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gaap:OperatingSegmentsMember2023-01-012023-06-300001968915us-gaap:OperatingSegmentsMember2023-01-012023-06-30UNITED STATES SECURITIES AND EXCHANGE COMMISSIONWashington, D.C. 20549FORM 10-Q (Mark One)â˜‘Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934For the quarterly period ended June 30, 2024ORâ˜Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934For the transition period from to Commission file number 001-41708 PHINIA INC.(Exact name of registrant as specified in its charter)Delaware92-2483604(State or other jurisdiction of incorporation or organization)(I.R.S. Employer Identification No.)3000 University Drive, Auburn Hills, Michigan48326(Address of Principal Executive Offices)(Zip Code)Registrant's telephone number, including area code (248) 732-1900 Securities registered pursuant to Section 12(b) of the Act: Title of each classTrading Symbol(s)Name of each exchange on which registeredCommon Stock, par value $0.01 per sharePHINNew York Stock ExchangeIndicate 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 â˜‘ No â˜ 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 (Â§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 â˜‘ No â˜ 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 â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting company,â€ and â€œemerging growth companyâ€ in Rule 12b-2 of the Exchange Act.Large accelerated filerâ˜Accelerated filerâ˜Non-accelerated filerâ˜‘Smaller reporting companyâ˜Emerging growth companyâ˜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. â˜Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes â˜ No â˜‘As of JulyÂ 26, 2024, the registrant had 43,677,801 shares of voting common stock outstanding.PHINIA INC.FORM 10-QTHREE AND SIX MONTHS ENDED JUNEÂ 30, 2024INDEXPage No.

Purchases of Equity Securities36Item 5. Other Information36Item 6. Exhibits38SIGNATURES39Table of ContentsPART I. FINANCIAL INFORMATIONItem 1. Financial StatementsPHINIA INC.CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)(in millions)June 30,2024December 31,2023ASSETSCash and cash equivalents$339Â $365Â Receivables, net964Â 1,017Â Inventories471Â 487Â Prepayments and other current assets84Â 58Â Total current assets1,858Â 1,927Â Property, plant and equipment, net870Â 921Â Investments and long-term receivables123Â 115Â Goodwill483Â 499Â Other intangible assets, net393Â 417Â Other non-current assets146Â 162Â Total assets$3,873Â $4,041Â LIABILITIES AND EQUITYShort-term borrowings and current portion of long-term debt$13Â $89Â Accounts payable572Â 639Â Other current liabilities420Â 420Â Total current liabilities1,005Â 1,148Â Long-term debt821Â 709Â Retirement-related liabilities132Â 132Â Other non-current liabilities168Â 165Â Total liabilities2,126Â 2,154Â Commitments and contingencies (Note 15)Common stock1Â 1Â Additional paid-in capital2,019Â 2,031Â Retained earnings29Â 9Â Accumulated other comprehensive loss(172)(131)Treasury stock(130)(23)Total equity1,747Â 1,887Â Total liabilities and equity$3,873Â $4,041Â See accompanying Notes to Condensed Consolidated Financial Statements.1Table of ContentsPHINIA INC.CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)Three Months Ended June 30,Six Months Ended June 30,(in millions, except per share amounts)2024Â 202320242023Net sales$868Â $887Â $1,731Â $1,722Â Cost of sales680Â 698Â 1,351Â 1,361Â Gross profit188Â 189Â 380Â 361Â Selling, general and administrative expenses112Â 103Â 216Â 202Â Other operating expense, net5Â 30Â 22Â 45Â Operating income71Â 56Â 142Â 114Â Equity in affiliatesâ€™ earnings, net of tax(2)(3)(5)(6)Interest expense39Â 6Â 61Â 12Â Interest income(4)(2)(8)(5)Other postretirement expense (income), net1Â (1)1Â (1)Earnings before income taxes37Â 56Â 93Â 114Â Provision for income taxes23Â 21Â 50Â 44Â Net earnings$14Â $35Â $43Â $70Â Earnings per share â€" basic$0.31Â $0.74Â $0.95Â $1.49Â Earnings per shareâ€" diluted$0.31Â $0.74Â $0.93Â $1.49Â Weighted average shares outstanding:Basic44.8Â 47.0Â 45.5Â 47.0Â Diluted45.7Â 47.0Â 46.1Â 47.0Â See accompanying Notes to Condensed Consolidated Financial Statements.2Table of ContentsPHINIA INC.CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME(UNAUDITED)Three Months Ended June 30,Six Months Ended June 30,(in millions)2024202320242023Net earnings$14Â $35Â $43Â $70Â Other comprehensive (loss) incomeForeign currency translation adjustments(1)(18)10Â (39)30Â Defined benefit pension plans(1)(1)â€"Â (2)(1)Hedge instruments(1)â€"Â (4)â€"Â (2)Total other comprehensive (loss) income(19)6Â (41)27Â Comprehensive (loss) income(5)41Â $2Â $97Â _____________(1) Net of income taxes.See accompanying Notes to Condensed Consolidated Financial Statements.3Table of ContentsPHINIA INC.CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)Six Months Ended June 30,(in millions)20242023OPERATINGNet earnings$43Â $70Â Adjustments to reconcile net earnings to net cash provided by operating activities:Depreciation and tooling amortization67Â 70Â Intangible asset amortization14Â 14Â Restructuring expense, net of cash paid5Â 2Â Loss on extinguishment of debt20Â â€"Â Stock-based compensation expense8Â 4Â Deferred income tax expense7Â 8Â Other non-cash adjustments, net(2)4Â Changes in assets and liabilities, excluding foreign currency translation adjustments:Receivables19Â (64)Inventories4Â (52)Prepayments and other current assets(11)(10)Accounts payable and other current liabilities(23)(16)Prepaid taxes and income taxes payable6Â 29Â Other assets and liabilities(16)(26)Retirement benefit plan contributions(1)â€"Â Net cash provided by operating activities140Â 33Â INVESTINGCapital expenditures, including tooling outlays(60)(80)Payments for investment in equity securitiesâ€"Â (2)Proceeds from asset disposals and other, net1Â 2Â Net cash used in investing activities(59)(80)FINANCINGNet decrease in notes payable(75)â€"Â Proceeds from issuance of long-term debt525Â â€"Â Payments for debt issuance costs(9)â€"Â Repayments of debt, including current portion(428)â€"Â Dividends paid to PHINIA stockholders(23)â€"Â Payments for purchase of treasury stock(113)â€"Â Payments for stock-based compensation items(3)â€"Â Cash outflows related to debt due to former parentâ€"Â (94)Cash inflows related to debt due from former parentâ€"Â 36Â Net transfers to former parentâ€"Â 58Â Net cash used in financing activities(126)â€"Â Effect of exchange rate changes on cash19Â 9Â Net decrease in cash and cash equivalents(26)(38)Cash and cash equivalents at beginning of year365Â 251Â Cash and cash equivalents at end of period$339Â $213Â SUPPLEMENTAL CASH FLOW INFORMATIONCash paid during the year for:Interest, net$17Â $(1)Income taxes, net of refunds$27Â $18Â See accompanying Notes to Condensed Consolidated Financial Statements.4Table of ContentsNOTESÂ TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)INTRODUCTIONThe accompanying Condensed Consolidated Financial Statements and notes present the condensed consolidated statements of operations, balance sheets, and cash flows of PHINIA Inc. (PHINIA or the Company). PHINIA is a leader in the development, design and manufacture of integrated components and systems that are designed to optimize performance, increase efficiency and reduce emissions for combustion and hybrid propulsion systems for commercial vehicles and industrial applications (medium-duty and heavy-duty trucks, off-highway construction, marine, aviation, and agricultural) and light vehicles (passenger cars, trucks, vans and sport-utility). The Company is a global supplier to most major original equipment manufacturers (OEMs) seeking to meet evolving and increasingly stringent global regulatory requirements and satisfy consumer demands for an enhanced user experience. Additionally, the Company offers a wide range of original equipment service (OES) solutions and remanufactured products as well as an expanded range of products for the independent (non-OEM) aftermarket. Transition to Standalone CompanyOn December 6, 2022, BorgWarner Inc., a manufacturer and supplier of automotive industry components and parts (BorgWarner, or Former Parent) announced plans for the complete legal and structural separation of its Fuel Systems and Aftermarket businesses by the spin-off of its wholly-owned subsidiary, PHINIA, which was formed on February 9, 2023 (the Spin-Off). On July 3, 2023, BorgWarner completed the Spin-Off in a transaction intended to qualify as tax-free to the Companyâ€™s stockholders for U.S. federal income tax purposes, which was accomplished by the distribution of the outstanding common stock of PHINIA to holders of record of common stock of BorgWarner on a pro rata basis. Each holder of record of BorgWarner common stock received one share of PHINIA common stock for every five shares of BorgWarner common stock held on June 23, 2023, the record date. In lieu of fractional shares of PHINIA, BorgWarner stockholders received cash. As a result of these transactions, all of the assets, liabilities, and legal entities comprising BorgWarnerâ€™s Fuel Systems and Aftermarket businesses are now owned directly, or indirectly through its subsidiaries, by PHINIA. PHINIA is an independent public company trading under the symbol â€œPHINâ€ on the New York Stock Exchange. NOTE 1Â Â Â Â Â BASIS OF PRESENTATIONPrior to the Spin-Off on July 3, 2023, the historical financial statements of PHINIA were prepared on a standalone combined basis and were derived from BorgWarnerâ€™s consolidated financial statements and accounting records as if the Fuel Systems and Aftermarket businesses of BorgWarner had been part of PHINIA for all periods presented. Accordingly, for periods prior to July 3, 2023, our financial statements are presented on a combined basis and for the periods subsequent to July 3, 2023 are presented on a consolidated basis (all periods hereinafter are referred to as â€œconsolidated financial statementsâ€). The Company's Condensed Consolidated Financial Statements were prepared in accordance with accounting principles in the United States of America (U.S. GAAP) pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial information. Certain information and footnote disclosures normally included in annual financial statements were condensed or omitted as permitted by such rules and regulations. In the opinion of management, all normal recurring adjustments necessary for a fair statement of results have been included. Operating results for the three and six months ended JuneÂ 30, 2024 are not necessarily indicative of the results that may be expected for the year ending DecemberÂ 31, 2024. The balance sheet as of DecemberÂ 31, 2023 was derived from the audited financial statements as of that date. Certain amounts for the prior periods presented were reclassified to conform to the current period presentation. The Company has also corrected for certain immaterial errors that impacted balance sheet footnote disclosures as of December 31, 2023.Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and 5Table of Contentsaccompanying notes, as well as amounts of revenues and expenses reported during the periods covered by those financial statements and accompanying notes. The Condensed Consolidated Financial Statements may not be indicative of the Companyâ€™s future performance and do not necessarily reflect what the financial position, results of operations, and cash flows would have been had it operated as a standalone company during the periods presented prior to the Spin-Off.The Condensed Consolidated Statements of Operations include all revenues and costs directly attributable to the Company, including costs for facilities, functions, and services utilized. Costs for certain centralized functions and programs provided and administered by BorgWarner were charged directly to the Company prior to Spin-Off. These centralized functions and programs included, but were not limited to, research and development and information technology.A portion of BorgWarnerâ€™s total corporate expenses were allocated to the Company for services rendered by BorgWarner prior to the Spin-Off. These expenses included the cost of corporate functions and resources, including, but not limited to, executive management, finance, accounting, legal, human resources, research and development and sales. Additionally, a portion of the Companyâ€™s corporate expenses were allocated to BorgWarner for charges incurred related to subsidiaries of BorgWarner historically supported by the Company, primarily related to information technology. These expenses were allocated based on direct usage when identifiable or, when not directly identifiable, on the basis of proportional net revenues, legal entities, headcount or weighted-square footage, as applicable. The Company considers the basis on which the expenses have been allocated to reasonably reflect the utilization of services provided to, or the benefit received by, both the Company and BorgWarner during the periods presented. However, the allocations may not reflect the expenses the Company would have incurred if the Company had been a standalone company for the periods presented prior to July 3, 2023. For the three and six months ended JuneÂ 30, 2023, net corporate allocation expenses totaled $54 million and $89Â million, respectively. Corporate allocation expenses were primarily included in Selling, general and administrative expenses.New Accounting PronouncementsIn November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, â€œSegment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.