

Risk Factors Comparison 2025-02-13 to 2024-02-28 Form: 10-K

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Our business is subject to various risks and uncertainties. While we believe we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties not presently known to PHINIA or that PHINIA currently deems immaterial that ~~also~~ may materially adversely affect us in future periods. Any of the risks and uncertainties described below could have a material adverse effect on our business, financial condition, or results of operations, including causing PHINIA's actual results to differ materially from those projected in any forward-looking statements. Although the risks are organized by heading, and each risk is described separately, many of the risks are interrelated. ~~You should not interpret the disclosure of any risk factor to imply that the risk has not already materialized.~~ Risks Related to Our Industry and Strategy

Adverse changes in general business and economic conditions, including recessions, adverse market conditions or downturns impacting the vehicle and industrial equipment industries, have in the past and may in the future adversely affect our business, financial condition, and results of operations. Our business, financial condition and results of operations are sensitive to global and regional business and economic conditions, particularly those specific to the global vehicle and industrial equipment industries. Commercial vehicle, industrial application and light vehicle production and sales are cyclical and sensitive to general economic conditions and other factors, including **inflation**, interest rates, consumer credit, and consumer spending and preferences. Economic declines resulting in significant reductions in commercial vehicle or light vehicle production have in the past ~~and would in the future~~ **adversely affect affected** our business, financial condition and results of operations, including our sales to OEMs, **and could again in the future. Many global economies have continued to experience elevated levels of inflation more generally, which has led to an increase in other input costs. As a result, the Company has experienced, and may continue to experience, higher costs. Although the Company has had success offsetting higher costs through a combination of productivity and customer recoveries, there can be no guarantee that the Company will continue to be successful doing so in the future, should inflation remain at elevated levels.** If we do not deliver new products, services and technologies in response to changing consumer preferences and increased regulation of greenhouse gas emissions, or if the market for electric vehicles grows faster than expected, our business, financial condition, and results of operations could be adversely impacted. The **global** vehicle industry **has been, and is largely expected to continue to be,** focused on increased fuel efficiency and reduced emissions, including the development of hybrid and electric vehicles, **largely primarily** as a result of changing consumer preferences and increasingly stringent global regulatory requirements related to the impacts of climate change. In ~~recent past~~ **recent past** years, electric vehicle ~~adoption use~~ **adoption use** has increased, with some cities limiting access ~~to~~, and a number of countries **and jurisdictions** ~~announcing plans to implement~~ **implementing limits regulations that require a reduction** or phase ~~outs~~ **out on of sales of, starting as early as 2030 for certain** ~~commercial and light~~ **commercial and light** combustion ~~-~~ **powered vehicles, accelerating toward 2030 and beyond**. While rates **of growth** of electric vehicle adoption and production have slowed ~~in recently~~ **recent years compared to earlier expectations** due to ~~several decreased customer demand and other factors~~ **several decreased customer demand and other factors** compared to prior expectations, **we in particular lower than anticipated consumer acceptance, the regulatory landscape remains challenging. In the event that reductions or phase outs are ultimately required that would have an impact on production at OEMs and, in turn, sales of our products. We** will continue to consider these trends and related shifts in the industry, including in the context of our product line, growth and innovation and development strategies. Through our products and solutions, we are focused on enhancing fuel efficiency and driving growth through our ability to capitalize on ~~certain other potential~~ **the adoption of alternative fuels (e. g., hydrogen, ammonia, ethanol, hydrogen-compressed natural gas and e-other zero** ~~or lower- carbon fuels- fuel types)~~ **or lower- carbon fuels- fuel types)** **for combustion- powered vehicles, industrial machinery and other applications**. Given the early stages of development of some of these new products and solutions, there can be no guarantee of the future market acceptance and investment returns with respect to our planned products. The ongoing energy transition away from fossil fuels and the adoption of electrified powertrains in some market segments, **notably the passenger car market segment, has resulted, and could continue to result,** in lower demand for ~~current certain of our~~ **current certain of our** products. If we do not continue to ~~innovate and~~ **innovate and** develop, or acquire, ~~new and compelling~~ **new and compelling** products that gain acceptance with OEMs, **if we do not expand our offerings of combustion- agnostic products and solutions,** if the market adoption for electric vehicles (particularly commercial vehicles) grows faster than expected, or if authorities implement additional or more stringent limits or phase-outs for combustion ~~-~~ **powered vehicles on a broad basis, our business, financial condition and results of operations could be adversely impacted. We face strong competition. We compete globally with a number of other **other** manufacturers and distributors that produce and sell **products that are similar products to ours**. Price, quality, **speed of** delivery, technological innovation, **supply chain resilience, sourcing strategies (which could include the use of artificial intelligence and machine learning),** engineering development, and program launch support are ~~the~~ **the** primary elements of competition. Our competitors include a large number of independent domestic and international suppliers, **primarily in the automotive and industrial equipment sectors**. A number of our competitors are larger than us and have more diverse product portfolios, and some competitors have greater financial and other resources than we do. Our customers, faced with intense international competition, have continued to expand their global sourcing of components. As a result, we have experienced competition from suppliers in other parts of the world that enjoy economic advantages, such as lower labor costs, lower ~~health healthcare care~~ **health healthcare care** costs, lower tax rates and, in some cases, export or raw ~~materials- material~~ **material** subsidies. Increased competition could adversely affect our business, financial condition and results of operations. In addition, any of our competitors may foresee the course of market development more accurately than we do, develop products that are superior to our ~~products offerings~~ **products offerings**, produce similar products at a cost that is**

lower than our **production** cost, or adapt more quickly than we do to new technologies or evolving customer **and regulatory** requirements. As a result, our products may not be able to compete successfully with our competitors' products, and we may not be able to meet the growing demands of customers. These trends **may could** adversely affect our business, financial condition and results of operations, including our sales and the profit margins on our products. The failure to identify, consummate, effectively integrate or realize the expected benefits from acquisitions or partnerships could adversely affect our growth and our business, financial condition, and results of operations. We periodically evaluate selective acquisitions, partnerships, and strategic investments in connection with our growth strategy. The success of our growth strategy is dependent, in part, on our ability to identify suitable acquisition or partnership candidates, prevail against competing potential acquirers or partners and negotiate and consummate acquisitions or partnerships on terms attractive to us. It is also dependent on our ability to effectively integrate and realize the expected benefits from acquisitions or partnerships. To realize the anticipated benefits of acquisitions or partnerships, both companies must be successfully combined. The combination of independent businesses is a complex, costly, and time-consuming process that requires significant management attention and resources. It is possible that the integration process could result in the loss of key employees, the disruption of our operations, the inability to maintain or increase our competitive presence, inconsistencies in standards, controls, procedures and policies, difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the acquisition, the diversion of management's attention to integration matters, difficulties in the assimilation of operations, employees and corporate cultures, and / or the realization of unknown or inestimable liabilities relating to the acquired business or inaccurate assessment of undisclosed, contingent or other liabilities or **problems complexities**. Any or all of these factors could adversely affect our ability to maintain relationships with customers and employees, **or** achieve the anticipated benefits of the acquisition ~~at all or~~ on the timeline expected, and could have an adverse effect on the combined company. In addition, many of these factors are outside of our control, and any one of these factors could result in additional or unforeseen costs, decreases in the amount of expected revenues and additional diversion of management's time and energy, which could adversely impact our business, financial condition and results of operations.

