

The Road Ahead



February 2012

Our Beliefs
Respect
Collaboration
Excellence
Integrity
Community



The BorgWarner Strategic Difference

- **Technology Leadership**
- Customer and Geographic Diversity
- Financial Strength and Discipline

A Portfolio of Industry Leading Powertrain Technology

Engine 71% / SALES

Turbo Systems

- Wastegate
- Variable Turbine Geometry (VTG)
- Regulated 2-stage (R2S™)

Thermal Systems

- Thermal Management Components and Systems
- Visctronic® Systems
- Fans/Fan Drives

Emissions Systems

- Exhaust Gas Recirculation (EGR) Valves
- EGR Coolers & EGR tubes
- Integrated EGR Modules
- Secondary Air Systems
- Actuators

Morse TEC (Chain)

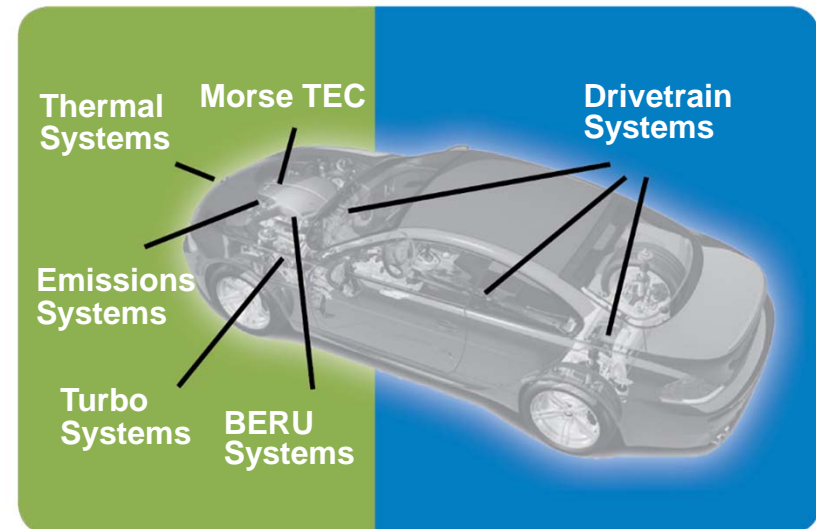
- Engine Valve Timing Systems
- Timing Chain
- Variable Cam Timing
- HY-VO® Transmission Chain

BERU Systems

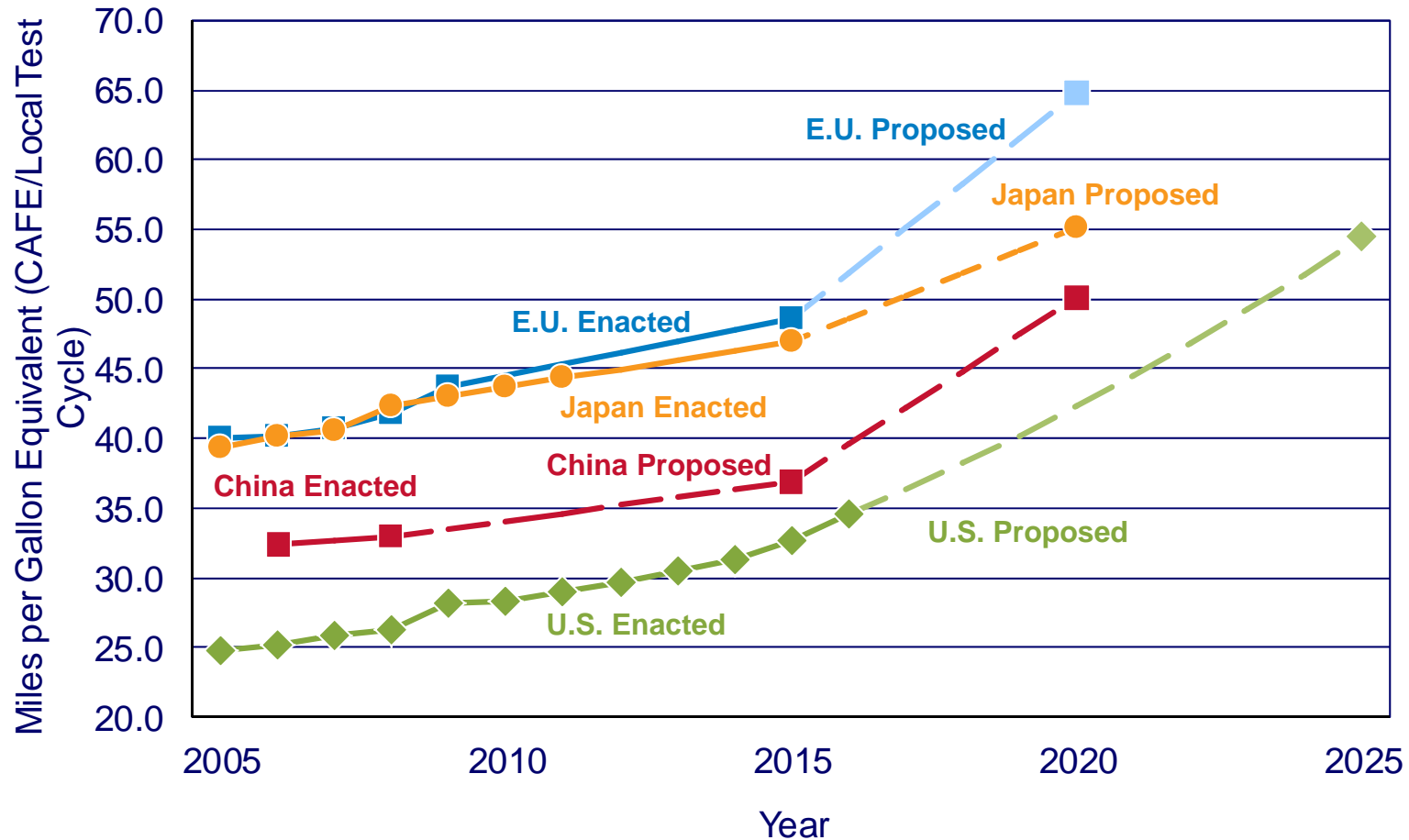
- Glow Plugs
- Instant Start System
- Pressure Sensor Glow Plugs
- Gasoline Ignition Technology
- Sensor Technology
- PTC Cabin Heaters

