inc. (the “Company”) for the period ended March 31, 2021 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: April 29, 2021

By: /s/ Olivier Rabiller

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

Exhibit 32.2

CERTIFICATION PURSUANT TO

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

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Garrett Motion Inc. (the "Company") for the period ended March 31, 2021 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: April 29, 2021

By: /s/ Sean Deason

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