Risks Related to Our Business and Operations We are under substantial pressure from OEMs to reduce the prices of our products. There is substantial and continuing pressure on OEMs to reduce costs, including **the** costs of products we supply. OEM customers expect annual price reductions in our business. To maintain our profit margins, we seek **periodic** price reductions from our suppliers **in response to this expectation**, ~~to improved~~ **improve** production processes to increase manufacturing efficiency, and ~~to streamlined~~ **streamline** product designs to reduce costs. In recent years, however, many of our suppliers have sought to increase prices in order to offset inflationary and other costs and surcharges. Although we seek to recover inflationary and other costs and surcharges from our customers and have had some success in the past in recovering a portion of these costs and surcharges, our ability to pass through increased costs to our OEM customers is limited ~~(with any cost recovery often less than 100 % and often on a delayed basis)~~ and there can be no assurance that such recoveries will continue in the future. **Our inability inability** to reduce costs ~~(in an amount equal to~~ **or less than)** annual price reductions, **increases in tariffs**, increases in raw material costs, increases in employee wages and benefits and other inflationary headwinds could have an adverse effect on our business, financial condition and results of operations. We continue to face volatile costs of commodities used in the production of our products and elevated levels of inflation. We use a variety of commodities (including aluminum, copper, nickel, plastic resins, steel, other raw materials and energy) and materials purchased in various forms, such as castings, powder metal, forgings, stampings and bar stock, in the production of our products. In recent years, prices for many of these commodities have increased. We have sought to alleviate the impact of increasing costs by including a material pass-through provision in our customer contracts wherever possible and by selectively hedging certain commodity exposures. Customers frequently challenge these contractual provisions and rarely pay the full cost of any increases in the cost of materials. The discontinuation or lessening of our ability to pass through or hedge increasing commodity costs could adversely affect our business, financial condition and results of operations. From time to time, commodity prices may also fall rapidly. If this happens, suppliers may withdraw capacity from the market until prices improve, which may cause periodic supply interruptions. The same may be true of transportation carriers and energy providers. If these supply interruptions occur, it could adversely affect our business, financial condition and results of operations. **Prices for commodities remain volatile, and since the beginning of 2021, the Company has experienced price increases for energy and base metals (e. g., steel, aluminum and copper) while slightly decreasing in 2024.** In addition, ~~during beginning in~~ 2023, many global economies, including the United States, experienced elevated levels of inflation more generally, which drove an increase in input costs. We ~~reached have~~ pricing-related agreements with various customers ~~in 2023~~, but these agreements do not enable us to recover 100 percent of our increased costs, and as a result, our operating margins have been negatively impacted. While we will continue to negotiate the pass through and recovery of higher costs with our customers, perpetuation of this trend could adversely affect our business, financial condition and results of operations. Changes in U. S. and foreign administrative policy, including changes to existing trade agreements and any resulting changes in international trade relations, may adversely affect our business, financial condition and results of operations. We manufacture, sell and service products globally and rely upon a global supply chain to deliver the raw materials, components, systems and parts that we need to manufacture and service our products. Changes in laws, regulations and government policies on foreign trade and investment can affect the demand for our products and services, cause ~~non-U. S.~~ customers to shift preferences towards domestically manufactured or branded products, and impact the competitive position of our products or prevent us from being able to sell **or manufacture** products in certain countries. Our business benefits from free trade agreements, such as the United States- Mexico- Canada Agreement **and efforts Efforts** to withdraw from, or substantially modify, such agreements or arrangements, **or actions taken** in addition to **contravention of such agreements or arrangements, or** the implementation of more restrictive trade policies, such as ~~more detailed inspections,~~ higher tariffs **relevant to our operations**, **particularly** including, but not limited to, additional tariffs on the import of steel or aluminum and imposition of new or retaliatory tariffs against certain countries, such as based on developments in **Mexico** U. S.

and China relations), import or export licensing requirements and exchange controls or new barriers to entry, could limit our ability to capitalize on current and future growth opportunities in international markets, impair our ability to expand the business by offering new technologies, products and services, and could adversely impact our production costs, customer demand, **our competitiveness** and our relationships with customers and suppliers. **Such actions can be announced with little or no advance notice, and we may not be able to effectively mitigate all adverse impacts from such measures.** Any of these consequences could have an adverse effect on our business, financial condition and results of operations. If we are unable to protect our intellectual property or if a third party makes assertions against us or our customers relating to intellectual property rights, our business, financial condition and results of operations could be adversely affected. We own important intellectual property, including patents, trademarks, copyrights, and trade secrets, and are involved in numerous licensing arrangements. Our intellectual property plays an important role in maintaining our competitive position in a number of the markets that we serve. Our competitors may develop technologies that are similar or superior to our proprietary technologies or design **alternatives to the technologies utilizing** the patents we own or license. Further, as we expand our operations in jurisdictions where the enforcement of intellectual property rights is less robust, the risk of others duplicating our proprietary technologies **or supplying counterfeit goods at lower prices under confusingly similar or identical trademarks,** increases, despite **the** efforts we undertake to protect **them our intellectual property.** Our inability to protect or enforce our intellectual property rights, **or claims that we are infringing on the** intellectual property rights of others, could adversely affect our competitive position, as well as our business, financial condition and results of operations. A failure of or disruption in our information technology infrastructure, including a disruption related to cybersecurity, could adversely impact our business, financial condition and results of operations. We rely on the capacity, reliability and security of our information technology systems and infrastructure, ~~as well as certain information technology systems and infrastructure that BorgWarner continues to provide to us pursuant to transition services agreements following the Spin-Off.~~ Information technology systems are vulnerable to disruptions, including those resulting from cybersecurity attacks, failures or vulnerabilities in third-party provided **products and services,** and natural disasters or adverse weather events. **In addition, the rapid evolution and increased adoption of artificial intelligence technologies may intensify our cybersecurity risks.** Disruptions ~~and in,~~ attacks on **and the integrity of** our information technology systems, or on the information systems, **products or services** of third parties with which we engage, pose a risk to the security of our systems and data, including the data of our employees, customers and suppliers. Some cybersecurity attacks or incidents result from human error or manipulation, ~~(including phishing attacks or other schemes that use social engineering to gain access to systems or),~~ carry out disbursement of funds or other frauds, **which or involve ransomware, malware and other advanced persistent threats that** increase the risks and costs associated with protecting against such attacks. We have implemented cybersecurity and data protection policies, processes and strategies that are informed by regulatory and business requirements and industry practices. These policies, processes and strategies are designed to help (i) identify, prevent and mitigate **against evolving** cybersecurity threats to the Company; (ii) preserve the confidentiality, security and availability of the information that we collect and store for use in operating our business; (iii) protect the Company's intellectual property; (iv) maintain the confidence of our customers, suppliers, other business partners and employees; and (v) provide appropriate public disclosure of cybersecurity risks and incidents when required. Despite these efforts, we have experienced targeted and non-targeted cybersecurity attacks and incidents in the past that have resulted in unauthorized persons gaining access to our information and systems, and we could in the future experience similar attacks. To date, no cybersecurity attack or incident, or any risk from cybersecurity