Drivetrain 29% / SALES

- DualTronic® Systems for Dual Clutch Transmissions
- Transmission Control Modules and Solenoids
- High Pressure Transmission Control and Actuation Systems
- One-way Clutches
- Friction Plates
- AWD Couplings
- Transfer Cases
- eGearDrive® Electric Drive Transmissions
- eAWD Torque Vectoring
- AWD Electronic Controls and Systems Integration



Fuel Economy Standards are Tightening



The Road to Better Fuel Economy

Automatic Transmissions



up to 15%*

Thermal Systems



up to 6%*



Fuel Economy

Light Vehicle Turbochargers



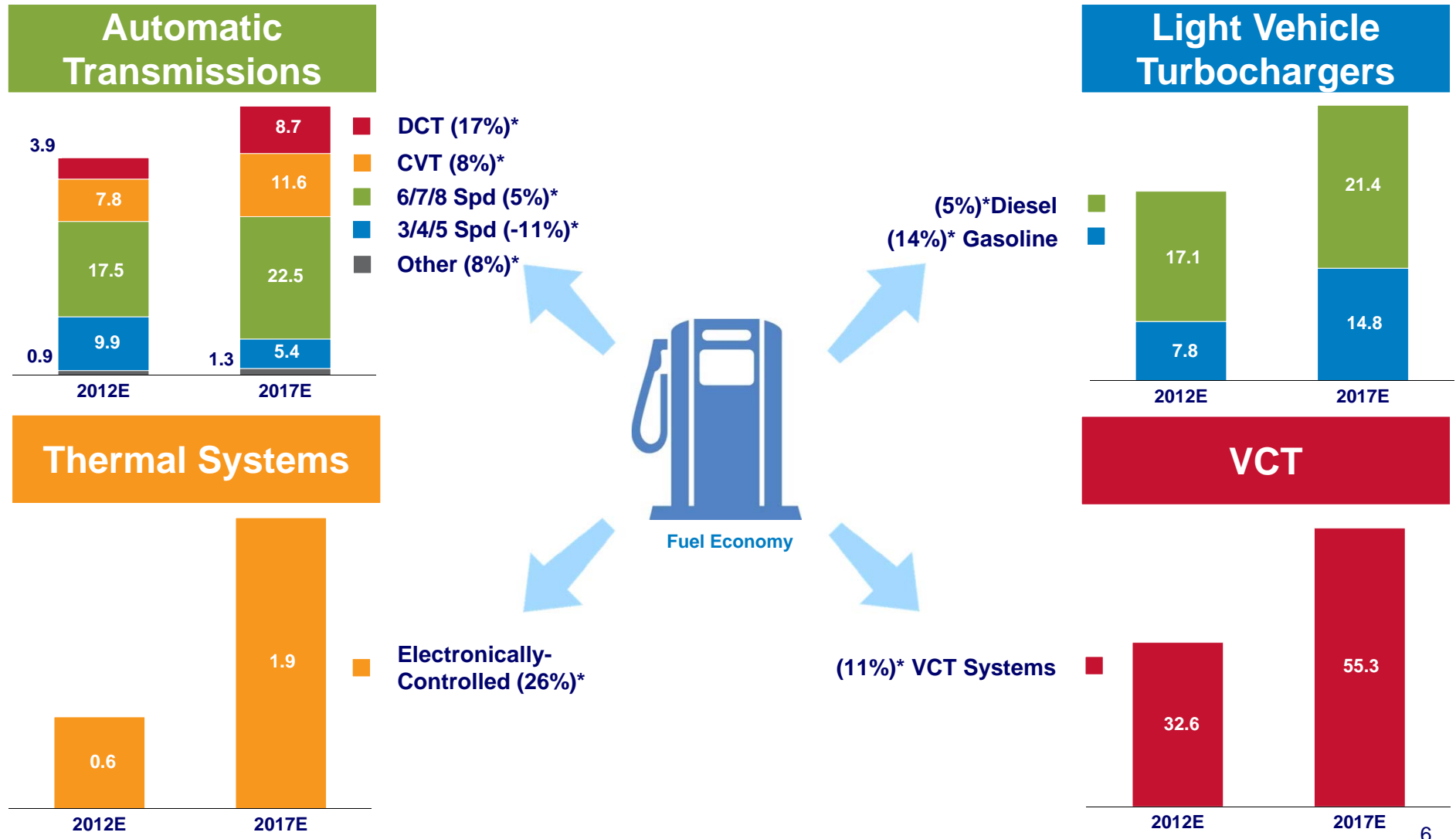
15% to 30%*

VCT



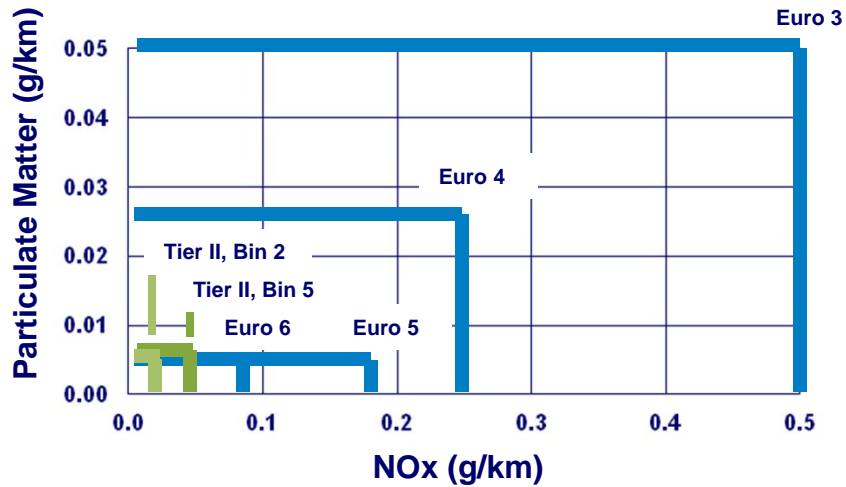
up to 5%*

Fuel Economy Drives Growth for BorgWarner

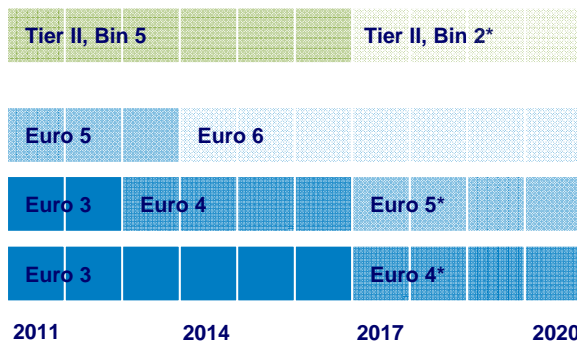
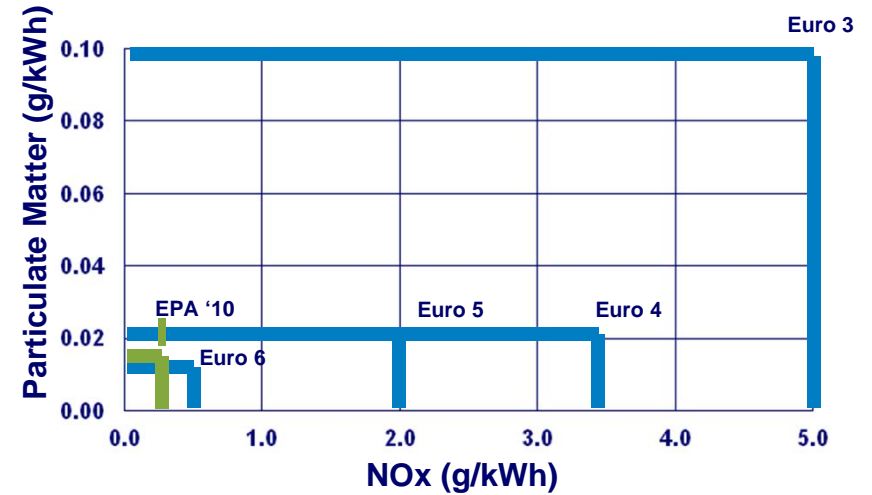


Emissions Standards are Tightening

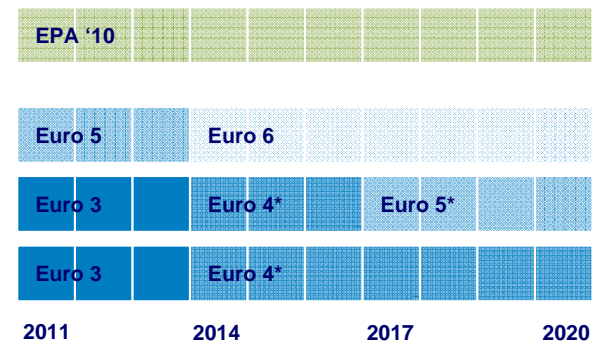
Light Vehicles



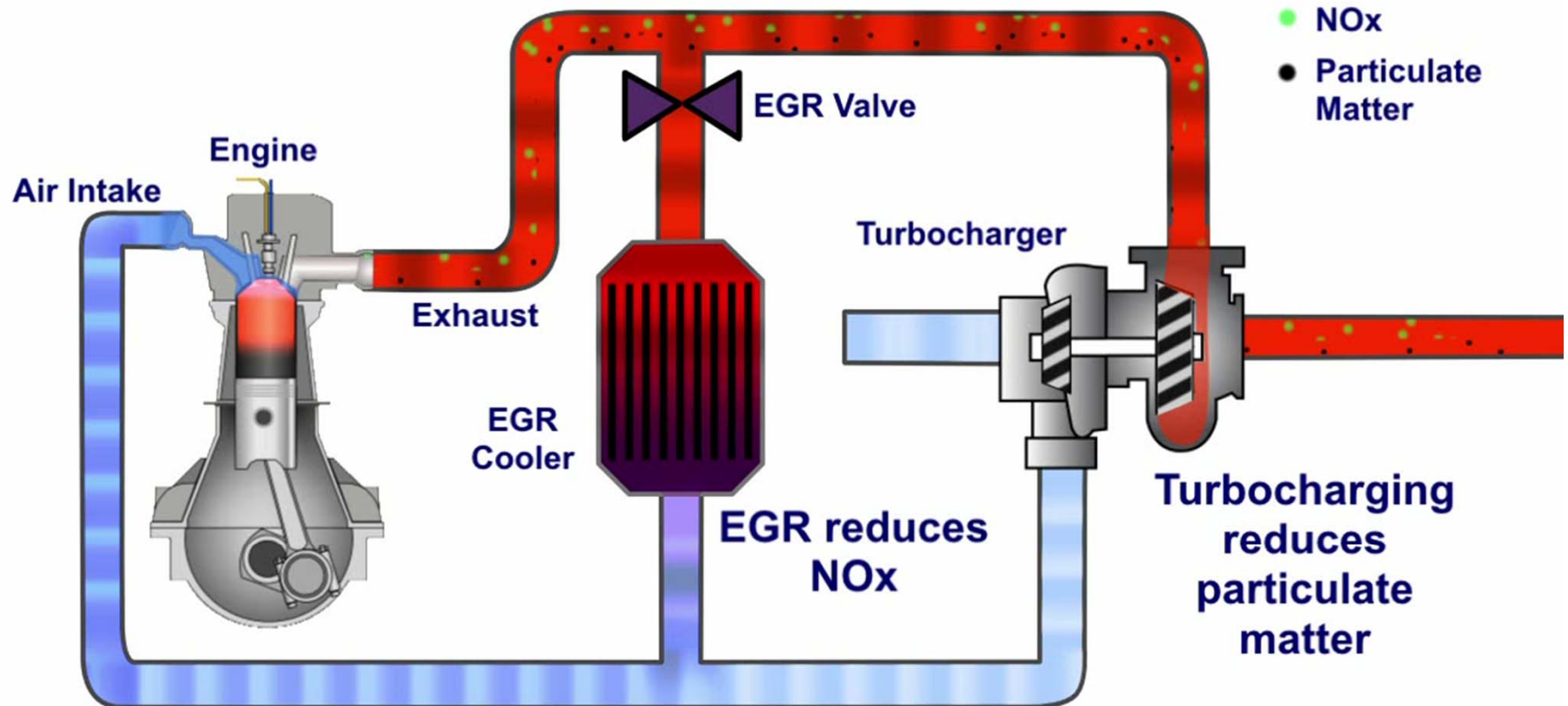
Commercial Vehicles (On Road)