â€ It requires incremental disclosures related to an entityâ€™s reportable segments, primarily through enhanced disclosures about significant segment expenses. This guidance is effective for annual reporting periods beginning after December 15, 2023, and interim reporting periods beginning after December 15, 2024. The Company is currently evaluating the impact of this ASU on its financial statements.In December 2023, the FASB issued ASU 2023-09, â€œIncome Taxes (Topic 740): Improvements to Income Tax Disclosures.â€ This guidance requires entities to disaggregate information related to the effective tax rate reconciliation and income taxes paid. This guidance is effective for annual reporting periods beginning after December 15, 2024. The Company is currently evaluating the impact of this ASU on its financial statements.NOTE 2Â Â Â Â Â REVENUE FROM CONTRACTS WITH CUSTOMERSThe Company manufactures and sells products and solutions, primarily to OEMs of commercial vehicle, industrial applications and light vehicles, to certain Tier One vehicle systems suppliers and into the aftermarket. The Companyâ€™s payment terms are based on customary business practices and vary by customer type and products offered. The Company has evaluated the terms of its arrangements and determined that they do not contain significant financing components.Generally, revenue is recognized upon shipment or delivery; however, a limited number of the Companyâ€™s customer arrangements for its highly customized products with no alternative use provide the Company with the right to payment during the production process. As a result, for these limited arrangements, revenue is recognized as goods are produced and control transfers to the customer using the input cost-6Table of Contentsto-cost method. The Company recorded a contract asset of $1 million at JuneÂ 30, 2024 and DecemberÂ 31, 2023 for these arrangements. These amounts are reflected in Prepayments and other current assets in the Companyâ€™s Condensed Consolidated Balance Sheets.In limited instances, certain customers have provided payments in advance of receiving related products, typically at the onset of an arrangement prior to the beginning of production. As of JuneÂ 30, 2024, the balance of contract liabilities was $7 million, of which $1 million was reflected in Other current liabilities and $6 million was reflected in Other non-current liabilities. As of DecemberÂ 31, 2023, the balance of contract liabilities was $7 million, of which $6 million was reflected in Other current liabilities and $1 million was reflected as Other non-current liabilities. These amounts are reflected as revenue over the term of the arrangement (typically three to seven years) as the underlying products are shipped and represent the Companyâ€™s remaining performance obligations as of the end of the period.The following table represents a disaggregation of revenue from contracts with customers by reportable segment and region for the three and six months ended JuneÂ 30, 2024 and 2023. Refer to Note 18, â€œReportable Segments And Related Informationâ€ to the Condensed Consolidated Financial Statements, for more information.Three Months Ended June 30, 2024(In millions)Fuel SystemsAftermarketTotalAmericas$177Â $192Â $369Â Europe227Â 137Â 364Â Asia114Â 21Â 135Â Total$518Â $350Â $868Â Three Months Ended June 30, 2023(In millions)Fuel SystemsAftermarketTotalAmericas$171Â $200Â $371Â Europe256Â 116Â 372Â Asia124Â 20Â 144Â Total$551Â $336Â $887Â Six Months Ended June 30, 2024(In millions)Fuel SystemsAftermarketTotalAmericas$364Â $384Â $748Â Europe454Â 262Â 716Â Asia227Â 40Â 267Â Total$1,045Â $686Â $1,731Â Six Months Ended June 30, 2023(In millions)Fuel SystemsAftermarketTotalAmericas$338Â $398Â $736Â Europe479Â 228Â 707Â Asia243Â 36Â 279Â Total$1,060Â $662Â $1,722Â 7Table of ContentsNOTE 3Â Â Â Â Â RESEARCH AND DEVELOPMENT COSTSThe Companyâ€™s net Research & Development (R&D) expenditures are primarily included in Selling, general and administrative expenses of the Condensed Consolidated Statements of Operations. Customer reimbursements are netted against gross R&D expenditures as they are considered a recovery of cost. Customer reimbursements for prototypes are recorded net of prototype costs based on customer contracts, typically either when the prototype is shipped or when it is accepted by the customer. Customer reimbursements for engineering services are recorded when performance obligations are satisfied in accordance with the contract. Financial risks and rewards transfer upon shipment, acceptance of a prototype component by the customer or upon completion of the performance obligation as stated in the respective customer agreement. The Company has various customer arrangements relating to R&D activities that it performs at its various R&D locations.The following table presents the Companyâ€™s gross and net expenditures on R&D activities:Three Months Ended June 30,Six Months Ended June 30,(in millions)2024202320242023Gross R&D expenditures$52Â $49Â $104Â $98Â Customer reimbursements(22)(21)(47)(41)Net R&D expenditures$30Â $28Â $57Â $57Â NOTE 4Â Â Â Â Â OTHER OPERATING EXPENSE, NETItems included in Other operating expense, net consist of:Three Months Ended June 30,Six Months Ended June 30,(in millions)2024202320242023Separation and transaction costs$3Â $41Â $20Â $59Â Restructuring3Â 2Â 5Â 6Â Royalty income from Former Parentâ€”Â (12)â€”Â (17)R&D income from Former Parentâ€”Â (1)â€”Â (2)Other operating income, net(1)â€”Â (3)(1)Other operating expense, net$5Â $30Â $22Â $45Â Separation and transaction costs: During the three and six months ended JuneÂ 30, 2024, the Company recorded separation and transaction costs of $3 million and $20 million, respectively. Separation and transaction costs primarily relate to professional fees and other costs associated with the separation of the Company, including the management of certain historical liabilities allocated to the Company in connection with the Spin-Off. During the three and six months ended JuneÂ 30, 2023, the Company recorded separation and transaction costs of $41 million and $59 million, respectively, primarily related to professional fees and other costs associated with the separation of the Company.Restructuring: During the three and six months ended JuneÂ 30, 2024, the Company recorded $3 million and $5 million, respectively, of restructuring costs for individually approved restructuring actions that primarily related to reductions in headcount in the Fuel Systems segment. During the three and six months ended JuneÂ 30, 2023, the Company recorded $2 million and $6 million, respectively, of restructuring costs for individually approved restructuring actions that primarily related to reductions in headcount in the Fuel Systems segment.Royalty income from Former Parent: The Company participated in royalty arrangements with BorgWarner businesses prior to the Spin-Off, which involved the licensing of the Delphi Technologies trade name and product-related intellectual properties.8Table of ContentsR&D income from Former Parent: The Company provided application testing and other R&D services for other BorgWarner businesses prior to the Spin-Off.NOTE 5 INCOME TAXESThe Companyâ€™s provision for income taxes is based upon an estimated annual effective tax rate for the year applied to domestic and foreign income. On a quarterly basis, the annual effective tax rate is adjusted, as appropriate, based upon changed facts and circumstances, if any, as compared to those forecasted at the beginning of the fiscal year and each interim period thereafter.The Companyâ€™s effective tax rate for the three months ended JuneÂ 30, 2024 and 2023 was 62% and 38%, respectively. The effective tax rate for the three months ended JuneÂ 30, 2024 increased as compared to the prior year as a result of a change and reduction in the jurisdictional mix of pre-tax earnings, most notably an increase in pre-tax losses where no benefit is recognized.The Companyâ€™s effective tax rate for the six months ended June 30, 2024 and 2023 was 54% and 39%, respectively. The effective tax rate for the six months ended June 30, 2024 increased as compared to the prior year as a result of a change and reduction in the jurisdictional mix of pre-tax earnings, most notably an increase in pre-tax losses where no benefit is recognized.The annual effective tax rates differ from the U.S. statutory rate primarily due to foreign rates which vary from those in the U.S., jurisdictions with pretax losses for which no tax benefit could be realized, U.S. taxes on foreign earnings, and permanent differences between book and tax treatment for certain items including enhanced deduction of research and development expenses in certain jurisdictions.For periods ended on or prior to July 3, 2023, the Companyâ€™s operations have been included in Former Parentâ€™s U.S. federal consolidated tax return, certain foreign tax returns, and certain state tax returns. For the purposes of these financial statements, the Companyâ€™s income tax provision was computed as if the Company filed separate tax returns (i.e., as if the Company had not been included in the consolidated income tax return group with the Former Parent). The separate return method applies ASC 740 to the Condensed Consolidated Financial Statements of each member of a consolidated tax group as if the group member were a separate taxpayer. As a result, actual tax transactions included in the consolidated financial statements of the Former Parent may not be included in these Condensed Consolidated Financial Statements. Further, the Companyâ€™s tax results as presented in the Condensed Consolidated Financial Statements may not be reflective of the results that the Company expects to generate in the future. Also, the tax treatment of certain items reflected in the Condensed Consolidated Financial Statements may not be reflected in the Consolidated Financial Statements and tax returns of the Former Parent. Items such as net operating losses, other deferred taxes, income taxes payable, liabilities for uncertain tax positions and valuation allowances may exist in the Consolidated Financial Statements that may or may not exist in the Former Parentâ€™s Consolidated Financial Statements.For periods subsequent to July 3, 2023, these items are reported based on tax filings and tax attributes of the Companyâ€™s legal entities. Indemnification assets and liabilities have been reported for amounts payable to or recoverable from the Former Parent under the Tax Matters Agreement for taxes associated with the period prior to the Spin-Off. The Tax Matters Agreement generally governs the Companyâ€™s and the Former Parentâ€™s respective rights, responsibilities and obligations after the distribution with respect to taxes for any tax period ending on or before the distribution date, as well as tax periods beginning before and ending after the distribution date. Generally, the Former Parent is liable for all pre-distribution U.S. income taxes, foreign income taxes, certain non-income taxes attributable to the companyâ€™s business, and liabilities for taxes that were incurred as a result of restructuring activities undertaken to effectuate the separation. The Company is generally liable for all other taxes attributable to its business.The Organization for Economic Co-operation and Development (OECD) has a framework to implement a global minimum corporate tax of 15% for companies with global revenues and profits above certain thresholds (referred to as Pillar Two), with certain aspects of Pillar Two effective January 1, 2024 and other aspects effective January 1, 2025. While it is uncertain whether the U.S. will enact legislation to 9Table of