threats, has materially affected or ~~is~~ **has been determined to be** reasonably likely to materially affect the Company or our business strategy, results of operations, or financial condition. **Nevertheless, cybersecurity attacks on the Company continue unabated and Future future** cybersecurity attacks or incidents could potentially lead to the inappropriate disclosure of confidential information, ~~(including our intellectual property or employee, customer or supplier data),~~ improper use of our systems and networks, access to and manipulation and destruction of our ~~or~~ third-party data, production downtimes **or delays,** lost revenues, inappropriate disbursement of funds, and both internal and external supply shortages. In addition, we **expect, and** may be required, **to continue** to incur significant **additional** costs to protect against damage caused by **such cybersecurity** attacks or incidents in the future. The consequences of a cybersecurity attack or incident could ~~ultimately~~ cause significant damage to our reputation, affect our relationships with our employees, customers, suppliers, and other business partners, **or** lead to **governmental investigations or** claims against us, and ultimately, adversely affect our business, financial condition and results of operations. Our ~~ability~~ **inability** to identify, attract, retain and develop a qualified global workforce could adversely impact our business, financial condition and results of operations and impair our ability to meet our strategic objectives and the needs of our customers. Our continued success depends in part on our ability to identify, attract and onboard qualified candidates with the requisite education, background, skills and experience, and our ability to retain, develop and engage employees across our business, including our sales, manufacturing, research and development, information technology, corporate and other operations and functions. To the extent we are unable to remain competitive with our total rewards programs (which includes compensation and benefits programs and practices), human capital management strategies and objectives, or inclusive workplace culture, or if qualified candidates or employees become more difficult to attract or retain under reasonable terms, we may experience higher labor-related costs and significant employee turnover, and may be unable to attract and retain a qualified global workforce, including members of management, **other senior leaders** and employees with **key** engineering ~~and~~ technical **skills and software capabilities,** in numbers sufficient for our needs. These factors could adversely affect our business, financial condition and results of operations, and impair our ability to meet our strategic objectives and the needs of our customers. Our profitability and results of operations may be adversely affected by program launch difficulties. The launch of a new vehicle program for a customer is a complex process, the success of which depends on a wide range of factors, including the production readiness of our manufacturing facilities and ~~manufacturing~~ processes and those of our suppliers, as well as factors related to tooling, equipment, employees, initial product

quality and other factors. Our failure to successfully launch vehicle programs, or our inability to accurately estimate ~~the cost~~ **costs** to design, develop and launch new vehicle programs, could have an adverse effect on our business, financial condition, and results of operations. To the extent we are not able to successfully launch a new vehicle program, our customer's vehicle production could be significantly delayed or shut down. Such situations could result in significant financial penalties to us, or a diversion of employees and financial resources to improving launches rather than ~~investment~~ **investing** in continuous process improvement or other growth initiatives, and could result in our customers shifting work away from us to a competitor, ~~all any~~ of which could result in loss of revenue or loss of market share and could have an adverse effect on our business, financial condition and results of operations. We could incur restructuring charges as we execute restructuring and other actions in an effort to improve future profitability and competitiveness and to optimize our product portfolio, and ~~we~~ may not achieve the anticipated savings and benefits from these actions. We have initiated, and we may continue to initiate, restructuring and other measures, **including those** designed to improve the competitiveness of our business and sustain our margin profile, optimize our product portfolio or global footprint, ~~or create an optimal legal entity structure,~~ **or reduce existing structural costs**. We may not realize anticipated savings or benefits from past or future actions in full or in part or within the time periods **anticipated we expect**. We are also subject to the risks of labor unrest, negative publicity and business disruption in connection with our actions. Failure to realize anticipated savings or benefits from our actions could have an adverse effect on our business, financial condition and results of operations. The occurrence or threat of extraordinary events, including natural disasters or extreme weather events, political disruptions, terrorist attacks, pandemics or other public health crises, and acts of war, **have in the past and** could **significantly in the future** disrupt production or impact consumer spending or the demand for our products and solutions. Extraordinary events, including natural disasters or extreme weather events, ~~(including those that may result from the impacts of climate change),~~ **fires or similar catastrophic events**, political disruptions, terrorist attacks, pandemics or other public health crises, such as the COVID- 19 pandemic, and acts of war have in the past and may in the future disrupt our business **or operations**, impact our supply chain and access to necessary raw materials, or adversely affect the global economy generally, resulting in a loss of sales and customers **and an increase in costs**. Any of these disruptions or other extraordinary events outside of our control that impact our operations or the operations of our suppliers or customers could have a future adverse effect on our business, financial condition and results of operations. In addition, these types of events could negatively impact consumer spending or result in changes in the demand for certain products and solutions in the impacted regions or globally, which could have an adverse effect on our business, financial condition and results of operations. We are subject to risks related to our international operations. ~~We have~~ **Nearly all of our** manufacturing and technical facilities ~~in many are~~ **outside the U. S., including other** regions ~~including in the Americas,~~ Europe, ~~and~~ Asia, ~~and the Americas~~. For 2023, ~~approximately 71 % of our consolidated net sales were outside the United States~~. Consequently, our results ~~could would~~ be affected by changes in trade, monetary and fiscal policies, trade restrictions or prohibitions, import **tariffs** or other charges or taxes, fluctuations in foreign currency exchange rates, limitations on the repatriation of funds, changing economic conditions, unreliable intellectual property protection and legal systems, insufficient infrastructures, social unrest, political instability and disputes, international terrorism, acts of war and other factors that may be discrete to a particular country or geography. Compliance with multiple and potentially conflicting laws and regulations of various countries is challenging, burdensome, and expensive. The financial statements of foreign subsidiaries are translated to U. S. Dollars using the period- end exchange rate for assets and liabilities and an average exchange rate for each period for revenues, expenses and capital expenditures. The local currency is typically the functional currency for our foreign subsidiaries. ~~While we did not experience~~ **Significant significant foreign currency impacts during 2024, significant** foreign currency fluctuations and the associated translation of those foreign currencies could adversely affect our business. Additionally, significant changes in currency exchange rates, particularly the Euro, Chinese Renminbi, British Pound, Brazilian Real and Indian Rupee could cause fluctuations in the reported results of our businesses' operations that could negatively affect our business, financial condition and results of operations. Because we are a U. S. holding company, one significant source of our funds is distributions from our non- U. S. subsidiaries. Certain countries in which we operate have adopted or could institute currency exchange controls that limit or prohibit our local subsidiaries' ability to convert local currency into U. S. Dollars or to make payments outside the country. This could subject us to the risks of local currency devaluation and business disruption. Our business in China is subject to aggressive competition and is sensitive to economic, political, **social** and market conditions. Maintaining a strong position in the Chinese market is a key component of our global strategy. The vehicle and other equipment supply markets in China are highly competitive, with competition from many of the largest global manufacturers and numerous smaller domestic manufacturers. As the Chinese market evolves, **many** ~~we anticipate that~~ market participants ~~will have act acted~~ aggressively to increase or maintain their market share. Increased competition ~~may result in price reductions~~ **has contributed to pricing pressure**, reduced margins and **limited** our ~~inability~~ **ability** to gain or hold market share. Our business in China is also sensitive to economic, political, social and market conditions that drive sales volumes in China. If we are unable to maintain our position in the Chinese market or if vehicle sales in China decrease, our business, financial condition and results of operations could be adversely affected. In addition, there continues to be significant uncertainty about the future relationships between the U. S. and China, including with respect to trade policies, treaties, government regulations and tariffs. Any increased trade barriers or restrictions on global trade, particularly trade with China, could adversely impact **our competitiveness in the Chinese market and** our business, financial condition and results of operations. Risks Related to Our Customers and Suppliers We face credit, operational and sales concentration risks related to our customers. We rely on sales to OEMs around the world of varying credit quality and manufacturing demands. Supply to several of these customers requires significant investment by us. We base our growth projections, in part, on commitments made by our customers. These commitments by OEMs generally renew yearly during a program life cycle. Among other things, the level of production orders we receive is dependent on the ability of our OEM customers to design and sell products that consumers desire to purchase. If actual production orders from our customers do not approximate such commitments due to a variety of