- U.S.**
- Europe**
- China**
- India**

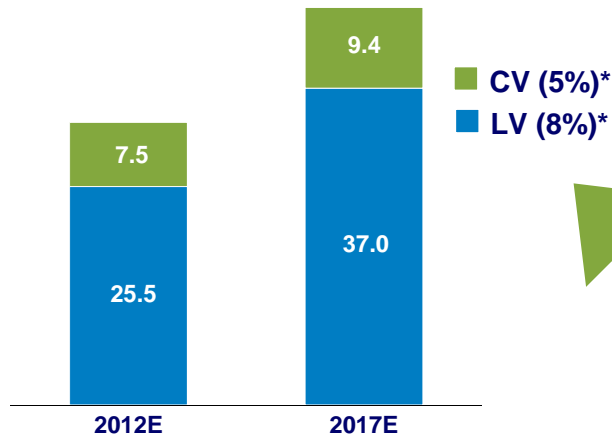


NOx and Particulate Matter: Targeted Emissions

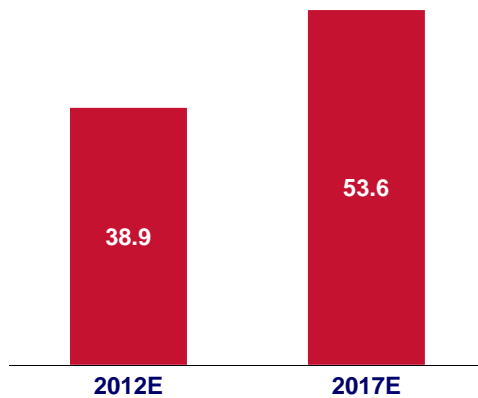


Improved Emissions Drives Growth for BorgWarner

Turbochargers

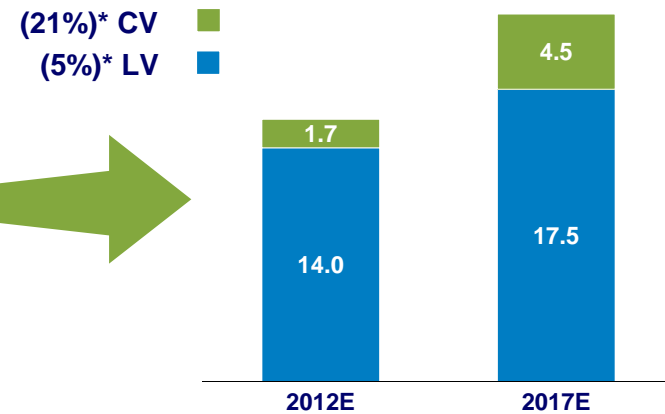


Advanced Glow Plugs



Improved Emissions

EGR Systems



Technology Leadership: A Proven Strategy



Automatic Transmission Components



Engine Timing Systems



DCT



Haldex FWD/AWD Acquisition



eGearDrive



Transfer Cases



Turbochargers Acquisition



BERU Acquisition



VCT



EGR Coolers Acquisition

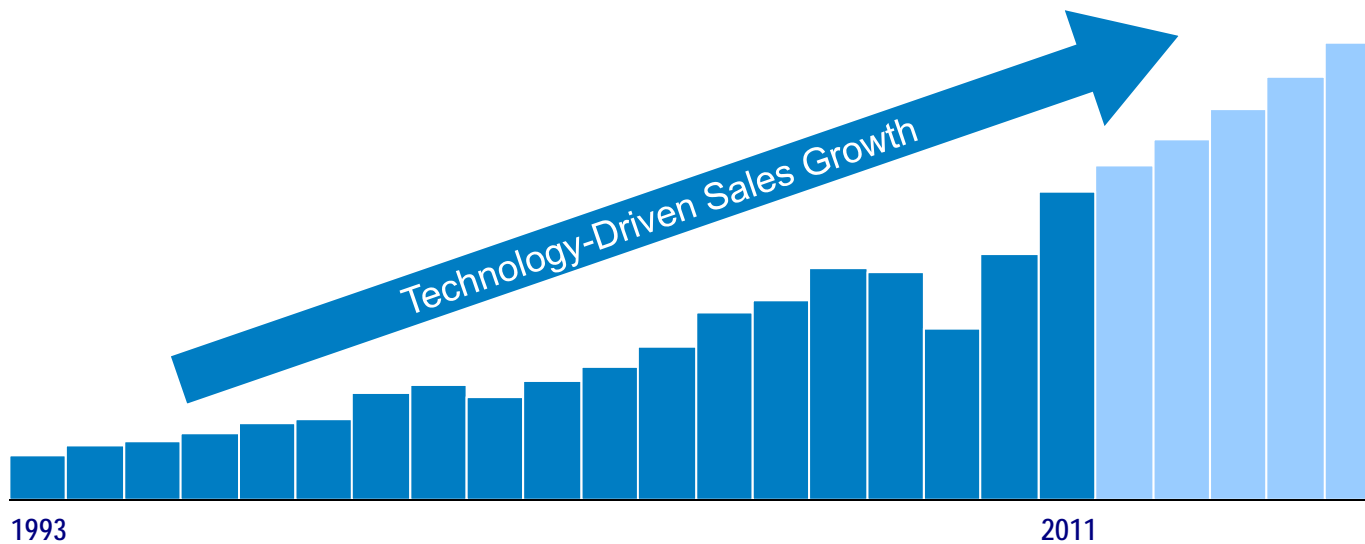


EcoFlash Acquisition

1990s

2000s

2010s

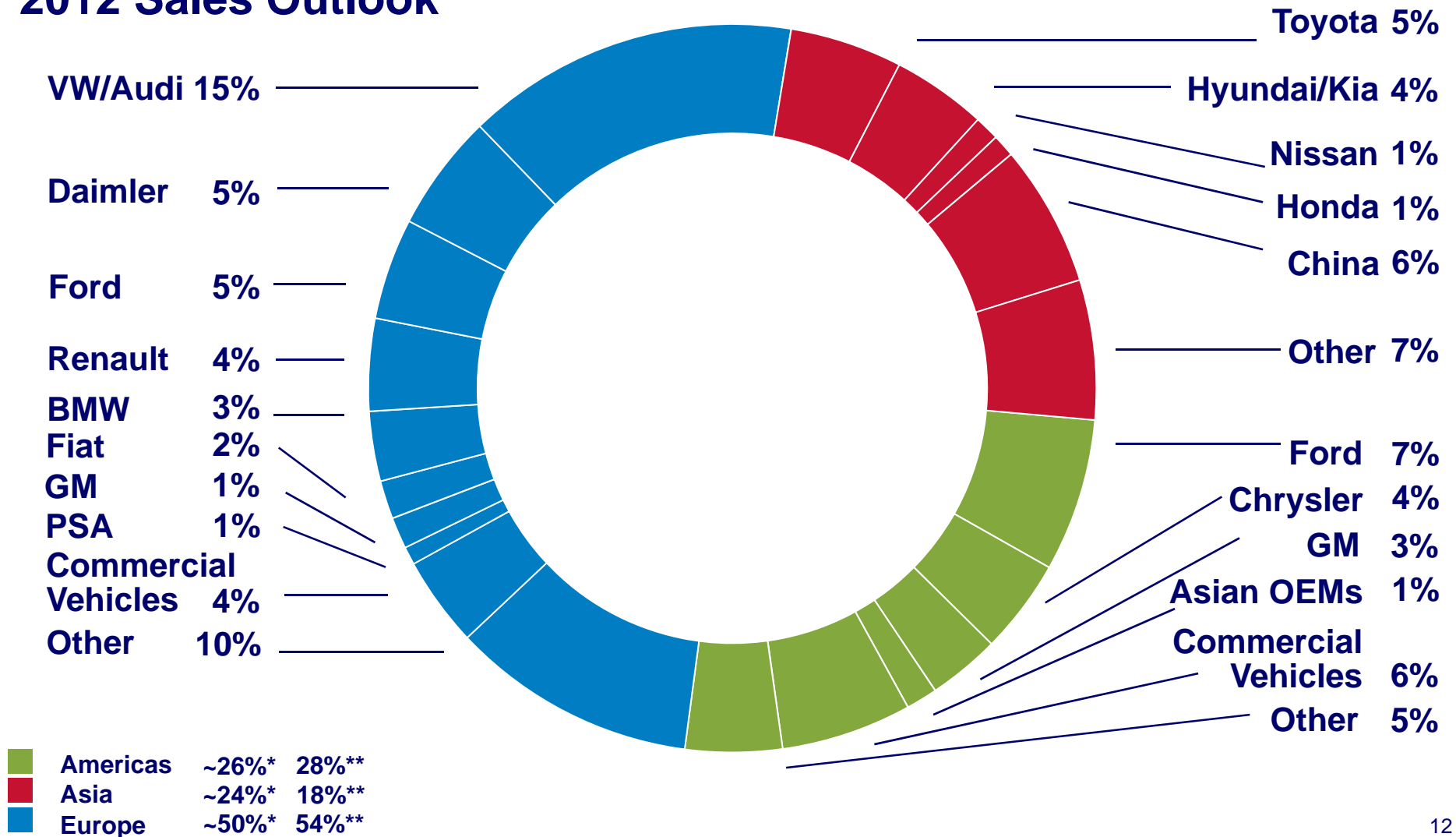


The BorgWarner Strategic Difference

- Technology Leadership
- **Customer and Geographic Diversity**
- Financial Strength and Discipline

Customer and Geographic Diversity

2012 Sales Outlook*



Global Growth Continues

\$2.5 Billion of Net New Business in 2012 thru 2014

Americas*: ~20%

GM

- Transmission components

Ford

- Turbochargers
- All-wheel drive

Commercial vehicles

- Turbochargers
- EGR coolers
- Thermal systems

Chrysler

- All-wheel drive

Japanese OEM

- All-wheel drive

Europe: ~45%

Ford

- Turbochargers
- EGR coolers
- Ignition systems

PSA

- Turbochargers

Daimler

- Ignition systems
- Transmission components
- EGR coolers

Fiat/Iveco

- Turbochargers
- Engine timing
- Ignition systems

VW/Audi

- DCT components
- Ignition systems
- All-wheel drive

GM

- Turbochargers
- Ignition systems

BMW

- Turbochargers

Commercial vehicles

- Turbochargers
- EGR coolers

Asia**: ~35%

Chinese OEMs (Chery, CNHDTC, FAW, Geely, Great Wall, JAC, SAIC, S-GM, S-VW, Weichai, Others)

- Turbochargers
- DCT components
- Engine timing
- Thermal systems
- All-wheel drive
- Transmission components
- EGR coolers and valves