Contentsadopt Pillar Two, certain countries in which the Company operates have adopted legislation, and other countries are in the process of introducing legislation to implement Pillar Two. The Company does not expect Pillar Two to have a material impact on its effective tax rate or its consolidated results of operation, financial position or cash flows.NOTE 6Â Â Â Â Â INVENTORIESA summary of Inventories is presented below:(in millions)June 30,2024December 31,2023Raw material and supplies$256Â $286Â Work-in-progress47Â 46Â Finished goods168Â 155Â Inventories$471Â $487Â NOTE 7Â Â Â Â Â OTHER CURRENT AND NON-CURRENT ASSETS(in millions)June 30,2024December 31,2023Prepayments and other current assets:Prepaid taxes$42Â $26Â Prepaid software9Â 5Â Prepaid engineering9Â 3Â Customer return assets7Â 8Â Prepaid customer tooling5Â 3Â Deposits2Â 3Â Prepaid insurance2Â 3Â Other8Â 7Â Total prepayments and other current assets$84Â $58Â Investments and long-term receivables:Investment in equity affiliates$52Â $48Â Long-term receivables50Â 46Â Due from Former Parent17Â 17Â Investment in equity securities4Â 4Â Total investments and long-term receivables$123Â $115Â Other non-current assets:Operating leases$57Â $63Â Deferred income taxes56Â 61Â Customer incentive payments10Â 10Â Other23Â 28Â Total other non-current assets$146Â $162Â 10Table of ContentsNOTE 8Â Â Â Â Â GOODWILL AND OTHER INTANGIBLESDuring the fourth quarter of each year, the Company assesses its goodwill and indefinite-lived intangibles assigned to each of its reporting units for impairment by either performing a qualitative assessment or a quantitative analysis. No events or circumstances were noted in the first six months of 2024 requiring additional assessment or testing.A summary of the components in the carrying amount of goodwill as of JuneÂ 30, 2024 and DecemberÂ 31, 2023 is as follows:(in millions)Fuel SystemsAftermarketTotalGross goodwill balance, December 31, 2023$61Â $551Â $612Â Accumulated impairment lossesâ€"Â (113)(113)Net goodwill balance, December 31, 2023$61Â $438Â $499Â Goodwill during the period:Translation adjustment(2)(14)(16)Net goodwill balance, June 30, 2024$59Â $424Â $483Â The Companyâ€™s other intangible assets, primarily from acquisitions, consist of the following:June 30, 2024December 31, 2023(in millions)Estimated useful lives (years)Gross carrying amountAccumulated amortizationNet carrying amountGross carrying amountAccumulated amortizationNet carrying amountAmortized intangible assets:Patented and unpatented technology14 - 15$145Â $46Â $99Â $149Â $41Â $108Â Customer relationships14 - 15262Â 110Â 152Â 268Â 104Â 164Â Total amortized intangible assets407Â 156Â 251Â 417Â 145Â 272Â Unamortized trade names142Â â€"Â 142Â 145Â â€"Â 145Â Total other intangible assets$549Â $156Â $393Â $562Â $145Â $417Â NOTE 9Â Â Â Â Â PRODUCT WARRANTYThe Company provides warranties on some, but not all, of its products. The warranty terms are typically from one to three years. Provisions for estimated expenses related to product warranty are made at the time products are sold. These estimates are established using historical information about the nature, frequency and average cost of warranty claim settlements as well as product manufacturing and industry developments and recoveries from third parties. Management actively studies trends of warranty claims and takes action to improve product quality and minimize warranty claims. Costs of product recalls, which may include the cost of the product being replaced as well as the customerâ€™s cost of the recall, including labor to remove and replace the recalled part, are accrued as part of the Companyâ€™s warranty accrual at the time an obligation becomes probable and can be reasonably estimated. Management believes that the warranty accrual is appropriate; however, in certain cases, initial customer claims exceed the amount accrued. Facts may become known related to these claims that may result in additional losses that could be material to the Companyâ€™s results of operations or cash flows. The Companyâ€™s warranty provisions are primarily included in Cost of sales in the Condensed Consolidated Statements of Operations. The product warranty accrual is allocated to current and non-current liabilities in the Condensed Consolidated Balance Sheets.11Table of ContentsThe following table summarizes the activity in the product warranty accrual accounts:(in millions)20242023Beginning balance, January 1$56Â $60Â Provisions for current period sales 18Â 20Â Payments(20)(23)Other, primarily translation adjustment(1)(1)Ending balance, June 30,$53Â $56Â The product warranty liability is classified in the Condensed Consolidated Balance Sheets as follows:(in millions)June 30,2024December 31, 2023Other current liabilities$30Â $30Â Other non-current liabilities23Â 26Â Total product warranty liability$53Â $56Â NOTE 10Â Â Â Â Â NOTES PAYABLE AND DEBTAs of JuneÂ 30, 2024 and DecemberÂ 31, 2023, the Company had debt outstanding as follows:(in millions)June 30,2024December 31, 2023Short-term debtShort-term borrowings$â€"Â $75Â Long-term debt5.000% Senior Notes due 10/01/25 ($24 million par value)$24Â $25Â 6.750% Senior Secured Notes due 04/15/29 ($525 million par value)517Â â€"Â Term Loan A Facility ($294 million and $298Â million par value, respectively)292Â 295Â Term Loan B Facility ($424 million par value)â€"Â 403Â Finance leases1Â â€"Â Total long-term debt$834Â $723Â Less: current portion13Â 14Â Long-term debt, net of current portion$821Â $709Â As of JuneÂ 30, 2024, the estimated fair values of the Companyâ€™s long-term debt totaled $853Â million, which is $20Â million higher than carrying value for the same period. As of DecemberÂ 31, 2023, the estimated fair value of the Companyâ€™s long-term debt totaled $758Â million, which is $35Â million higher than carrying value for the same period. Fair market values of the long-term debt are developed using observable values for similar debt instruments, which are considered Level 2 inputs as defined by ASC Topic 820. The carrying values of the Companyâ€™s other debt facilities approximate fair value. The fair value estimates do not necessarily reflect the values the Company could realize in the current markets.Credit AgreementOn July 3, 2023, the Company entered into a $1.225Â billion Credit Agreement (the Credit Agreement) consisting of a $500Â million revolving credit facility (the Revolving Facility), a $300Â million Term Loan A Facility (the Term Loan A Facility) and a $425Â million Term Loan B Facility (the Term Loan B Facility; together with the Revolving Facility and the Term Loan A Facility, collectively, the Facilities) in connection with the Spin-Off that occurred on the same date. As of JuneÂ 30, 2024, the Company had no outstanding 12Table of Contentsborrowings under the Revolving Facility, and availability of $499Â million. The Term Loan B Facility was fully repaid in connection with the issuance of the 6.75% Senior Secured Notes due 2029 on April 4, 2024, as discussed below. The Company was in compliance with all covenants as of JuneÂ 30, 2024. On April 4, 2024, the Company, as borrower, and certain subsidiaries of the Company, each acting as guarantors, entered into Amendment No. 1 to the Credit Agreement (the Credit Agreement Amendment). The Credit Agreement Amendment, among other things, modifies certain covenants in the Credit Agreement to be more favorable to the Company, and increases the total net leverage ratio required to be satisfied under the Companyâ€™s financial covenant from 3.00:1.00 to 3.25:1.00 (subject to a step-up to 3.75:1.00 in connection with a qualifying acquisition for the fiscal quarter when such qualifying acquisition is consummated and the following three fiscal quarters).Senior Secured Notes due 2029On April 4, 2024, the Company issued $525Â million aggregate principal amount of 6.75% Senior Secured Notes due 2029 (the â€œ2029 Notesâ€) pursuant to an indenture among the Company, as issuer, certain subsidiaries of the Company named as guarantors, and U.S. Bank Trust Company, National Association, as trustee and collateral agent. The 2029 Notes were sold to investors at 100% plus accrued interest, if any, from April 4, 2024 in a private transaction exempt from the registration requirements of the Securities Act of 1933, as amended. The net proceeds of the offering of the 2029 Notes were used to repay all of the Companyâ€™s outstanding borrowings and accrued interest under the Term Loan B Facility and the Revolving Facility and to pay fees and expenses in connection with the offering. During the second quarter of 2024, the Company recorded a non-cash pre-tax loss on extinguishment of $20Â million related to the difference between the repayment amount and net carrying amount of the Term Loan B Facility, which is included in the Interest expense line item on the Condensed Consolidated Statements of Operations.The 2029 Notes bear interest at a rate of 6.75% per annum. Interest on the 2029 Notes is payable semiannually on April 15 and October 15 of each year, commencing on October 15, 2024. The 2029 Notes will mature on April 15, 2029.The 2029 Notes are senior secured obligations of the Company and are jointly and severally, fully and unconditionally, guaranteed on a senior secured basis by each of the Companyâ€™s existing and future direct and indirect domestic subsidiaries that incurs or guarantees indebtedness under the Facilities. The 2029 Notes and the guarantees are secured by a first-priority security interest in substantially all of the Companyâ€™s and the guarantorsâ€™ assets, subject to certain excluded assets, exceptions and permitted liens, which security interest ranks equally with the first-priority security interest securing the Facilities.Senior Notes due 2025In 2020, the Former Parent completed its acquisition of Delphi Technologies PLC (Delphi Technologies). In connection therewith, the Former Parent completed its offer to exchange Delphi Technologiesâ€™ outstanding 5.0% Senior Notes due 2025 (the 2025 Notes). Approximately 97% of the $800Â million total outstanding principal amount of the 2025 Notes, were validly exchanged and cancelled for new BorgWarner notes. In connection with the Spin-Off, the obligations under the remaining $24Â million in aggregate principal amount of the 2025 Notes were assumed by the Company. 13Table of ContentsNOTE 11Â Â Â Â Â OTHER CURRENT AND NON-CURRENT LIABILITIESAdditional detail related to liabilities is presented in the table below:(in millions)June 30,2024December 31,2023Other current liabilities:Customer related$108Â $109Â Payroll and employee related87Â 92Â Income taxes payable61Â 39Â Product warranties (Note 9)30Â 30Â Accrued freight20Â 21Â Operating leases17Â 17Â Supplier related13Â 14Â Accrued interest9Â 1Â Employee termination benefits5Â 9Â Other non-income taxes4Â 8Â Legal and professional fees3Â 6Â Other63Â 74Â Total other current liabilities$420Â $420Â Other non-current liabilities:Deferred income taxes$63Â $56Â Operating leases43Â 49Â Product warranties (Note 9)23Â 26Â Uncertain tax positions14Â 15Â Deferred income11Â 7Â Other14Â 12Â Total other non-current liabilities$168Â $165Â NOTE 12Â Â Â Â Â RETIREMENT BENEFIT PLANSPHINIA sponsors various defined contribution savings plans, primarily in the U.S., that allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with plan specified guidelines. The Company also has a number of defined benefit pension plans, and in connection with the completion of the Spin-Off was required to assume additional defined benefit plan liabilities, along with the associated deferred costs in Accumulated other comprehensive income (loss). Under specified conditions, the Company will make contributions to the plans and/or match a percentage of the employee contributions up to certain limits. The estimated contributions to the defined benefit pension plans for 2024 range from $4Â million to $8 million, of which $1 million has been contributed through the first six months of the year.14Table of ContentsThe components of net periodic benefit income recorded in the Condensed Consolidated Statements of Operations are as follows:Three Months Ended June 30,Six Months Ended June 30,(in millions)2024202320242023Service cost$1Â $1Â $2Â $1Â Interest cost12Â 11Â 23Â 21Â Expected return on plan assets(11)(11)(21)(21)Amortization of unrecognized lossâ€"Â (1)(1)(1)Net periodic benefit cost$2Â $â€"Â $3Â $â€"Â The non-service cost components of net periodic benefit cost are included in Other postretirement expense (income), net in the Condensed Consolidated Statements of Operations. NOTE 13Â Â Â Â Â STOCKHOLDERS' EQUITYThe changes of the Stockholdersâ€™ Equity items during the three and six months ended JuneÂ 30, 2024 and 2023, are as follows:(in millions)Issued common stockAdditional paid-in-capitalTreasury stockRetained earningsAccumulated other comprehensive lossTotal equityBalance, March 31, 2024$1Â $2,018Â (42)26Â (153)$1,850Â Dividends declared