factors including non-renewal of purchase orders, a customer's financial hardship or other unforeseen reasons, it could adversely affect our business, financial condition and results of operations. We have in the past and likely will in the future derive a significant portion of our net sales from a relatively limited number of OEM customers. For the year ended December 31, ~~2023~~ **2024**, our top five customers accounted for approximately ~~35-40~~ % of our net sales, with General Motors Company representing ~~16-17~~ %. The loss of, or a significant decrease in business from, one or more of these customers could have a materially adverse impact on our business, financial condition and results of operations. In addition, any consolidation among our top customers may further increase our customer concentration risk. Disruptions in our supply chain have in the past and could in the future adversely affect our business, financial condition, and results of operations. We obtain components and other products and services from numerous suppliers and other vendors throughout the world. In an effort to manage and reduce the cost of purchased products and services, we have been rationalizing aspects of our supply base, which has resulted in our dependence on fewer supply sources for certain components used in the manufacture of our products. We select **and maintain relationships with** suppliers ~~considering based on~~ a variety of factors, including price, quality, technology, production capacities, **reliability**, customer requirements, ~~reliability~~ **environmental sustainability and other responsible business practices**, financial condition and geographic location. We expect our suppliers to deliver components in accordance with our ~~written~~ expectations. ~~Despite our expectations~~ **In recent years**, the global economy and entire industries have experienced ~~an increased risk of, and actual,~~ global supply chain shortages and other disruptions, including due to ~~labor or social unrest,~~ natural disasters or extreme weather events, political disruptions, pandemics or other public health crises, terrorist attacks, acts of war, **labor or social unrest**, government actions (such as relating to trade laws and tariffs), cybersecurity attacks or incidents and other circumstances. For the automotive industry in particular, although global supply chains have ~~continued to recover~~ **recovered** from the disruption caused by ~~the~~ COVID-19 ~~lockdowns~~ **pandemic**, other circumstances (such as **the ongoing conflict between Russia and 's invasion of Ukraine in 2022**, natural disasters and extreme weather events) have caused supply constraints for certain components that **have impacted, and some of which** continue to impact, global industry production levels. These circumstances and other rapidly changing industry conditions (such as volatile production volumes; credit tightness; **tariffs and changes in trade policy and relations**; changes in foreign currencies; raw material, commodity, ~~tariffs~~, transportation and energy price escalation; drastic changes in consumer preferences; and other factors) have resulted or could in the future result in significant supply disruptions, supplier financial instability or distress, **and or** commercial disputes with suppliers and customers. If we experience a prolonged shortage of critical components from any of our suppliers and cannot procure such components from other sources, we may be unable to meet the production schedules for some of our key products and ~~could miss~~ customer delivery expectations. In certain instances, it would be difficult and expensive for us to change suppliers that are critical to our business. Such suppliers may perceive this reliance as greater leverage to seek higher prices from us at a time that we face substantial pressure from OEMs to reduce the prices of our products. Further, we may provide financial support to distressed suppliers or take other measures to protect our supply lines. The circumstances and conditions described in this section have resulted or could in the future result in additional costs and adversely impact our relationships with customers or suppliers or our business, financial condition, and results of operations. Work stoppages, production shutdowns and similar events or conditions could significantly disrupt and adversely impact our business, financial condition and results of operations. Because the vehicle and equipment industries rely heavily on just-in-time delivery of components during the assembly and manufacture of products, a work stoppage or production shutdown at one or more of our suppliers' facilities, including as a result of a prolonged dispute with unionized employees at such facilities, could impact our ability to manufacture and assemble our products and solutions, or meet the needs of our customers, which could have significant adverse effects on our business, financial condition and results of operations. Similarly, if one or more of our customers were to experience a work stoppage or production shutdown, that customer would likely halt or limit purchases of our products, which could result in the shutdown of the related manufacturing facilities. **Strikes against certain of our customers adversely impacted our results of operations** ~~During during~~ 2023, ~~as the UAW launched strikes against Ford, General Motors Company, Stellantis North America, and Mack Truck, all of which are customers of PHINIA. While the automakers reached a deal with the UAW and there were limited impacts to our results during the third or fourth quarters of 2023, the~~ automakers limited purchases of our products during the strikes due to the halt of their own production. Any future strikes that continue for a prolonged period could adversely affect our business, financial condition and results of operations. In addition to our suppliers and customers, a work stoppage or production shutdown at one or more of our manufacturing and assembly facilities, including as a result of a prolonged dispute with the unionized employees at certain of our international facilities, could adversely affect our business, financial condition and results of operations. Risks Related to Regulatory, Legal, and Similar Matters We are, and in the future may be, subject to governmental investigations and related proceedings regarding vehicle emissions standards. In recent years within the vehicle industry, there have been governmental investigations and related proceedings relating to alleged or actual violations of vehicle emissions standards. Alleged or actual violations by us, or to our knowledge, our predecessor entities of emissions standards have in the past resulted in a government investigation and could in the future result in government investigations and other legal proceedings, including class actions and other private civil actions, the recall of one or more of our products, negotiated remedial actions, fines, disgorgement of profits, restricted product offerings, reputational harm or a combination of any of those items. Any of these actions or related costs that we incur could have a material adverse effect on our business, financial condition and results of operations. As previously reported, German authorities announced a diesel defeat device investigation in 2022, which we believe is focused on engines sold by two of our light vehicle OEM customers prior to 2020, when ~~BorgWarner~~ **the Former Parent** acquired Delphi Technologies PLC. PHINIA is the indirect parent of the Delphi Technologies entity that supplied engine control units, software and calibration services to these OEM customers, and German authorities searched two of our facilities seeking information relating to software supplied to the customers. Under the Separation and Distribution Agreement we entered into with ~~BorgWarner~~ **the Former**