Korean OEMs

- Turbochargers
- Transmission components
- Engine timing
- Ignition systems

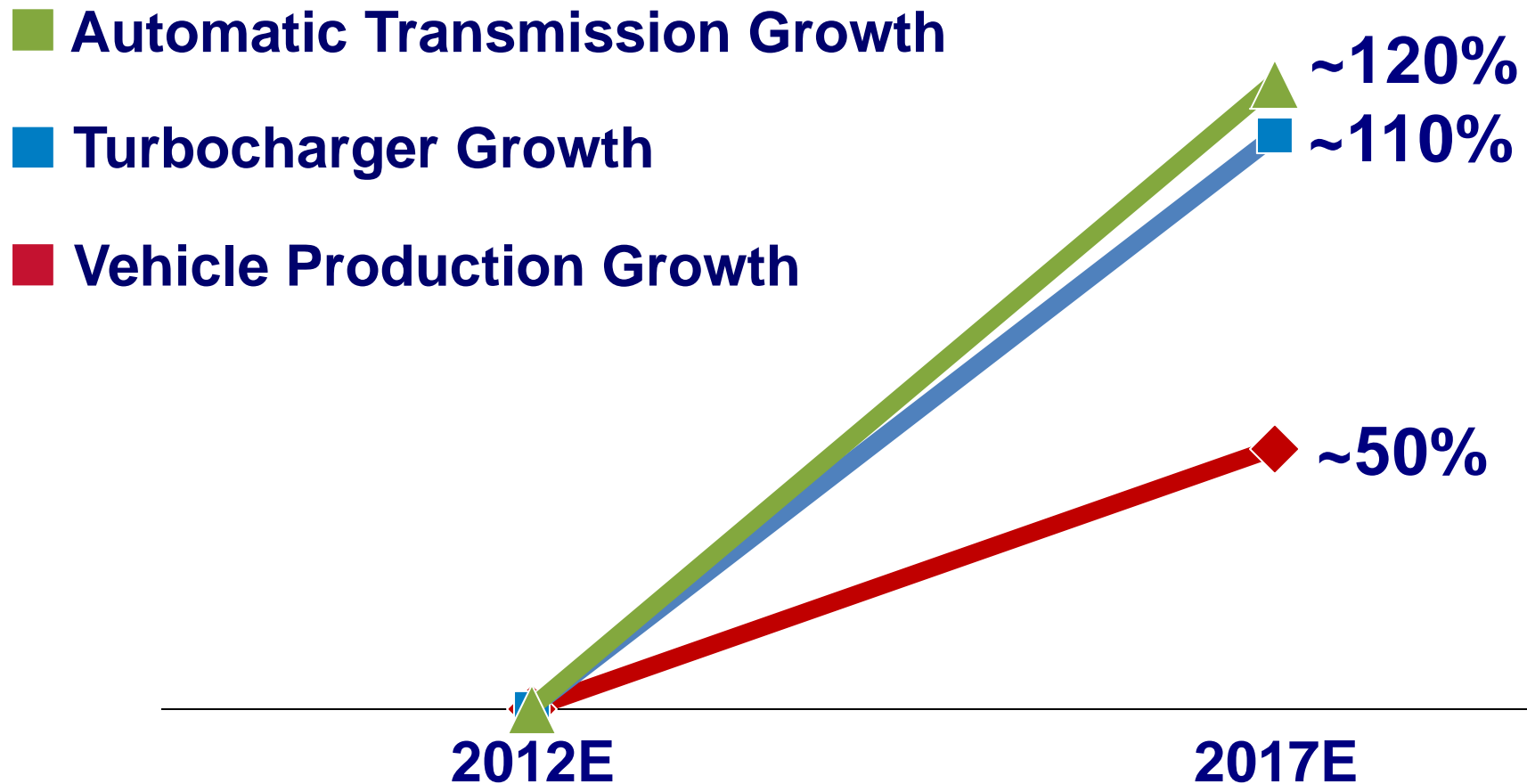
Japanese OEMs

- Variable cam timing
- Engine timing

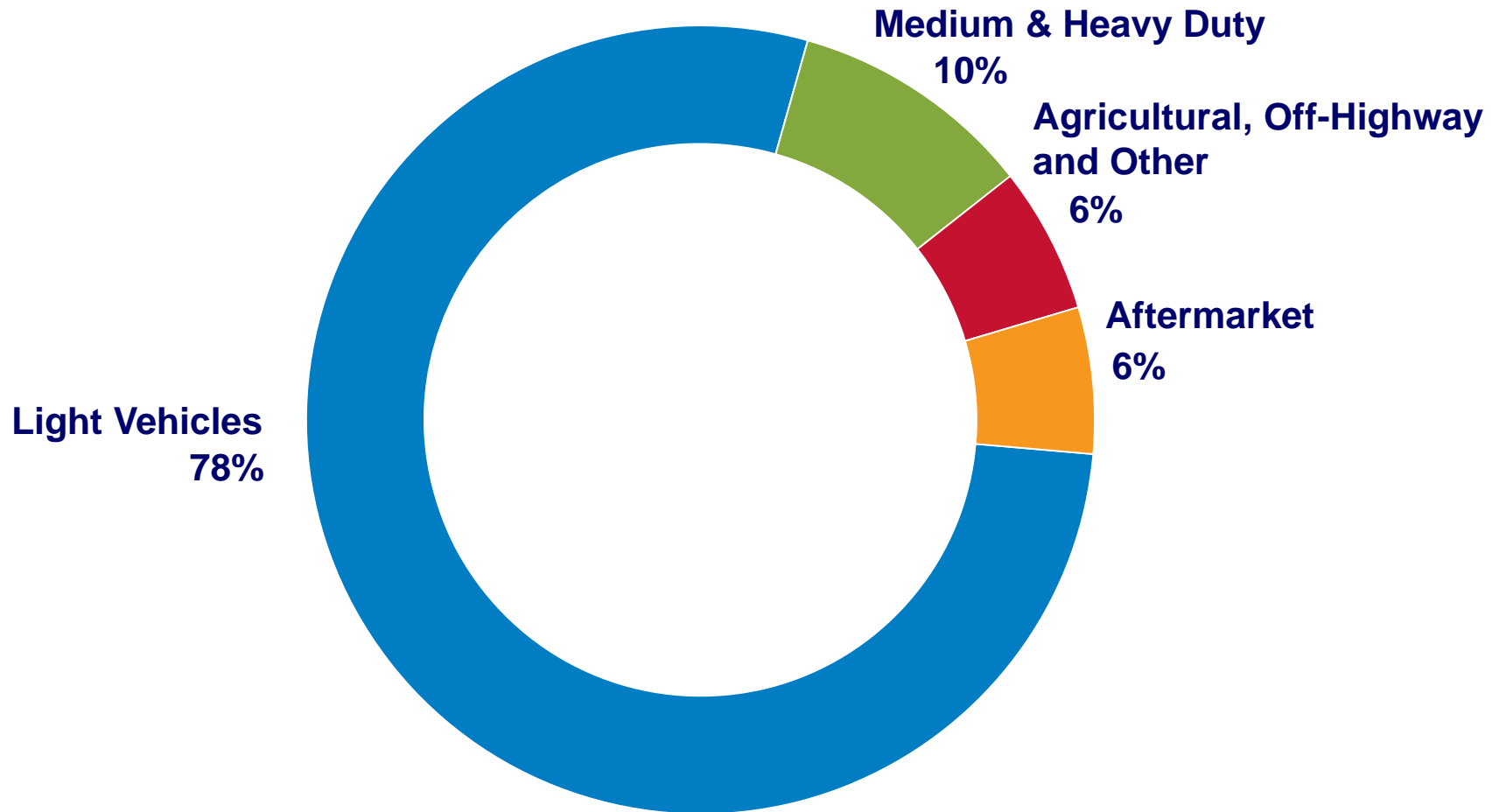
BWA is Well Positioned to Grow in China

- 5 wholly-owned entities, 3 majority-owned joint ventures
- Strong brand recognition
- Relationships with every major OEM in China
- Accelerating adoption of our technologies