(0.25 per share)â€”Â â€”Â â€”Â (11)â€”Â (11)Spin-Off related adjustmentsâ€”Â (1)â€”Â â€”Â â€”Â (1)Share-based compensation expenseâ€”Â 4Â â€”Â â€”Â â€”Â 4Â Purchase of treasury stockâ€”Â â€”Â (90)â€”Â â€”Â (90)Net issuance of executive stock planâ€”Â (2)2Â â€”Â â€”Â â€”Â Net earningsâ€”Â â€”Â â€”Â 14Â â€”Â 14Â Other comprehensive lossâ€”Â â€”Â â€”Â â€”Â (19)(19)Balance, June 30, 2024$1Â $2,019Â (130)29Â (172)1,747Â (in millions)Former Parent investmentAccumulated other comprehensive income (loss)Total equityBalance, March 31, 2023$1,859Â (67)1,792Â Net earnings35Â â€”Â 35Â Other comprehensive incomeâ€”Â 6Â 6Â Net transfers from Former Parent159Â â€”Â 159Â Balance, June 30, 2023$2,053Â (61)1,992Â 15Table of Contents(in millions)Issued common stockAdditional paid-in-capitalTreasury stockRetained earningsAccumulated other comprehensive lossTotal equityBalance, December 31, 2023$1Â $2,031Â (23)9Â (131)1,887Â Dividends declared (0.50 per share)$â€”Â $â€”Â $â€”Â (23)â€”Â $(23)Spin-Off related adjustmentsâ€”Â (11)â€”Â â€”Â â€”Â (11)Share-based compensation expenseâ€”Â 8Â â€”Â â€”Â â€”Â 8Â Purchase of treasury stockâ€”Â â€”Â (113)â€”Â â€”Â (113)Net issuance of executive stock planâ€”Â (9)6Â â€”Â â€”Â (3)Net earningsâ€”Â â€”Â â€”Â 43Â â€”Â 43Â Other comprehensive lossâ€”Â â€”Â â€”Â â€”Â (41)(41)Balance, June 30, 2024$1Â $2,019Â (130)29Â (172)1,747Â (in millions)Former parent investmentAccumulated other comprehensive income (loss)Total equityBalance, December 31, 2022$1,731Â (88)1,643Â Net earnings70Â â€”Â 70Â Other comprehensive incomeâ€”Â 27Â 27Â Net transfers from former parent252Â â€”Â 252Â Balance, June 30, 2023$2,053Â (61)1,992Â 16Table of ContentsNOTE 14Â Â Â Â Â ACCUMULATED OTHER COMPREHENSIVE LOSSThe following tables summarize the activity within accumulated other comprehensive loss during the three and six months ended JuneÂ 30, 2024 and 2023:(in millions)Foreign currency translation adjustmentsDefined benefit pension plansHedge instrumentsTotalBeginning balance, March 31, 2024(119)(34)$â€”Â $(153)Comprehensive loss before reclassifications(18)(1)â€”Â (19)Ending Balance, June 30, 2024(137)(35)$â€”Â $(172)(in millions)Foreign currency translation adjustmentsDefined benefit pension plansHedge instrumentsTotalBeginning balance, March 31, 2023(65)(7)$5Â $(67)Comprehensive income (loss)10Â â€”Â (4)6Â Ending Balance, June 30, 2023(55)(7)$1Â $(61)(in millions)Foreign currency translation adjustmentsDefined benefit pension plansHedge instrumentsTotalBeginning Balance, December 31, 2023(98)(33)$â€”Â $(131)Comprehensive loss(39)(3)â€”Â (42)Reclassification from accumulated other comprehensive lossâ€”Â 1Â â€”Â 1Â Ending Balance, June 30, 2024(137)(35)$â€”Â $(172)(in millions)Foreign currency translation adjustmentsDefined benefit pension plansHedge instrumentsTotalBeginning Balance, December 31, 2022(85)(6)$3Â $(88)Comprehensive income (loss)30Â (1)(2)27Â Ending Balance, June 30, 2023(55)(7)$1Â $(61) NOTE 15Â Â Â Â Â CONTINGENCIES In the normal course of business, the Company is party to various commercial and legal claims, actions and complaints, including matters involving warranty claims, intellectual property claims, governmental investigations and related proceedings, including relating to alleged or actual violations of vehicle emissions standards, general liability and various other risks. It is not possible to predict with certainty whether or not the Company will ultimately be successful in any of these commercial and legal matters or, if not, what the impact might be. The Companyâ€™s management does not expect that an adverse outcome in any of these commercial and legal claims, actions and complaints that are currently pending will have a material adverse effect on the Companyâ€™s results of operations, financial position or cash flows. An adverse outcome could, nonetheless, be material to the results of operations, financial position or cash flows. 17Table of ContentsBorgWarner DisputeIn July 2024, the Former Parent made a legal demand under the Tax Matters Agreement that the Company remit to the Former Parent monies received, or to be received, by the Company from tax authorities that relate to certain indirect tax payments made prior to the Spin-Off arising from the Companyâ€™s business. The Company is contesting this demand. Nevertheless, an adverse outcome is reasonably possible, but not probable, and this matter could have a material effect on the Companyâ€™s financial position or cash flows. Due to the uncertainty inherent in this matter, an estimate of the loss is not currently determinable.NOTE 16Â Â Â Â Â RELATED-PARTY TRANSACTIONSPursuant to the Spin-Off, the Former Parent ceased to be a related party to PHINIA and accordingly, no related party transactions or balances have been reported subsequent to July 3, 2023. In connection with the Spin-Off, we entered into a number of agreements with the Former Parent to govern the Spin-Off and provide a framework for the relationship between the parties going forward, including a Transition Services Agreement, Tax Matters Agreement, and certain Contract Manufacturing Agreements.The following discussion summarizes activity between the Company and the Former Parent that occurred prior to the completion of the Spin-Off.Allocation of General Corporate and Other ExpensesThe Condensed Consolidated Statements of Operations include expenses for certain centralized functions and other programs provided and administered by the Former Parent that were charged directly to the Company prior to the Spin-Off. In addition, for purposes of preparing the financial statements on a carve-out basis, a portion of the Former Parentâ€™s total corporate expenses was allocated to the Company. Similarly, certain centralized expenses incurred by the Company prior to the Spin-Off on behalf of subsidiaries of the Former Parent had been allocated to the Former Parent. See Note 1, â€œBasis Of Presentation,â€ for a discussion of the methodology used to allocate corporate expenses for purposes of preparing these financial statements on a carve-out basis for periods prior to July 3, 2023.Net corporate allocation expenses, primarily related to separation and transaction costs, in the three and six months ended June 30, 2023 totaled $54 million and $89Â million, respectively. These expenses were primarily included in Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.Royalty Income and R&D Income from Former ParentThe Company participated in royalty arrangements and provided applications testing and other R&D services to the Former Parent prior to the Spin-Off. See Note 4, â€œOther operating expense, netâ€ for additional information.18Table of ContentsNet Transfers from (to) Former ParentNet transfers from (to) Former Parent are included within Former Parent investment in the Condensed Consolidated Statements of Changes in Equity. The components of the transfers from (to) Former Parent are as follows:Six Months Ended June 30,(in millions)2023General financing activities$(63)Cash pooling and other equity settled balances with Former Parent(32)Related-party notes converted to equity260Â Corporate allocations89Â Research and development income from Former Parent(2)Total net transfers from Former Parent$252Â Exclude non-cash items:Stock-based compensation$(4)Other non-cash activities with Former Parent, net15Â Related-party notes converted to equity(260)Cash pooling and intercompany financing activities with Former Parent, net55Â Total net transfers to Former Parent per Condensed Consolidated Statements of Cash Flow$58Â NOTE 17 EARNINGS PER SHAREThe Company presents both basic and diluted earnings per share of common stock (EPS) amounts. Basic EPS is calculated by dividing net earnings by the weighted average shares of common stock outstanding during the reporting period. Diluted EPS is calculated by dividing net earnings by the weighted average shares of common stock and common stock equivalents outstanding during the reporting period.For periods prior to July 3, 2023, the denominator for basic and diluted earnings per share was calculated using the 47.0Â million PHINIA ordinary shares outstanding immediately following the Spin-Off. The same number of shares was used to calculate basic and diluted earnings per share in those periods since no PHINIA equity awards were outstanding prior to the Spin-Off.The dilutive impact of stock-based compensation is calculated using the treasury stock method. The treasury stock method assumes that the Company uses the assumed proceeds from the exercise of awards to repurchase common stock at the average market price during the period. The assumed proceeds under the treasury stock method include the purchase price that the grantee will pay in the future and compensation cost for future service that the Company has not yet recognized.19Table of ContentsThe following table reconciles the numerators and denominators used to calculate basic and diluted earnings per share of common stock:Three Months Ended June 30,Six Months Ended June 30,(in millions, except per share amounts)2024202320242023Basic earnings per share:Net earnings$14Â $35Â $43Â $70Â Weighted average shares of common stock outstanding44.847.045.547.0Basic earnings per share of common stock$0.31Â $0.74Â $0.95Â $1.49Â Diluted earnings per share:Net earnings$14Â $35Â $43Â $70Â Weighted average shares of common stock outstanding44.847.045.547.0Effect of stock-based compensation0.9Â â€”Â 0.6Â â€”Â Weighted average shares of common stock outstanding including dilutive shares45.747.046.147.0Diluted earnings per share of common stock$0.31Â $0.74Â $0.93Â $1.49Â NOTE 18Â Â Â Â Â REPORTABLE SEGMENTS AND RELATED INFORMATIONThe Companyâ€™s business is comprised of two reportable segments, which are further described below. These segments are strategic business groups, which are managed separately as each represents a specific grouping of related automotive components and systems.â€¢Fuel Systems. This segment provides advanced fuel injection systems, fuel delivery modules, canisters, sensors, electronic control modules and associated software. Our highly engineered fuel injection systems portfolio includes pumps, injectors, fuel rail assemblies, engine control modules, and complete systems, including software and calibration services, that are designed to reduce emissions and improve fuel economy for traditional and hybrid applications.â€¢Aftermarket. Through this segment, the Company sells products to independent aftermarket customers and OES customers. Its product portfolio includes a wide range of products as well as maintenance, test equipment and vehicle diagnostics solutions. The Aftermarket segment also includes sales of starters and alternators to OEMs.Segment Adjusted Operating Income (AOI) is the measure of segment income or loss used by the Company. Segment AOI is comprised of segment operating income adjusted for restructuring, separation and transaction costs, intangible asset amortization expense, impairment charges, other net expenses and other items not reflective of ongoing operating income or loss. The Company believes Segment AOI is most reflective of the operational profitability or loss of its reportable segments. Segment AOI excludes certain corporate costs, which primarily represent corporate expenses not directly attributable to the individual segments.20Table of ContentsThe following tables show segment information and Segment AOI for the Companyâ€™s reportable segments:Net Sales by Reportable SegmentThree Months Ended June 30, 2024Six Months Ended June 30, 2024(in millions)CustomersInter-segmentNetCustomersInter-segmentNetFuel Systems$518Â $69Â $587Â $1,045Â $118Â $1,163Â Aftermarket350Â 5Â 355Â 686Â 7Â 693Â Inter-segment eliminationsâ€”Â (74)(74)â€”Â (125)(125)Total$868Â $â€”Â $868Â $1,731Â $â€”Â $1,731Â Three Months Ended June 30, 2023Six Months Ended June 30, 2023(in millions)CustomersInter-segmentNetCustomersInter-segmentNetFuel Systems$551Â $56Â $607Â $1,060Â $114Â $1,174Â Aftermarket336Â 3Â 339Â 662Â 7Â 669Â Inter-segment eliminationsâ€”Â (59)(59)â€”Â (121)