Parent in connection with the Spin- Off, we are generally allocated responsibility for any consequences arising out of the German investigation and any similar investigations. We are cooperating with the German investigation, which is ongoing and has resulted, and will continue to result in, us incurring significant costs and could ultimately lead to any of the consequences we outline above. We are subject to extensive environmental and, health and safety, **human rights and other** laws and regulations that are subject to change and **may** involve significant risks. Our operations **and products** are subject to laws governing, among other things, : emissions to air ; discharges to waters ; and the generation, management, transportation and disposal of waste and other materials ; **packaging; health and safety; human rights; and other matters relating to corporate sustainability**. The **Our global supply chain and the** operation of vehicle and industrial equipment parts manufacturing plants entails risks in these areas, and we may incur material costs or liabilities as a result. A number of our manufacturing facilities were acquired prior to the completion of the Spin- Off, and as a result, we may incur material costs and liabilities relating to activities that predate our ownership or the ownership of **BorgWarner the Former Parent**. In addition, potentially significant expenditures could be required to comply with evolving interpretations of existing environmental and, health and safety, **human rights and other** laws and regulations, or any new such laws and regulations **currently in effect and that are expected to be in effect in the near future** (including concerns about global climate change **the European Union's Corporate Sustainability Reporting Directive and its impact other new reporting requirements established by regulators in the U. S. and Europe**), or additional new such laws and regulations that may be adopted **in the future (including due to ongoing concerns regarding global climate change and its impact)**. Costs associated with **compliance, or** the failure to comply, with such laws and regulations, **or customer requirements relating to or stemming from such regulations**, could have an adverse effect on our business, financial condition and results of operations. The impacts of climate change and, regulations related to climate change **and various stakeholders' emphasis on climate change and other related matters** may adversely impact our business, financial condition and results of operations. The impacts of climate change continue to raise significant concern and attention worldwide, which has led to swift and stringent legislative and regulatory efforts to limit greenhouse gas emissions **in certain jurisdictions in which we operate**. Our manufacturing plants use energy, including electricity and natural gas, and certain of our plants that emit greenhouse gas may **in the future** be affected by these legislative and regulatory efforts. Greenhouse gas **emissions** regulations could increase the price of the electricity we purchase, increase costs for use of natural gas, potentially restrict access to or the use of natural gas, require us to purchase allowances to offset our own emissions or result in an overall increase in costs of raw materials, any one of which could increase our costs, reduce competitiveness in a global economy, impact our reputation, or otherwise negatively affect our business, financial condition and results of operations. Many of our **customers and** suppliers face similar risks. Supply disruptions relating to such regulations could result in increased costs, jeopardize the continuity of production, and have an adverse effect on our business, financial condition and results of operations. The physical and transitional impacts of climate change could also disrupt our operations, including by impacting the availability and cost of materials within our supply chain, and could also increase insurance and other operating costs. These factors may also impact our decisions to construct new facilities in certain geographic locations. From time to time, we establish strategies and expectations related to the impacts of climate change and other environmental matters. Our ability to achieve any such strategies or expectations is subject to numerous factors and conditions, many of which are outside of our control. Examples of such factors include, but are not limited to, evolving legal, regulatory and other standards, processes, and assumptions, the pace of scientific and technological developments, increased costs, the availability of requisite financing, **and the availability of renewable energy sources**, changes in carbon markets, **government incentives and tax credits, and changes in general economic, financial and industry conditions**. Failures or delays (whether actual or perceived) in achieving our strategies or expectations related to climate change and other environmental matters could adversely affect our business, financial condition and results of operations, **and harm our** reputation, **result in our inability to meet the expectations of our customers and other stakeholders**, and increase the risk of litigation **to comply with any current or future climate, environmental and related reporting requirements, including those established by regulators in the U.S. and Europe, may result in loss of business, regulatory penalties, increased litigation risk and reputational damage**. Compliance with and changes in **other laws and regulations impacting our operations** could be costly and could affect our business, financial condition and results of operations. We have **operations in multiple countries that can be impacted by expected and unexpected changes in the legal and business environments in which we operate. Compliance- related issues in certain countries associated with laws such as the Foreign Corrupt Practices Act and other anti- corruption laws could adversely affect our business, financial condition and results of operations. We have** internal policies and procedures **and supplier policies and requirements** relating to compliance with **anti- corruption, sanctions, import and export control laws and exchange control laws, and we conduct periodic compliance training on** such laws **for our employees**; however, there is a risk that such policies, **and** procedures **and requirements** will not always protect us from the improper acts of employees, agents, **suppliers, other** business partners, joint venture partners, or representatives, particularly in the case of recently acquired operations that may not have significant training in applicable compliance policies and procedures. **Compliance violations Violations of these laws, which are complex**, may result in criminal penalties, sanctions or fines that could have an adverse effect on our business, financial condition, results of operations and reputation. Changes that could impact the legal environment include new legislation, regulations, and policies, investigations and legal proceedings, and new interpretations of existing rules and regulations, in particular, changes in **sanctions, import and export control laws or exchange control laws, additional limitations on greenhouse gas emissions or other matters related to the impacts of climate change**, and other changes in laws in countries where we operate or **intend to operate**. We have liabilities related to product warranties, litigation and other claims. We provide product warranties to our customers for some of our products. Under these product warranties, we may be required to bear costs and expenses for the repair or replacement of these products. As suppliers become more integrally involved in the design of vehicles and equipment and assume more of the assembly functions, OEMs are increasingly looking to their suppliers for contribution when faced with

recalls and product warranty claims. A recall claim or product warranty claim brought against us could adversely impact our business, financial condition and results of operations. In addition, a recall claim could require us to review our entire product portfolio to assess whether similar issues are present in other product lines, which could result in significant disruption to our business and could have an adverse impact on our financial condition and results of operations. Factors outside our control, including the quality of fuel in end user markets or our products operating under conditions not originally contemplated, may increase our exposure for warranty or recall claims. In addition, as we continue to develop and invest in products and solutions involving alternative fuels (such as hydrogen, ammonia, ethanol, compressed natural gas and other zero - or lower-carbon fuels- fuel types) designed to enhance fuel efficiency and reduce emissions, we may experience an increase in fuel and product quality- related product warranty or other claims. We cannot assure that costs and expenses associated with these claims will not be material or that those costs will not exceed any amounts accrued for such claims in our financial statements. In addition, we are currently, and may in the future become, subject to other commercial or contractual disputes and legal proceedings. These claims typically arise in the normal course of business and may include, but not be limited to, commercial or contractual disputes with our customers and suppliers, intellectual property matters, personal injury, product liability, environmental and employment claims. These claims may also arise under the Separation and Distribution Agreement we entered into with BorgWarner the Former Parent in connection with the Spin- Off, which allocated responsibility to us for various legacy matters, including certain items that are otherwise unrelated to our business . As previously disclosed, the Company and the Former Parent are currently involved in a dispute relating to the Tax Matters Agreement entered into by the parties in connection with the Spin- Off (the BorgWarner Dispute). For more information regarding the BorgWarner Dispute, refer to Note 18, " Contingencies, " to the Consolidated Financial Statements . There is a possibility that any such claims may have an adverse impact on our business that is greater than we anticipate. While we maintain insurance for that provides protection against certain potential