China Powertrain Technology Trends Our Way



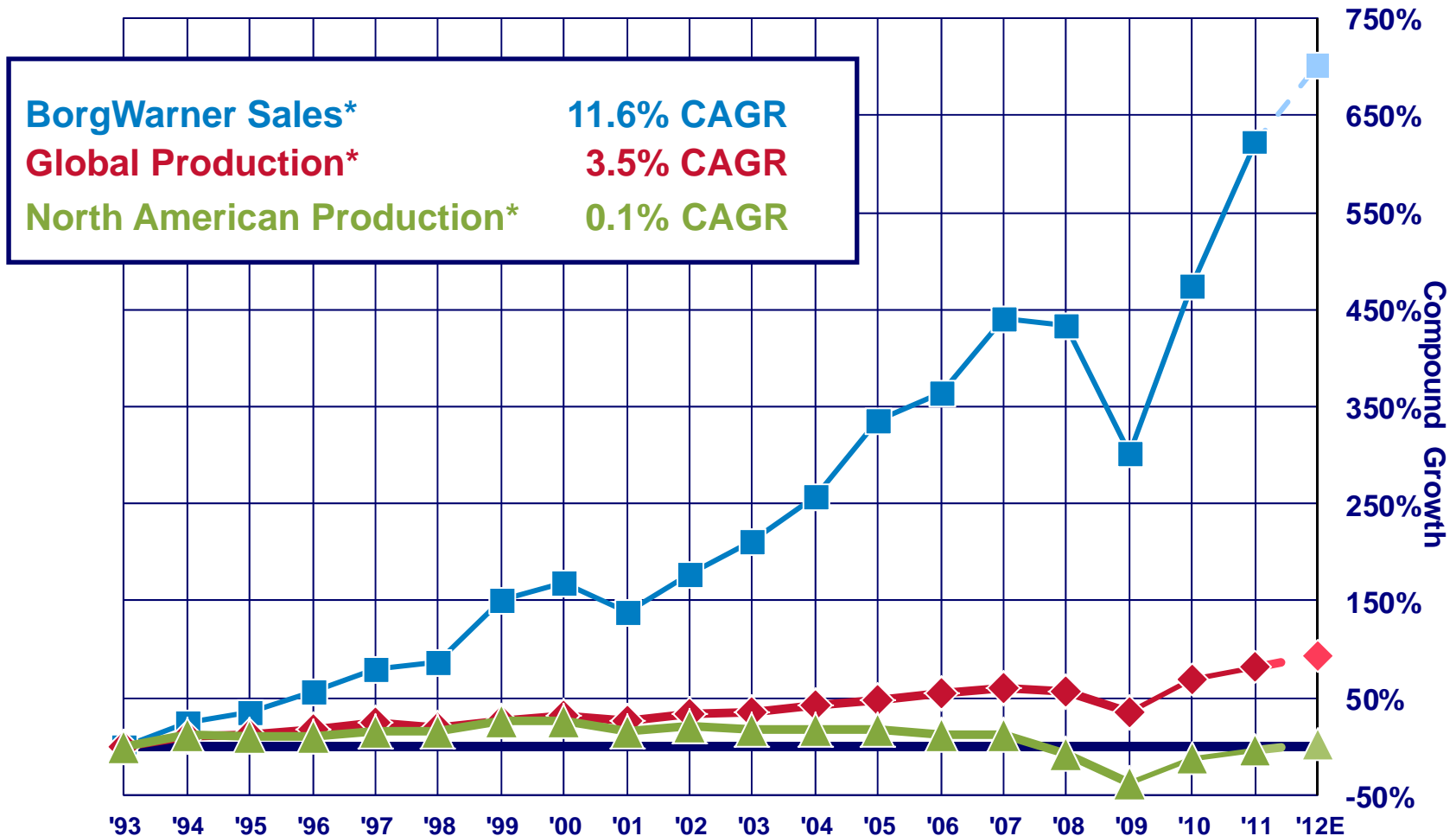
Providing Value Across Markets



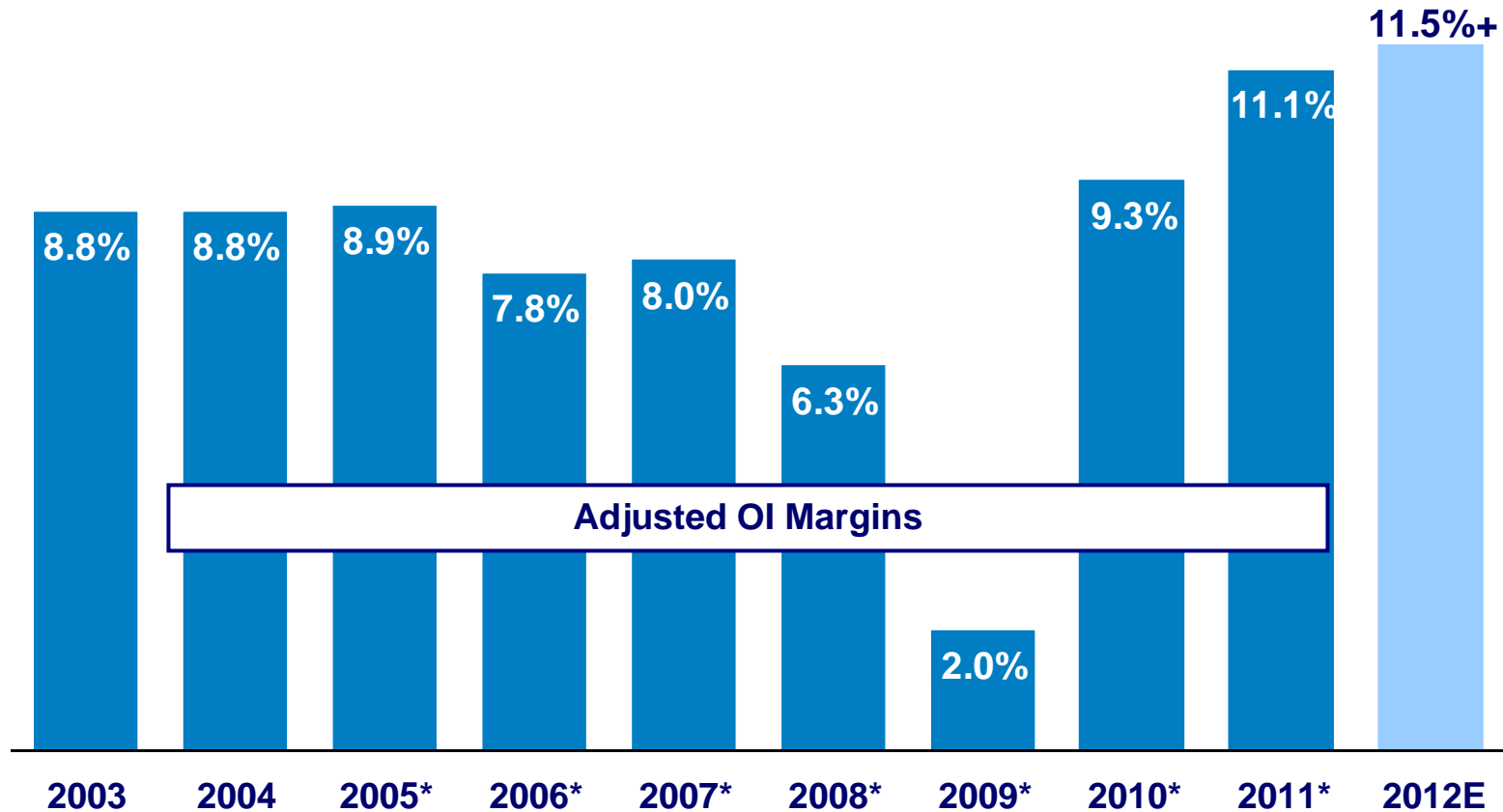
The BorgWarner Strategic Difference