(121)Total$887Â $â€”Â $887Â $1,722Â $â€”Â $1,722Â Segment Adjusted Operating IncomeThree Months Ended June 30,Six Months Ended June 30,(in millions)2024202320242023Fuel Systems$52Â $62Â $107Â $105Â Aftermarket53Â 49Â 113Â 97Â Segment AOI105Â 111Â 220Â 202Â Corporate, including stock-based compensation21Â 5Â 39Â 9Â Separation and transaction costs3Â 41Â 20Â 59Â Intangible asset amortization expense7Â 7Â 14Â 14Â Restructuring expense3Â 2Â 5Â 6Â Equity in affiliates' earnings, net of tax(2)(3)(5)(6)Interest expense39Â 6Â 61Â 12Â Interest income(4)(2)(8)(5)Other postretirement expense (income), net1Â (1)1Â (1)Earnings before income taxes37Â 56Â 93Â 114Â Provision for income taxes23Â 21Â 50Â 44Â Net earnings$14Â $35Â $43Â $70Â 21Table of ContentsCautionary Statements For Forward-Looking InformationThis Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements other than historical fact that provide current expectations or forecasts of future events based on certain assumptions and are not guarantees of future performance. Forward-looking statements use words such as â€œanticipate,â€ â€œbelieve,â€ â€œcontinue,â€ â€œcould,â€ â€œdesigned,â€ â€œeffect,â€ â€œestimate,â€ â€œevaluate,â€ â€œexpect,â€ â€œforecast,â€ â€œgoal,â€ â€œinitiative,â€ â€œintend,â€ â€œlikely,â€ â€œmay,â€ â€œoutlook,â€ â€œplan,â€ â€œpotential,â€ â€œpredict,â€ â€œproject,â€ â€œpursue,â€ â€œseek,â€ â€œshould,â€ â€œtarget,â€ â€œwhen,â€ â€œwill,â€ â€œwould,â€ or other words of similar meaning.Forward-looking statements are subject to risks, uncertainties, and factors relating to our business and operations, all of which are difficult to predict and which could cause our actual results to differ materially from the expectations expressed in or implied by such forward-looking statements. Risks, uncertainties, and factors that could cause actual results to differ materially from those implied by these forward-looking statements include, but are not limited to: adverse changes in general business and economic conditions, including recessions, adverse market conditions or downturns impacting the vehicle and industrial equipment industries; our ability to deliver new products, services and technologies in response to changing consumer preferences, increased regulation of greenhouse gas emissions, and acceleration of the market for electric vehicles; competitive industry conditions; failure to identify, consummate, effectively integrate or realize the expected benefits from acquisitions or partnerships; pricing pressures from original equipment manufacturers (OEMs); inflation rates and volatility in the costs of commodities used in the production of our products; changes in U.S. administrative policy, including changes to existing trade agreements and any resulting changes in international trade relations; our ability to protect our intellectual property; failure of or disruption in our information technology infrastructure, including a disruption related to cybersecurity; our ability to identify, attract, retain and develop a qualified global workforce; difficulties launching new vehicle programs; failure to achieve the anticipated savings and benefits from restructuring and product portfolio optimization actions; extraordinary events (including natural disasters or extreme weather events), political disruptions, terrorist attacks, pandemics or other public health crises, and acts of war; risks related to our international operations; the impact of economic, political, and market conditions on our business in China; our reliance on a limited number of OEM customers; supply chain disruptions; work stoppages, production shutdowns and similar events or conditions; governmental investigations and related proceedings regarding vehicle emissions standards, including the ongoing investigation into diesel defeat devices; current and future environmental and health and safety laws and regulations; the impact of climate change and regulations related to climate change, including new and evolving greenhouse gas emissions regulations in California, the U.S. and European Union; liabilities related to product warranties, litigation and other claims; compliance with legislation, regulations, and policies, investigations and legal proceedings, and new interpretations of existing rules and regulations; tax audits and changes in tax laws or tax rates taken by taxing authorities; volatility in the credit market environment; impairment charges on goodwill and indefinite-lived intangible assets; the impact of changes in interest rates and asset returns on our pension funding obligations; the impact of restrictive covenants and requirements in the agreements governing our indebtedness on our financial and operating flexibility; our ability to achieve some or all of the benefits that we expect to achieve from the Spin-off; other risks relating to the Spin-off, including a determination that the Spin-off does not qualify as tax-free for U.S. federal income tax purposes, restrictions and obligations under the Tax Matters Agreement, and our or BorgWarner Inc.â€™s failure to perform under, and any dispute relating to, the various transaction agreements; and other risks and uncertainties described in our reports filed from time to time with the Securities and Exchange Commission (SEC).We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.22Table of ContentsUse of Non-GAAP Financial MeasuresThis Form 10-Q contains information about PHINIAâ€™s financial results that is not presented in accordance with accounting principles generally accepted in the United States (GAAP). Such non-GAAP financial measures are reconciled to their most directly comparable GAAP financial measures in this Form 10-Q. The provision of these comparable GAAP financial measures is not intended to indicate that PHINIA is explicitly or implicitly providing projections on those GAAP financial measures, and actual results for such measures are likely to vary from those presented. The reconciliations include all information reasonably available to the Company at the date of this Form 10-Q and the adjustments that management can reasonably predict.Management believes that these non-GAAP financial measures are useful to management, investors, and banking institutions in their analysis of the Companyâ€™s business and operating performance. Management also uses this information for operational planning and decision-making purposes.Non-GAAP financial measures are not and should not be considered a substitute for any GAAP measure. Additionally, because not all companies use identical calculations, the non-GAAP financial measures as presented by PHINIA may not be comparable to similarly titled measures reported by other companies.23Table of ContentsItem 2. Managementâ€™s Discussion and Analysis of Financial Condition and Results of OperationsINTRODUCTIONPHINIA is a leader in the development, design and manufacture of integrated components and systems that are designed to optimize performance, increase efficiency and reduce emissions for combustion and hybrid propulsion systems for commercial vehicles and industrial applications (medium-duty and heavy-duty trucks, off-highway construction, marine, aviation, and agricultural) and light vehicles (passenger cars, trucks, vans and sport-utility). We are a global supplier to most major OEMs seeking to meet evolving and increasingly stringent global regulatory requirements and satisfy consumer demands for an enhanced user experience. Additionally, we offer a wide range of OES solutions and remanufactured products as well as an expanded range of products for the independent (non-OEM) aftermarket.Transition to Standalone CompanyOn December 6, 2022, BorgWarner Inc., a manufacturer and supplier of automotive industry components and parts (BorgWarner, or Former Parent) announced plans for the complete legal and structural separation of its Fuel Systems and Aftermarket businesses by the spin-off of its wholly-owned subsidiary, PHINIA, which was formed on February 9, 2023 (the Spin-Off). On July 3, 2023, BorgWarner completed the Spin-Off in a transaction intended to qualify as tax-free to the Companyâ€™s stockholders for U.S. federal income tax purposes, which was accomplished by the distribution of the outstanding common stock of PHINIA to holders of record of common stock of BorgWarner on a pro rata basis. Each holder of record of BorgWarner common stock received one share of PHINIA common stock for every five shares of common stock of BorgWarner held on June 23, 2023, the Record Date. In lieu of fractional shares of PHINIA, stockholders of the Company received cash. As a result of these transactions, all of the assets, liabilities, and legal entities comprising BorgWarnerâ€™s Fuel Systems and Aftermarket businesses are now owned directly, or indirectly through its subsidiaries, by PHINIA. PHINIA is an independent public company trading under the symbol â€œPHINâ€ on the New York Stock Exchange.Key Trends and Economic FactorsCommodities and Other Inflationary Impacts. Prices for commodities remain volatile, and since the beginning of 2021, the Company has experienced price increases for base metals (e.g., steel, aluminum and nickel) and precious metals (e.g., palladium). In addition, many global economies are experiencing elevated levels of inflation more generally, which is driving an increase in other input costs. As a result, the Company has experienced, and is continuing to experience, higher costs. OutlookWe expect strong earnings and cash generation in 2024 as we expect to continue to drive operational efficiencies, exit agreements with our Former Parent and grow our Aftermarket sales. On the original equipment (OE) side, industry-wide commercial vehicle (CV) volumes in 2024 are expected to decline by low double digit percentages in North America and Europe, while global light vehicle (LV) volumes are expected to have a modest decline in 2024. Assuming constant foreign exchange rates, we expect a modest year-over-year decline in sales despite strong growth in our Aftermarket segment.The Company maintains a positive long-term outlook for its global business and is committed to new product development and strategic investments to enhance its product leadership strategy. There are several trends that are driving the Companyâ€™s long-term growth that management expects to continue, including market share expansion in the CV market, growth in overall vehicle parc that supports aftermarket demand, increased consumer interest in hybrid and plug-in vehicles, and adoption of additional product offerings enabling zero- and lower-carbon fuel solutions for combustion vehicles. In addition, we believe we are well positioned to continue to expand our differentiated offerings and capabilities across electronics, software and complete systems. 24Table of ContentsRelationship with BorgWarnerHistorically, we have relied on BorgWarner to provide various corporate functions. Following the Spin-Off, BorgWarner has not provided us with assistance other than the limited transition and other services described under the heading â€œCertain Relationships and Related Party Transactionsâ€ in the Companyâ€™s proxy statement for its 2024 Annual Meeting of Stockholders filed on March 27, 2024. The Company entered into several agreements with BorgWarner that govern the relationship between the parties following the Spin-Off that are described in our Form 8-K filed on July 7, 2023. BorgWarner was only obligated to provide the transition services for limited periods following the completion of the Spin-Off. As of June 30, 2024, the Company has successfully exited all transition services agreements. We have installed and implemented information technology infrastructure to support certain of our business functions, including accounting and financial reporting, human resources, legal and compliance, communications, engineering, manufacturing and distribution, and sourcing.RESULTS OF OPERATIONSThree Months Ended June 30, 2024 vs. Three Months Ended June 30, 2023The following table presents a summary of the Companyâ€™s operating results:Three Months Ended June 30,(in millions)20242023Net sales% of net sales% of net salesFuel Systems$587Â 67.6Â %$607Â 68.4Â %Aftermarket355Â 40.9Â %339Â 38.2Â %Inter-segment eliminations(74)(8.5)%(59)(6.6)%Total net sales868Â 100.0Â %887Â 100.0Â %Cost of sales680Â 78.3Â %698Â 78.7Â %Gross profit188Â 21.7Â %189Â 21.3Â %Selling, general and administrative expenses112Â 12.9Â %103Â 11.6Â %Other operating expense, net5Â 0.6Â %30Â 3.4Â %Operating income71Â 8.2Â %56Â 6.3Â %Equity in affiliatesâ€™ earnings, net of tax(2)(0.2)%(3)(0.3)%Interest expense39Â 4.5Â %6Â 0.7Â %Interest income(4)(0.5)%(2)(0.2)%Other postretirement expense (income), net1Â 0.1Â %(1)(0.1)%Earnings before income taxes37Â 4.3Â %56Â 6.2Â %Provision for income taxes23Â 2.6Â %21Â 2.4Â %Net earnings$14Â 1.7Â %$35Â 3.8Â %Net sales Net sales for the three months ended JuneÂ 30, 2024 totaled $868 million, a decrease of $19 million, or 2%, compared to the three months ended June 30, 2023. The change in net sales for the three months ended JuneÂ 30, 2024 was primarily driven by the following:â€¢Unfavorable volume and mix decreased sales by approximately $18 million, or 2%. This decrease was primarily driven by lower commercial vehicle sales in Europe and lower light vehicle sales in China within the Fuel Systems segment, partially offset by favorable mix in Europe within the Aftermarket segment.25Table of Contentsâ€¢Fluctuations in foreign currencies resulted in a period-over-period decrease in sales of approximately $6 million, primarily due to the weakening of the Chinese Renminbi, Euro, and Brazilian Real relative to the U.S. Dollar.