losses relating to such claims and other risks, including those resulting from cybersecurity threats and incidents, the amount and extent of such insurance may not be adequate to cover insure us against all insured-claims , costs and liabilities related to these matters . The incurring of significant liabilities for which there is no, or insufficient, insurance coverage could adversely affect our business, financial condition and results of operations . Compliance with and changes in laws..... where we operate or intend to operate . Changes in tax laws or tax rates taken by taxing authorities and tax audits or similar processes could adversely affect our business, financial condition and results of operations. Changes in tax laws or tax rates, the resolution of tax assessments or audits or similar processes by various tax authorities, and the inability to fully utilize our tax loss carryforwards and tax credits could adversely affect our business, financial condition and results of operations. In addition, we may periodically restructure our legal entity organization. If taxing authorities were to disagree with our tax positions in connection with any such restructurings, our effective tax rate could be materially affected. Our tax filings for various periods are subject to audit by the tax authorities in most jurisdictions where we conduct business. We have received tax assessments from various taxing authorities and are currently at varying stages of appeals and / or litigation regarding these matters. These audits may result in assessment of additional taxes that are resolved with the authorities or through the courts. We believe these assessments may occasionally be based on erroneous and even arbitrary interpretations of local tax law. Although Mexico levies value added taxes and customs duties on temporary imports, in the course of the conduct of our manufacturing operations, we generally do not pay that tax due to a special certification, the availability of which depends upon our compliance with certain requirements and regulations, such as maintaining accurate records and providing periodic reports to authorities. We are aware of instances in which we may not have complied with those requirements and regulations and pursued are pursuing voluntary processes with the relevant authorities to reconstruct records, which have resulted and may continue to result in value added taxes being assessed for periods in which we claimed an ability to not make payments and / or in the imposition of penalties, either of which could be material. Any tax liability is ultimately a BorgWarner responsibility of the Former Parent under the Tax Matters Agreement to the extent it relates to any period prior to the distribution. To the extent we are unable to comply with those requirements and regulations after the distribution, any consequences would be our responsibility. Resolution of any tax matters involves uncertainties, and there are no assurances that the outcomes will be favorable. Risks Related to Credit and Our Financials Our business and that of our customers and suppliers may be adversely affected by the current credit market environment. Macroeconomic and banking conditions (including uncertainties with respect to financial institutions and the global capital markets) have in the past resulted in and may in the future result in volatile or depressed capital and credit markets and liquidity issues for borrowers, investors, customers, and suppliers. If our customers or suppliers are not successful in generating sufficient revenue or are precluded from securing financing, they may not be able to pay, or may delay payment of, accounts receivable that are owed to us, or may not be able to meet their supply obligations to us, as applicable. Any inability of current and / or potential customers or suppliers to pay us for our products or meet supply obligations to us will adversely affect our business, financial condition and results of operations. Similarly, disruptions, uncertainty or volatility in the credit markets, including as a result of a recession, may adversely impact our ability to access previously arranged credit and the availability and cost of credit to us in the future. We expect to access the capital markets to supplement our existing funds and cash generated from operations to satisfy our needs for working capital, to meet capital expenditure and debt service requirements, and for other business initiatives. However, challenging market conditions may limit our ability to replace, in a timely manner, maturing liabilities and access the capital necessary to grow and maintain our business. Accordingly, we may be forced to delay raising capital or pay unattractive interest rates, which could increase our interest expense, decrease our profitability and significantly reduce our financial flexibility, cash flows and market prices of our securities. Longer- term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. Such measures could include

deferring capital expenditures and reducing or eliminating any planned distributions to shareholders or other discretionary uses of cash. Overall, our business, financial condition and results of operations could be adversely affected by disruptions in the credit markets. Goodwill and, indefinite-lived intangible **assets and long-lived** assets, which are subject to periodic impairment evaluations, represent a significant portion of our total assets. An impairment charge on these assets could have an adverse impact on our business, financial condition and results of operations. We have recorded goodwill and indefinite-lived intangible assets related to acquisitions. We periodically assess these assets, **along with long-lived assets**, to determine if they are impaired. Significant negative industry or macroeconomic trends, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of the assets, dispositions, and market capitalization declines may impair these assets. We review goodwill and, indefinite-lived intangible **assets and long-lived** assets for impairment either annually or whenever changes in circumstances indicate that the carrying value may not be recoverable. **In conducting our goodwill impairment analysis, we compare the fair value of the segment to the related net book value. In conducting our impairment analysis of indefinite-lived intangible assets and long-lived assets, we compare the fair value of the assets to the related net book values if indicators of impairment are identified.** The risk of impairment to goodwill and indefinite-lived intangible assets is higher during the early years following an acquisition. This is because the fair values of these assets align very closely with what was paid to acquire the reporting units to which these assets are assigned. As a result, the difference between the carrying value of the reporting unit and its fair value (typically referred to as “headroom”) is smaller at the time of acquisition. Until this headroom grows over time, due to business growth or lower carrying value of the reporting unit, a relatively small decrease in reporting unit fair value can trigger impairment charges. When impairment charges are triggered, they tend to be material due to the size of the assets involved. Future acquisitions could present similar risks. Any charges relating to such impairments could adversely affect our business, financial condition and results of operations in the periods recognized. Changes in interest rates and asset returns could increase our pension funding obligations, which could reduce our profitability and cash flow and adversely impact our business, financial condition and results of operations. In connection with the Spin-Off, **BorgWarner the Former Parent** transferred to us plan assets and obligations primarily associated with our active, retired, and other **of the Former Parent’s** former **BorgWarner** employees in certain jurisdictions, and we will provide the benefits directly from the plan assets. The actual assumed net benefit plan obligations and related expenses could change significantly from our estimates. In particular, the valuation of our future payment obligations under these pension plans and the related plan assets is subject to significant adverse changes if the credit and capital markets cause interest rates and projected rates of return to decline. Such declines could also require us to make significant additional contributions to our pension plans in the future. Additionally, a material deterioration in the funded status of the plans could significantly increase our pension expenses and reduce profitability in the future. Each of the foregoing risks could have an adverse effect on our business, financial condition and results of operations. For more information about our pension assets and liabilities, refer to Note **17-15**, “Retirement Benefit Plans,” to the Consolidated Financial Statements. **Our Credit Agreement contains We are subject to a number of** restrictive covenants and requirements **that under our indebtedness, which** could limit our financial and operating flexibility and subject us to other risks. **In connection with the Spin-Off and becoming a newly public company, we entered into our Credit Agreement. The Credit Agreement agreements governing our current indebtedness includes include**, and any debt we incur in the future may include, covenants limiting our ability to, among other things, pay cash dividends, redeem or repurchase stock, incur debt or liens, enter into transactions with affiliates, merge, dissolve, repay subordinated indebtedness, make investments and dispose of assets. We are also subject to total net leverage ratio and interest coverage ratio financial covenants under **such the Credit Agreement agreements**. In addition, our **Credit current debt Agreement agreements requires require**, and any future debt