â€¢Customer pricing was flat period over period, primarily due to current period commodity pass-through increases in the Aftermarket segment, offset by a one-time commodity recovery payment in the second quarter of 2023.â€¢Sales increased $5 million related to certain contract manufacturing agreements with Former Parent that were entered into in connection with the Spin-Off. Sales from these agreements are not expected to continue beyond 2024.Cost of sales and gross profitCost of sales and cost of sales as a percentage of net sales were $680 million and 78%, respectively, during the three months ended JuneÂ 30, 2024, compared to $698 million and 79%, respectively, during the three months ended June 30, 2023. The decrease of $18 million in cost of sales for the three months ended JuneÂ 30, 2024 was primarily driven by the following:â€¢Lower sales volume and mix decreased cost of sales by approximately $14 million. This decrease was primarily driven by lower commercial vehicle sales in Europe and lower light vehicles sales in China in the Fuel Systems segment, as well as favorable mix in Europe within the Aftermarket segment.â€¢Cost of sales decreased by approximately $13 million due to lower supplier-related and inflationary costs.â€¢Fluctuations in foreign currencies resulted in a period-over-period decrease in cost of sales of approximately $6 million primarily due to the weakening of the Chinese Renminbi, Euro, and Brazilian Real relative to the U.S. Dollar.â€¢Employee costs increased cost of sales by $3Â million compared to the three months ended June 30, 2023, primarily related to inflation and incentive compensation.â€¢Cost of sales increased $5 million related to certain contract manufacturing agreements with Former Parent that were entered into in connection with the Spin-Off.â€¢Other manufacturing costs increased cost of sales by $7 million compared to the three months ended June 30, 2023.Gross profit and gross margin were $188 million and 22%, respectively, during the three months ended JuneÂ 30, 2024 compared to $189 million and 21%, respectively, during the three months ended June 30, 2023. The increase in gross margin was primarily due to the factors discussed above.Selling, general and administrative expenses (â€œSG&Aâ€) SG&A for the three months ended JuneÂ 30, 2024 was $112 million as compared to $103 million for the three months ended June 30, 2023. SG&A as a percentage of net sales was 13% and 12% for the three months ended JuneÂ 30, 2024 and 2023, respectively. SG&A was comprised of the following:â€¢Employee-related costs were $42Â million for the three months ended JuneÂ 30, 2024, an increase of $11 million compared to the three months ended June 30, 2023, primarily due to inflation, incentive compensation, and increases in headcount associated with the transition to a standalone company.â€¢R&D costs were $30 million for the three months ended JuneÂ 30, 2024, an increase of $2 million compared to the three months ended June 30, 2023. R&D costs, net of customer 26Table of Contentsreimbursements, were 3.5% of net sales in the three months ended June 30, 2024, compared to 3.2% of net sales in the three months ended June 30, 2023. The Company will continue to invest in R&D programs, which are necessary to support short- and long-term growth. The Companyâ€™s current long-term expectation for R&D spending is 3% of net sales.â€¢Intangible amortization expense was $7 million for the three months ended JuneÂ 30, 2024, flat compared to the three months ended June 30, 2023.â€¢IT costs incurred directly by the Company were $6 million for the three months ended JuneÂ 30, 2024, a decrease of $1 million compared to the three months ended June 30, 2023.â€¢Other SG&A costs were $27 million for the three months ended June 30, 2024, a decrease of $3 million compared to the three months ended June 30, 2023. Other operating expense, netOther operating expense, net was $5 million and $30 million for the three months ended JuneÂ 30, 2024 and 2023, respectively. Refer to Note 4, â€œOther operating expense, net,â€ for more information. Other operating expense, net was comprised of the following:â€¢For the three months ended JuneÂ 30, 2024 and 2023, separation and transaction costs were $3 million and $41 million, respectively, primarily related to professional fees associated with the Spin-Off.â€¢Restructuring expense was $3 million and $2 million for the three months ended JuneÂ 30, 2024 and 2023, respectively, related to individually approved restructuring actions that primarily related to reductions in headcount. The Company continues to evaluate different options across its operations to reduce existing structural costs. As we continue to assess our performance and the needs of our business, additional restructuring could be required and may have a significant cost.â€¢For the three months ended June 30, 2023, the Company recognized income related to application testing and other R&D services for other BorgWarner businesses of $1 million. The services stopped after the Spin-Off was completed.â€¢For the three months ended June 30, 2023, the Company recognized royalty income related to licensing of the Delphi Technologies trade name and product-related intellectual properties to other BorgWarner businesses in the amount of $12 million. The royalty arrangements stopped after the Spin-Off was completed.Equity in affiliatesâ€™ earnings, net of taxEquity in affiliatesâ€™ earnings, net of tax was $2 million and $3 million in the three months ended JuneÂ 30, 2024 and 2023, respectively. This line item is driven by the results of the Companyâ€™s unconsolidated joint venture.Interest expenseInterest expense was $39 million and $6 million in the three months ended JuneÂ 30, 2024 and 2023, respectively. The increase was primarily related to the issuance of debt in connection with the Spin-Off, as well as the loss on extinguishment of debt of $20Â million during the quarter ended JuneÂ 30, 2024. See Note 10, â€œNotes Payable and Debtâ€, for further discussion of the extinguishment of debt.Interest incomeInterest income was $4 million and $2 million in the three months ended JuneÂ 30, 2024 and 2023. The increase is primarily due to higher interest rates on higher cash and cash equivalents balances.27Table of ContentsOther postretirement expense (income), netOther postretirement expense (income), net was expense of $1 million and income of $1 million in the three months ended JuneÂ 30, 2024 and 2023, respectively. The increase in other postretirement expense for the three months ended JuneÂ 30, 2024 was primarily due to higher interest costs in 2024.Provision for income taxesProvision for income taxes was $23 million for the three months ended JuneÂ 30, 2024 resulting in an effective tax rate of 62%. This compared to $21 million, or 38%, for the three months ended June 30, 2023. The increase was primarily the result of a change in the jurisdictional mix of pre-tax earnings, most notably an increase in pre-tax losses where no benefit is recognized.For further details, see Note 5, â€œIncome Taxes,â€ to the Condensed Consolidated Financial Statements for the three months ended JuneÂ 30, 2024 and 2023. Adjusted net earnings per diluted shareThe Company defines adjusted net earnings per diluted share as net earnings per share adjusted to exclude the tax-effected impact of restructuring expense, separation and transaction costs, intangible asset amortization, impairment charges, other net expenses, and other gains, losses and tax amounts not reflective of the Companyâ€™s ongoing operations.Three Months Ended June 30,20242023Net earnings per diluted share$0.31Â $0.74Â Loss on extinguishment of debt0.33Â â€”Â Intangible asset amortization expense0.13Â 0.12Â Separation and transaction costs0.05Â 0.86Â Restructuring expense0.05Â 0.03Â Royalty income from Former Parentâ€”Â (0.19)Tax adjustments0.01Â 0.05Â Adjusted net earnings per diluted share$0.88Â $1.61Â Results by Reportable Segment for the three months ended June 30, 2024 and 2023The Companyâ€™s business is aggregated into two reportable segments: Fuel Systems and Aftermarket.Segment Adjusted Operating Income (AOI) is the measure of segment income or loss used by the Company. Segment AOI is comprised of segment operating income adjusted for restructuring, separation and transaction costs, intangible asset amortization expense, impairment charges and other items not reflective of ongoing operating income or loss. The Company believes Segment AOI is most reflective of the operational profitability or loss of its reportable segments.Segment AOI excludes certain corporate costs, which primarily represent corporate expenses not directly attributable to the individual segments. Corporate expenses not allocated to Segment AOI were $21 million and $5 million for the three months ended JuneÂ 30, 2024 and 2023, respectively. The increase in corporate expenses in 2024 was primarily related to a decrease in related-party royalty and R&D income from BorgWarner, which did not continue after completion of the Spin-Off, as well as additional costs resulting from operating as a standalone company. 28Table of ContentsThe following table presents Net sales and Segment AOI for the Companyâ€™s reportable segments:Three Months Ended June 30,20242023(in millions)Net Sales to CustomersSegment AOI% marginNet Sales to CustomersSegment AOI% marginFuel Systems$518Â $52Â 10.0Â %$551Â $62Â 11.3Â %Aftermarket350Â 53Â 15.1Â %336Â 49Â 14.6Â %Totals$868Â $105Â $887Â $111Â The Fuel Systems segmentâ€™s net sales to customers for the three months ended JuneÂ 30, 2024 decreased $33 million, or 6%, and Segment Adjusted Operating Income decreased $10 million, or 16%, compared to the three months ended June 30, 2023. Foreign currencies resulted in a year-over-year decrease in sales of approximately $6 million primarily due to the weakening of the Chinese Renminbi, Euro, and Brazilian Real relative to the U.S. Dollar. The decrease in net sales excluding the impact of foreign currencies was primarily due to approximately $24 million of unfavorable volume, mix and net new business driven by decreased demand for the Companyâ€™s products compared to the prior year, primarily from lower commercial vehicle sales in Europe and lower light vehicle sales in China. The decrease in net sales was also driven by $8 million of pricing, primarily related to non-contractual commercial negotiations with the Companyâ€™s customers which did not recur. These were offset by approximately $5 million related to certain contract manufacturing agreements with BorgWarner. Segment Adjusted Operating margin was 10.0% in the three months ended JuneÂ 30, 2024, compared to 11.3% in the three months ended June 30, 2023. The Segment Adjusted Operating margin decrease was primarily due to non-contractual commercial negotiations with the Companyâ€™s customers which did not recur.The Aftermarket segmentâ€™s net sales to customers for the three months ended JuneÂ 30, 2024 increased $14 million, or 4%, and Segment Adjusted Operating

Income increased $4 million, or 8%, from the three months ended June 30, 2023. The increase in net sales was primarily due to $8Â million of customer pricing and approximately $6Â million of favorable volume, mix, and net new business driven by increased demand for the Companyâ€™s products compared to the prior year, primarily in Europe. Segment Adjusted Operating margin was 15.1% in the three months ended JuneÂ 30, 2024, comparable to 14.6% in the three months ended June 30, 2023. The Segment Adjusted Operating margin increase was primarily driven by favorable mix and customer pricing.29Table of ContentsSix Months Ended June 30, 2024 vs. Six Months Ended June 30, 2023The following table presents a summary of the Companyâ€™s operating results:Six Months Ended June 30,(in millions)20242023Net sales% of net sales% of net salesFuel Systems$1,163Â 67.2Â %$1,174Â 68.1Â %Aftermarket693Â 40.0Â 669Â 38.9Â Inter-segment eliminations(125)(7.2)(121)(7.0)Total net sales1,731Â 100.0Â 1,722Â 100.0Â Cost of sales1,351Â 78.0Â 1,361Â 79.0Â Gross profit380Â 22.0Â 361Â 21.0Â Selling, general and administrative expenses216Â 12.5Â 202Â 11.7Â Other operating expense, net22Â 1.3Â 45Â 2.6Â Operating income142Â 8.2Â 114Â 6.7Â Equity in affiliatesâ€™ earnings, net of tax(5)(0.3)(6)(0.3)Interest expense61Â 3.5Â 12Â 0.7Â Interest income(8)(0.5)(5)(0.3)Other postretirement expense (income), net1Â 0.1Â (1)(0.1)Earnings before income taxes93Â 5.4Â 114Â 6.7Â Provision for income taxes50Â 2.9Â 44Â 2.6Â Net earnings$43Â 2.5Â %$70Â 4.1Â %Net sales Net sales for the six months ended June 30, 2024 totaled $1,731 million, an increase of $9 million, or 1%, compared to the six months ended June 30, 2023. The change in net sales for the six months ended June 30, 2024 was primarily driven by the following:â€¢Sales increased $22 million related to certain contract manufacturing agreements with Former Parent that were entered into in connection with the Spin-Off. Sales from these agreements are not expected to continue beyond 2024.â€¢Customer pricing increased net sales by approximately $12 million. This is primarily related to an increase in recoveries of cost inflation from the Companyâ€™s customers due to non-contractual commercial negotiations with those customers and normal contractual customer commodity pass-through arrangements.â€¢Unfavorable volume and mix decreased sales by approximately $25 million, or 1%. This decrease was primarily driven by lower commercial vehicle sales in Europe and lower light vehicle sales in China within the FS segment.Cost of sales and gross profitCost of sales and cost of sales as a percentage of net sales were $1,351 million and 78%, respectively, during the six months ended June 30, 2024, compared to $1,361 million and 79%, respectively, during the 30Table of Contentssix months ended June 30, 2023. The decrease of $10Â million in cost of sales for the six months ended June 30, 2024 was primarily driven by the following:â€¢Cost of sales was impacted by lower supplier-related and inflationary costs of approximately $32Â million arising primarily from supplier savings and a lump sum supplier settlement of $7 million.â€¢Lower sales volume, mix and net new business decreased cost of sales by approximately $28Â million. This decrease was primarily driven by lower commercial vehicle sales in Europe and lower light vehicle sales in China in the Fuel Systems segment, as well as favorable mix in Europe within the Aftermarket segment.â€¢Other manufacturing costs increased cost of sales by $14Â million compared to the six months ended June 30, 2023.â€¢Employee costs increased cost of sales by $14Â million, primarily related to inflation and incentive compensation.â€¢Cost of sales increased $22Â million related to certain contract manufacturing agreements with Former Parent that were entered into in connection with the Spin-Off.Gross profit and gross margin were $380 million and 22%, respectively, during the six months ended June 30, 2024 compared to $361 million and 21%, respectively, during the six months ended June 30, 2023. The increase in gross margin was primarily due to the factors discussed above.Selling, general and administrative expensesSG&A for the six months ended June 30, 2024 was $216 million as compared to $202 million for the six months ended June 30, 2023. SG&A as a percentage of net sales was 13% and 12% for the six months ended June 30, 2024 and 2023, respectively. SG&A was comprised of the following:â€¢Employee-related costs were $77 million for the six months ended June 30, 2024, an increase of $14 million, primarily due to inflation, incentive compensation, and increases in headcount associated with the transition to a standalone company.â€¢R&D costs were $57 million for the six months ended June 30, 2024. This includes gross R&D expenditures of $104 million, comprised primarily of employee costs, offset by customer reimbursements of $47 million, which represent recovery of costs incurred. R&D costs remained flat compared to the six months ended June 30, 2023. R&D costs, net of customer reimbursements, were 3.3% of net sales in both the six months ended June 30, 2024 and 2023. The Companyâ€™s current long-term expectation for R&D spending is approximately 3% of net sales.â€¢IT costs incurred directly by the Company were $14 million for the six months ended June 30, 2024 and 2023.â€¢Intangible amortization expense was $14 million for the six months ended June 30, 2024 and 2023.â€¢Other SG&A costs were $54 million for the six months ended June 30, 2024, flat compared to the six months ended June 30, 2023. Other operating expense, netOther operating expense, net was $22 million and $45 million for the six months ended June 30, 2024 and 2023, respectively. Refer to Note 4, â€œOther operating expense, net,â€ for more information. Other operating expense, net was comprised of the following:31Table of Contentsâ€¢For the six months ended JuneÂ 30, 2024 and 2023, separation and transaction costs were $20 million and $59 million, respectively, primarily related to professional fees associated with the Spin-Off.â€¢Restructuring expense was $5 million and $6 million for the six months ended June 30, 2024 and 2023, respectively, related to individually approved restructuring actions that primarily related to reductions in headcount. The Company continues to evaluate different options across its operations to reduce existing structural costs. As we continue to assess our performance and the needs of our business, additional restructuring could be required and may have a significant cost.â€¢For the six months ended June 30, 2023, the Company recognized income related to application testing and other R&D services for other BorgWarner businesses of $2 million. The R&D services stopped after the Spin-Off was completed.â€¢For the six months ended June 30, 2023, the Company recognized royalty income related to licensing of the Delphi Technologies trade name and product-related intellectual properties to other BorgWarner businesses in the amount of $17 million. These royalty arrangements have not continued subsequent to the completion of the Spin-Off.Equity in affiliatesâ€™ earnings, net of taxEquity in affiliatesâ€™ earnings, net of tax was $5 million and $6 million in the six months ended JuneÂ 30, 2024 and 2023, respectively. This line item is driven by the results of the Companyâ€™s unconsolidated joint venture.Interest expenseInterest expense was $61 million and $12 million in the six months ended JuneÂ 30, 2024 and 2023, respectively. The increase from 2023 to 2024 was primarily related to the issuance of debt in connection with the Spin-Off as well as the loss on extinguishment of debt of $20Â million during the quarter ended JuneÂ 30, 2024. See Note 10, â€œNotes Payable and Debtâ€, for further discussion of the extinguishment of debt.Interest incomeInterest income was $8 million and $5 million in the six months ended JuneÂ 30, 2024 and 2023, respectively. The increase is primarily due to higher interest rates on higher cash and cash equivalents balances.Other postretirement expense (income), netOther postretirement expense (income), net was expense of $1 million and income of $1 million in the six months ended JuneÂ 30, 2024 and 2023, respectively. The increase in other postretirement expense for the six months ended JuneÂ 30, 2024 was primarily due to higher interest costs in 2024.Provision for income taxesProvision for income taxes was $50 million for the six months ended JuneÂ 30, 2024 resulting in an effective tax rate of 54%. This compared to $44 million, or 39%, for the six months ended June 30, 2023. The increase was primarily the result of a change in the jurisdictional mix of pre-tax earnings, most notably an increase in pre-tax losses where no benefit is recognized.For further details, see Note 5, â€œIncome Taxes,â€ to the Condensed Consolidated Financial Statements for the six months ended JuneÂ 30, 2024 and 2023. 32Table of ContentsAdjusted net earnings per diluted shareThe Company defines adjusted net earnings per diluted share as net earnings per share adjusted to exclude the tax-effected impact of restructuring expense, separation and transaction costs, intangible asset amortization, impairment charges, other net expenses, and other gains, losses and tax amounts not reflective of the Companyâ€™s ongoing operations.Six Months Ended June 30,20242023Net earnings per diluted share$0.93Â $1.49Â Separation and transaction costs0.40Â 1.24Â Loss on extinguishment of debt0.33Â â€”Â Intangible asset amortization expense0.26Â 0.27Â Restructuring expense0.09Â 0.09Â Royalty income from Former Parentâ€”Â (0.30)Tax adjustments(0.03)0.01Â Adjusted net earnings per diluted share$1.98Â $2.80Â Results by Reportable Segment for the six months ended June 30, 2024 and 2023The following table presents Net sales and Segment AOI for the Companyâ€™s reportable segments:Six Months Ended June 30,20242023(in millions)Net Sales to CustomersSegment AOI% marginNet Sales to CustomersSegment AOI% marginFuel Systems$1,045Â $107Â 10.2Â %$1,060Â $105Â 9.9Â %Aftermarket686Â 113Â 16.5Â %662Â 97Â 14.7Â %Totals$1,731Â $220Â $1,722Â $202Â The Fuel Systems segmentâ€™s net sales to customers for the six months ended June 30, 2024 decreased $15 million, or 1%, and Segment Adjusted Operating Income increased $2 million, or 2%, compared to the six months ended June 30, 2023. Foreign currencies resulted in a period-over-period decrease in sales of approximately $6 million primarily due to the weakening of the Chinese Renminbi, partially offset by the strengthening of the British Pound relative to the U.S. Dollar. The decrease excluding the impact of foreign currencies was primarily due to approximately $30 million of unfavorable volume, mix and net new business driven by lower commercial vehicle sales in Europe and $1 million of customer pricing. This was offset by $22 million related to certain contract manufacturing agreements with BorgWarner. Segment Adjusted Operating margin was 10.2% in the six months ended June 30, 2024, compared to 9.9% in the six months ended June 30, 2023. The Segment Adjusted Operating margin increase was primarily due to a lump sum supplier settlement offset by product volume and mix.The Aftermarket segmentâ€™s net sales to customers for the six months ended June 30, 2024 increased $24 million, or 4%, and Segment Adjusted Operating Income increased $16 million, or 16%, from the six months ended June 30, 2023. Foreign currencies resulted in a year-over-year increase in sales of approximately $6 million primarily due to the strengthening of the British Pound relative to the U.S. Dollar. The increase excluding the impact of foreign currencies was primarily due to approximately $13 million of pricing and approximately $5 million of favorable volume, mix and net new business driven by increased demand for the Companyâ€™s products, primarily in the Americas. Segment Adjusted Operating margin was 33Table of Contents16.5% in the six months ended June 30, 2024, comparable to the 14.7% in the six months ended June 30, 2023. The Segment Adjusted Operating margin increase was primarily due to customer pricing. LIQUIDITY AND CAPITAL RESOURCESOverviewWe utilize certain arrangements with various financial institutions to sell eligible trade receivables from certain customers in North America and Europe. We may terminate any or all of these arrangements at any time subject to prior written notice. While we do not depend on these arrangements for our liquidity, if we elected to terminate these arrangements, there would be a one-time unfavorable timing impact on the collection of the outstanding receivables.At JuneÂ 30, 2024 and DecemberÂ 31, 2023, the Company had $339 million and $365 million of cash and cash equivalents, respectively, of which $329 million and $347 million, respectively, was held by our subsidiaries outside of the United States. We believe our existing cash and cash flows generated from operations and indebtedness incurred in conjunction with the Spin-Off discussed below will be responsive to the needs of our current and planned operations for at least the next 12 months and the foreseeable future thereafter.Credit AgreementOn July 3, 2023, the Company entered into a $1.225 billion Credit Agreement (the Credit Agreement) consisting of a $500 million revolving credit facility (the Revolving