may require, us to dedicate a significant portion of our cash flows from operations to paying amounts due under **such the Credit Agreement agreements**, thereby reducing funds available for other corporate purposes. Any of these restrictions on our ability to operate could adversely affect our business, financial condition and results of operations by, among other things, limiting our ability to adapt to changing economic, financial or industry conditions and to take advantage of corporate opportunities. Developments in our business or events beyond our control, including prevailing economic, financial, and industry conditions, could affect our ability to comply with the covenants and other requirements under **the Credit our debt Agreement agreements**. If we fail to comply with any covenants or other requirements, our lenders **and bondholders under the Credit Agreement** may, among other things, terminate their obligation to make advances to us and declare any outstanding obligations immediately due and payable, **as applicable**, which could have a material adverse impact on our business, financial condition and results of operations. **Risks Related to the Spin-Off** We may be unable to achieve some or all of the benefits that we expect to achieve from the Spin-Off. We may be unable to achieve the full strategic and financial benefits expected to result from the separation and distribution, or such benefits may be delayed or not occur at all. The Spin-Off was expected to provide various benefits, including allowing us to more effectively focus on our own distinct operating priorities and strategies, enhance our ability to better address specific market dynamics and target innovation, create incentives for our management and employees that align more closely with our business performance and the interests of our stockholders, and articulate a clear investment proposition and tailored capital allocation policy to attract a long-term investor base best suited to our business needs. **We While we have achieved some of these benefits, we** may be unable to achieve **some or all of the other** benefits in the time we expect, if at all, for a variety of reasons. **To preserve the tax-free nature of the Spin-Off and certain related transactions**, including: **(1) we agreed in the Tax Matters Agreement to covenants and indemnification obligations that address compliance with the requirements intended tax-free treatment of being the Spin-Off an and independent, publicly traded company certain related transactions for U.S. federal income tax purposes as will well require significant amounts as for state, local and foreign tax purposes. These covenants include certain restrictions on our activity for a period of two years following the Spin-Off. Specifically, we are subject to certain restrictions on our ability to enter into acquisition, merger, liquidation, sale and stock redemption**

transactions with respect to our stock or assets management's time and effort, which may divert management's attention from operating and growing our business; (2) we may be required more susceptible to indemnify market fluctuations and other the adverse Former Parent against any resulting tax liabilities events even than if we do not participate in were still a part of BorgWarner; (3) our or otherwise facilitate businesses will be less diversified than BorgWarner's businesses prior to the acquisition. Furthermore separation; and (4) under the terms of the Tax Matters Agreement, we are restricted from taking subject to specific restrictions on discontinuing the active conduct of our trade or business, the issuance or sale of stock or other securities (including securities convertible into our stock but excluding certain compensatory arrangements), and sales of assets outside actions that could cause the Spin-Off or certain related transactions to fail to qualify for their the intended tax treatment and ordinary course of business. These restrictions covenants and indemnification obligations may limit our ability to pursue us for a period of time from pursuing strategic transactions and equity issuances or engaging engage in new businesses or other transactions that may increase maximize the value of our business, and. If we fail to achieve some or all of the they benefits may discourage or delay a strategic transaction that we expect to achieve as an independent company, or our stockholders do not achieve them in the time we expect, our business, financial condition and results of operations could be adversely affected. A failure to meet internal control over financial reporting and other requirements to which we are subject following the Spin-Off could make our financial results inaccurate or untimely. As a result of the Spin-Off, we are subject to reporting and other obligations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). As previously disclosed, the Company did not design and maintain effective controls over the determination and review of the calculation of cumulative translation adjustment in the Company's combined financial statements prepared on a carve-out basis. See Item 9A, "Controls and Procedures" for additional information. During 2023, we took steps to enhance the Company's internal control over financial reporting in response to the material weakness, and as of December 31, 2023, we concluded that the previously reported material weakness had been remediated. Beginning with the Company's second required Annual Report on Form 10-K, we intend to comply with Section 404 (b) of the Sarbanes-Oxley Act of 2002, as amended, which will require annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm on the effectiveness of internal control over financial reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, which is designed to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with GAAP. Internal control over financial reporting includes: maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of the financial statements; providing reasonable assurance that our receipts and expenditures of our assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to, and cannot, provide absolute assurance that a misstatement of our financial statements would be prevented or detected. If we do not maintain effective internal controls, our independent registered public accounting firm may consider provide an adverse opinion on our internal control over financial reporting. Furthermore, if we do not maintain effective internal controls, the market price of our common stock could decline and we could be subject to sanctions or investigations by regulatory authorities, which would require additional financial and management resources and could adversely impact our business, financial condition and results of operations and potentially harm our reputation with our key stakeholders, including stockholders, employees, customers and suppliers. A delay or inability to transition key infrastructure, services and solutions in connection with the Spin-Off could have an adverse effect on our business, financial condition and results of operations. Since the Spin-Off, BorgWarner has provided us with certain transition and other services. The services currently provided do not include every service that we have received from BorgWarner in the past, and BorgWarner is only obligated to provide the transition services for limited periods following completion of the Spin-Off. Following the cessation of all transition services agreements, we will need to provide internally, or obtain from unaffiliated third parties, the services we will no longer receive from BorgWarner. We have been installing and implementing 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. We may incur substantially higher costs than currently anticipated as we transition from existing transactional and operational systems and data centers we currently use through BorgWarner. We also may be unable to replace these services in a timely manner or on terms and conditions as favorable as those we receive from BorgWarner. If we are unable to transition effectively, we may incur temporary interruptions in business operations. Any delay in implementing, or operational interruptions suffered while implementing our new information technology infrastructure could have an adverse effect on our business, financial condition and results of operations. If the Spin-Off were determined not to qualify as tax-free for U. S. federal income tax purposes, we could have an indemnification obligation to BorgWarner the Former Parent, which could adversely affect our business, financial condition and results of operations. The Spin-Off was intended to qualify as a tax-free "reorganization" within the meaning of Sections 368 (a) (1) (D) and 355 of the Internal Revenue Code of 1986, as amended (Code). In connection with the Spin-Off, BorgWarner the Former Parent received a written opinion from Ernst & Young, LLP to such effect. However, the opinion of Ernst & Young, LLP will not be binding on the Internal Revenue Service (IRS) or the courts, and there can be no assurance that the IRS or a court will not take a contrary position. Notwithstanding the opinion of Ernst & Young, LLP, the IRS could determine on audit that the Spin-Off or any of certain related transactions is taxable if it determines that any of these facts, assumptions, representations, or undertakings are not correct or have been violated or if it disagrees with the conclusions in the opinion. If the conclusions expressed in the opinion of Ernst & Young, LLP are challenged by the IRS and the IRS prevails in such challenge, the tax consequences of the Spin-Off could be materially less favorable. If, as a result of any of our representations being untrue or our covenants being breached, the Spin-Off were determined not to