Facility), a $300 million Term Loan A Facility (the Term Loan A Facility) and a $425 million Term Loan B Facility (the Term Loan B Facility; together with the Revolving Facility and the Term Loan A Facility, collectively, the Facilities) in connection with the Spin-Off that occurred on the same date. As of JuneÂ 30, 2024, the outstanding principal balance of the Term Loan A Facility was $296 million, and the Company had no outstanding borrowings under the Revolving Facility. As of JuneÂ 30, 2024, the Company had availability under the Revolving Facility of $499Â million. The Term Loan B Facility was fully repaid in connection with the issuance of the 6.75% Senior Secured Notes due 2029 on April 4, 2024, as discussed below.Issuance of Senior NotesOn April 4, 2024, the Company issued $525Â million aggregate principal amount of 6.75% Senior Secured Notes due 2029 (the 2029 Notes) pursuant to an indenture among the Company, as issuer, certain subsidiaries of the Company named as guarantors, and U.S. Bank Trust Company, National Association, as trustee and as collateral agent. The 2029 Notes were sold to investors at 100% plus accrued interest, if any, from April 4, 2024 in a private transaction exempt from the registration requirements of the Securities Act of 1933, as amended. The net proceeds of the offering of the 2029 Notes were used to repay all of the Companyâ€™s outstanding borrowings and accrued interest under the Term Loan B Facility and the Revolving Facility, and to pay fees and expenses in connection with the offering. During the second quarter of 2024, the Company recorded a non-cash pre-tax loss on extinguishment of $20Â million related to the difference between the repayment amount and net carrying amount of the Term Loan B Facility.Refer to Note 10. â€œNotes Payable And Debtâ€ for further information on the Credit Agreement and the 2029 Notes. Cash FlowsOperating ActivitiesNet cash provided by operating activities was $140 million and $33 million in the six months ended June 30, 2024 and 2023, respectively. The change in cash from operating activities for the six months ended 34Table of ContentsJune 30, 2024 compared with the six months ended June 30, 2023, was primarily due to working capital changes.Investing ActivitiesNet cash used in investing activities was $59 million and $80 million in the six months ended June 30, 2024 and 2023, respectively, primarily related to capital expenditures. As a percentage of sales, capital expenditures were 3.5% and 4.6% for the six months ended June 30, 2024 and 2023, respectively.Financing ActivitiesNet cash used in financing activities was $126 million in the six months ended June 30, 2024 primarily related to the repayment of Term Loan B Facility, stock repurchases, dividend payments to PHINIA stockholders and issuance of the 2029 Notes.CRITICAL ACCOUNTING POLICIES AND ESTIMATESCritical accounting policies and estimates disclosures appear in â€œManagementâ€™s Discussion and Analysis of Financial Condition and Results of Operations â€” Critical Accounting Policies And Estimates,â€ in the Companyâ€™s Form 10-K for the fiscal year ended December 31, 2023 (Form 10-K), filed on February 28, 2024. There were no material changes to this information during the quarter ended JuneÂ 30, 2024.Item 3. Quantitative and Qualitative Disclosures About Market RiskQuantitative and qualitative disclosures about market risk appear in â€œItem 7A - Quantitative and Qualitative Disclosures About Market Riskâ€ and â€œRisk Factorsâ€ in the Companyâ€™s Form 10-K filed on February 28, 2024. There were no material changes to this information during the quarter ended JuneÂ 30, 2024.Item 4. Controls and ProceduresThe Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and15d-15(e) of the Securities Exchange Act of 1934, as amended (the â€œExchange Actâ€)) that are designed to ensure that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SECâ€™s rules and forms, and that such information is accumulated and communicated to management, including the Companyâ€™s Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Under the supervision and with the participation of the Companyâ€™s management, including the Companyâ€™s Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluation, the Companyâ€™s Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective. There have been no changes in internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Companyâ€™s internal control over financial reporting.35Table of ContentsPART II - OTHER INFORMATIONItem 1. Legal ProceedingsIn the ordinary course of its business, the Company is involved in a number of lawsuits and claims, both actual and potential. Proceedings that were previously disclosed may no longer be reported because, as a result of rulings in the case, settlements, changes in our business, or other developments, in our judgment, they are no longer material to the Companyâ€™s business, financial position or results of operations. Refer to Note 15, â€œContingencies,â€ to the Condensed Consolidated Financial Statements of this Form 10-Q for additional information.SEC regulations require disclosure of certain environmental matters when a governmental authority is a party to the proceedings and such proceedings involve potential monetary sanctions that the Company reasonably believes will exceed a specified threshold. Pursuant to these regulations, the Company uses a threshold of $1 million for purposes of determining whether disclosure of any such proceedings is required.Item 1A. Risk FactorsWe face a number of risks and uncertainties that could materially and adversely affect our business, financial condition or results of operations. A discussion of our risk factors can be found in Part I, Item 1A. Risk Factors in the Companyâ€™s Form 10-K filed on February 28, 2024. Readers should not interpret the disclosure of any risk factor to imply that the risk has not already materialized. During the three months ended JuneÂ 30, 2024, there were no material changes to our previously disclosed risk factors.Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity SecuritiesIn August 2023, the Companyâ€™s Board of Directors authorized a $150Â million share repurchase program. As of JuneÂ 30, 2024, the Company repurchased $137Â million of common stock under its repurchase program. Under the repurchase program, shares may be repurchased in open market transactions, privately negotiated transactions, or pursuant to one or more accelerated stock repurchase programs or Rule 10b5-1 plans in compliance with SEC requirements. The exact amount and timing of any purchases will depend on a number of factors, including trading price, trading volume, and general market conditions. The repurchase program has no expiration date and may be suspended, discontinued, or resumed at any time. Repurchased shares will be deemed common stock held in treasury and may subsequently be reissued.36The following table provides information about the Companyâ€™s purchases of its equity securities that are registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the â€œExchange Actâ€) during the quarter ended JuneÂ 30, 2024:Issuer Purchases of Equity SecuritiesPeriodTotal number of shares purchasedAverage price per shareTotal number of shares purchased as part of publicly announced plans or programsApproximate dollar value of shares that may yet be purchased under plans or programs (in millions)April 1, 2024 - April 30, 2024Common Stock Repurchase Programâ€”Â â€”Â â€”Â $103Â Employee transactions463Â $39.57Â â€”Â May 1, 2024 - May 31, 2024Common Stock Repurchase Program1,596,924Â $43.01Â 1,596,924Â $34Â June 1, 2024 - June 30, 2024Common Stock Repurchase Program487,921Â $43.68Â 487,921Â $13Â Item 5. Other InformationTrading ArrangementsDuring the six months ended June 30, 2024, none of the individuals serving as the Companyâ€™s directors or â€œofficers,â€ as defined in Rule 16a-1(f) of the Exchange Act, at that time adopted, modified, or terminated a â€œRule 10b5-1 trading arrangementâ€ or a â€œnon-Rule 10b5-1 trading arrangement,â€ as each term is defined in Item 408 of Regulation S-K.37Item 6. Exhibits4.1Indenture, dated as of April 4, 2024, by and among the Company, the guarantors named therein and U.S. Bank Trust Company, National Association, as trustee and collateral agent (incorporated by reference to Exhibit 4.1 of the Companyâ€™s Form 8-K filed on April 4, 2024).10.1Amendment No. 1 to Credit Agreement, dated as of April 4, 2024, by and among the Company, the guarantors listed on the signature pages thereof, the lenders party thereto and Bank of America, N.A. as administrative agent (incorporated by reference to Exhibit 10.1 of the Companyâ€™s Form 8-K filed on April 4, 2024).31.1Rule 13a-(14a)/15d-(14a) Certification of Chief Executive Officer.*31.2Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.*32.1Section 1350 Certification of Chief Executive Officer.**32.2Section 1350 Certification of Chief Financial Officer.**101.INSInline 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.SCHInline XBRL Taxonomy Extension Schema Document.*101.CALInline XBRL Taxonomy Extension Calculation Linkbase Document.*101.DEFInline XBRL Taxonomy Extension Definition Linkbase Document.*101.LABInline XBRL Taxonomy Extension Label Linkbase Document.*101.PREInline XBRL Taxonomy Extension Presentation Linkbase Document.*104.1Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).*____________*Filed herewith.**Â Â Â Â Furnished herewith.38SIGNATURESPursuant to the requirements of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. PHINIA Inc.By:/s/ Samantha M. Pombier(Signature)Samantha M. PombierVice President and Controller (Principal Accounting Officer)Date: JulyÂ 30, 202439DocumentExhibit 31.1CertificationI, Brady D. Ericson, certify that:1.I have reviewed this Quarterly Report on Form 10-Q of PHINIA 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 registrantâ€™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;b.Evaluated the effectiveness of the registrantâ€™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; andc.Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™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; and5.The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™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 registrantâ€™s ability to record, process, summarize and report financial information; andb.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.Date: JulyÂ 30, 2024By: /s/ Brady D. EricsonBrady D. EricsonPresident and Chief Executive OfficerDocumentExhibit 31.2CertificationI, Chris P. Gropp, certify that:1.I have reviewed this Quarterly Report on Form 10-Q of PHINIA 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 registrantâ€™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;b.Evaluated the effectiveness of the registrantâ€™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; andc.Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™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; and5.The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™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 registrantâ€™s ability to record, process, summarize and report financial information; andb.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.Date: JulyÂ 30, 2024By: /s/ Chris P. GroppChris P. GroppVice President and Chief Financial OfficerDocumentExhibit 32.1CERTIFICATION OF CHIEF EXECUTIVE OFFICERPURSUANT TO 18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002I, Brady D. Ericson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to SectionÂ 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, PHINIA Inc.â€™s Quarterly Report on Form 10-Q for the fiscal quarter ended JuneÂ 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of PHINIA Inc.Date: JulyÂ 30, 2024By: /s/ Brady D. EricsonBrady D. EricsonPresident and Chief Executive OfficerThis certification accompanies the Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that PHINIA Inc. specifically incorporates it by reference.DocumentExhibit 32.2CERTIFICATION OF CHIEF FINANCIAL OFFICERPURSUANT TO 18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002I, Chris P. Gropp, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, PHINIA Inc.â€™s Quarterly Report on Form 10-Q for the fiscal quarter ended JuneÂ 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of PHINIA Inc.Date: JulyÂ 30, 2024By: /s/ Chris P. GroppChris P. GroppVice President and Chief Financial OfficerThis certification accompanies the Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that PHINIA Inc. specifically incorporates it by reference.