qualify for its intended tax-free treatment, we could be required by the Tax Matters Agreement to indemnify **BorgWarner the Former Parent** for the resulting taxes and related expenses. Those amounts could be material. Any such indemnification obligation could adversely affect our business, financial condition and results of operations. We are subject to significant restrictions under the Tax Matters Agreement. To preserve the tax-free nature of the Spin-Off and certain related transactions, we agreed in the Tax Matters Agreement to covenants and indemnification obligations that address compliance with the intended tax-free treatment of the Spin-Off and certain related transactions for ~~or~~ U.S. federal income tax purposes as well as for state, local and foreign tax purposes. These covenants include certain restrictions on our activity for a period of two years following the Spin-Off. Specifically, we are subject to certain restrictions on our ability to enter into acquisition, merger, liquidation, sale and stock redemption transactions with respect to our stock or assets, and we may be required to indemnify BorgWarner against any resulting tax liabilities even if we do not participate in or otherwise facilitate the acquisition. Furthermore, we are subject to specific restrictions on discontinuing the active conduct of our trade or business, the issuance or sale of stock or other ~~the Former Parent~~ securities (including securities convertible into our stock but excluding certain compensatory arrangements), and sales of assets outside the ordinary course of business. These covenants and indemnification obligations may limit our ability to pursue strategic transactions or engage in new businesses or other transactions that may maximize the value of our business, and might discourage or delay a strategic transaction that our stockholders may consider favorable. We are a smaller company relative to BorgWarner, which could result in increased costs because of a decrease in our purchasing power and make it difficult to maintain existing customer relationships and obtain new customers. Prior to the Spin-Off, we were able to take advantage of BorgWarner's size and purchasing power in procuring goods, technology and services, including insurance, employee benefit support and audit and other professional services. We are a smaller company than BorgWarner, and we cannot assure you that we will have access to financial and other resources comparable to those available to us prior to the Spin-Off. As a standalone company, we may be unable to obtain information technology infrastructure and services, office space, goods, and other services at prices or on terms as favorable as those available to us prior to the Spin-Off or pursuant to the transition services agreement with BorgWarner, which could increase our costs and reduce our profitability. Likewise, we may find it more difficult to attract and retain high-quality employees as a smaller company than we were operating within as a wholly owned subsidiary of BorgWarner, which could impact our business, financial condition and results of operations. Our future success also depends on our ability to develop and maintain relationships with customers. Our reduced relationship with BorgWarner and our smaller relative size as a result of the Spin-Off may make it more difficult to develop and maintain relationships with customers or recover increased costs or surcharges from customers, either of which could adversely affect our business, financial condition and results of operations. We or BorgWarner may fail to perform under ~~or additional~~ **disputes may arise between the parties relating to**, various transaction agreements that have been executed in connection with the separation. In connection with the separation, and prior to the distribution, we and ~~BorgWarner the Former Parent~~ entered into various transaction agreements related to the Spin-Off, pursuant to which both we and ~~BorgWarner the Former Parent~~ have liabilities and performance obligations. ~~All Certain~~ **of these agreements also continue to** govern our relationship with ~~BorgWarner the Former Parent~~ following the Spin-Off. We rely on ~~BorgWarner the Former Parent~~ to satisfy its performance obligations under these agreements. If we or ~~BorgWarner the Former Parent~~ are unable to satisfy our or its respective obligations under these agreements, including indemnification obligations, our business, financial condition and results of operations could be adversely affected. ~~Following~~ **As previously disclosed, in September 2024, the Former Parent filed a claim against the Company in Delaware Superior Court seeking, inter alia, a judicial declaration that the Company is obligated under the Tax Matters Agreement to remit to the Former Parent monies refunded, or to be refunded, to the Company from tax authorities that relate to certain indirect tax payments made prior to** the Spin-Off. **The Company believes it has meritorious arguments in response to** certain of our employees may have actual or potential conflicts of interest because of their ~~the financial interests in BorgWarner or because of their previous positions with BorgWarner. Because of their former~~ **Former** positions with BorgWarner **Parent's claim**, has filed counterclaims against **the Former Parent** certain of our executive officers own equity interests in both us and BorgWarner. Continuing ownership of BorgWarner shares could create, or appear to create, potential conflicts of interest if we and BorgWarner face decisions that **will continue to vigorously defend against this litigation. The resolution of this matter** could have implications for both us **a material adverse effect on the Company's financial position, results of operations and cash flows. If any additional disputes were to arise between the parties, such disputes could have a material adverse effect on our financial position, results of operations and cash flows. For more information regarding the** BorgWarner. For example, potential conflicts of interest could arise in connection with the resolution of any dispute **Dispute** between us and BorgWarner regarding **refer to Note 18, "Contingencies," to the Consolidated Financial Statements** terms of the agreements governing the separation and distribution and our relationship with BorgWarner. Potential conflicts of interest may also arise out of any commercial arrangements that we or BorgWarner may enter into in the future. We have only operated as an independent, publicly traded company since July 3, 2023, and our historical combined financial information is not necessarily representative of the results we would have achieved as an independent, publicly traded company and may not be a reliable indicator of our future results. We derived the historical financial information prior to July 3, 2023 included in this Form 10-K from ~~BorgWarner the Former Parent~~ 's consolidated financial statements, and this information does not necessarily reflect the results of operations and financial position we would have achieved as an independent, publicly traded company during the periods presented, or those that we will achieve in the future. This is primarily because of the following factors: • Prior to the Spin-Off, we operated as part of ~~BorgWarner the Former Parent~~, and ~~BorgWarner the Former Parent~~ performed various corporate functions for us. Our historical combined financial information reflects allocations of corporate expenses from ~~BorgWarner the Former Parent~~ for these functions. These allocations may not reflect the costs we **have incurred, and will continue to** incur **in the future**, for similar services ~~in the future~~ as an independent, publicly traded company. • We entered into transactions with ~~BorgWarner the~~

Former Parent that did not exist prior to the Spin- Off, such as ~~BorgWarner~~ **the Former Parent**'s provision of transition and other services, and undertook indemnification obligations, which caused us to incur new costs. • Our historical combined financial information does not reflect changes that we ~~expect~~ **expected** to experience ~~in the future~~, **and have experienced**, as a result of our separation from ~~BorgWarner~~ **the Former Parent**, including changes in the financing, cash management, operations, cost structure, and employee needs of our business. ~~As part of BorgWarner, we enjoyed certain benefits from BorgWarner's operating diversity, reputation, size, purchasing power, ability to borrow, and available capital for investments, and we will lose these benefits after the Spin- Off. As an independent entity, we may be unable to purchase goods, services, and technologies, obtain insurance and health care benefits, computer software licenses, or other services or licenses, or access capital markets, on terms as favorable to us as those we obtained as part of BorgWarner prior to the Spin- Off, and our results of operations may be adversely affected.~~ In addition, our historical combined financial statements do not include an allocation of interest expense comparable to the interest expense we ~~will incur~~ **incurred** as a result of the ~~Internal Restructuring and the Spin- Off~~, including interest expense in connection with our incurrence of indebtedness. ~~Following relating to~~ **the Spin- Off**, **Following the Spin- Off**, we **have** also ~~face~~ **faced** additional costs and demands on management's time associated with being an independent, publicly traded company, including costs and demands related to investor and public relations, public financial reporting and corporate governance, including board of director fees and expenses. For additional information about our past financial performance and the basis of presentation of our historical combined financial statements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our historical financial statements and the notes thereto.