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- Customer and Geographic Diversity
- **Financial Strength and Discipline**

Outpacing the Industry

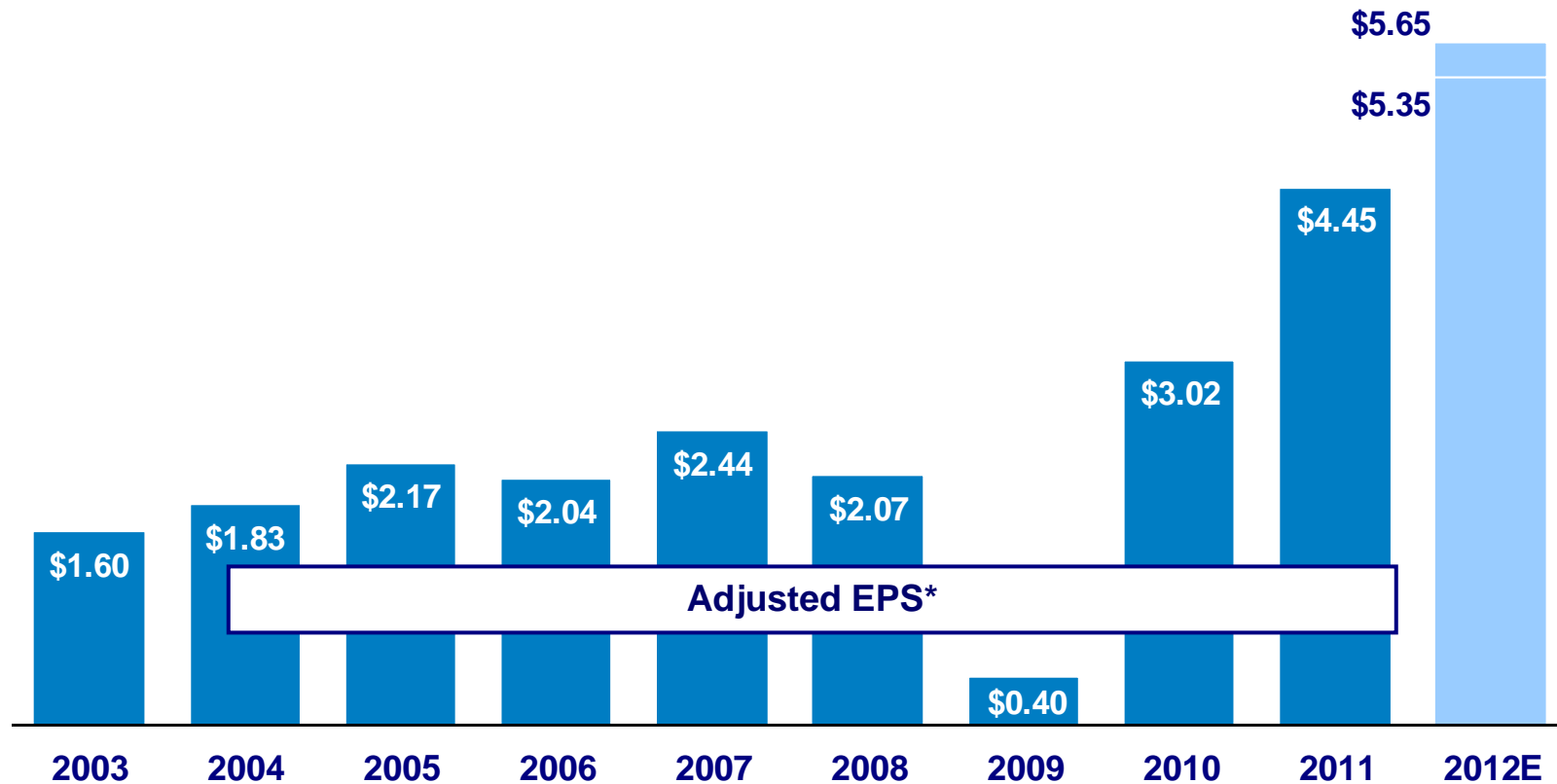


Industry Leading Margins On the Rise



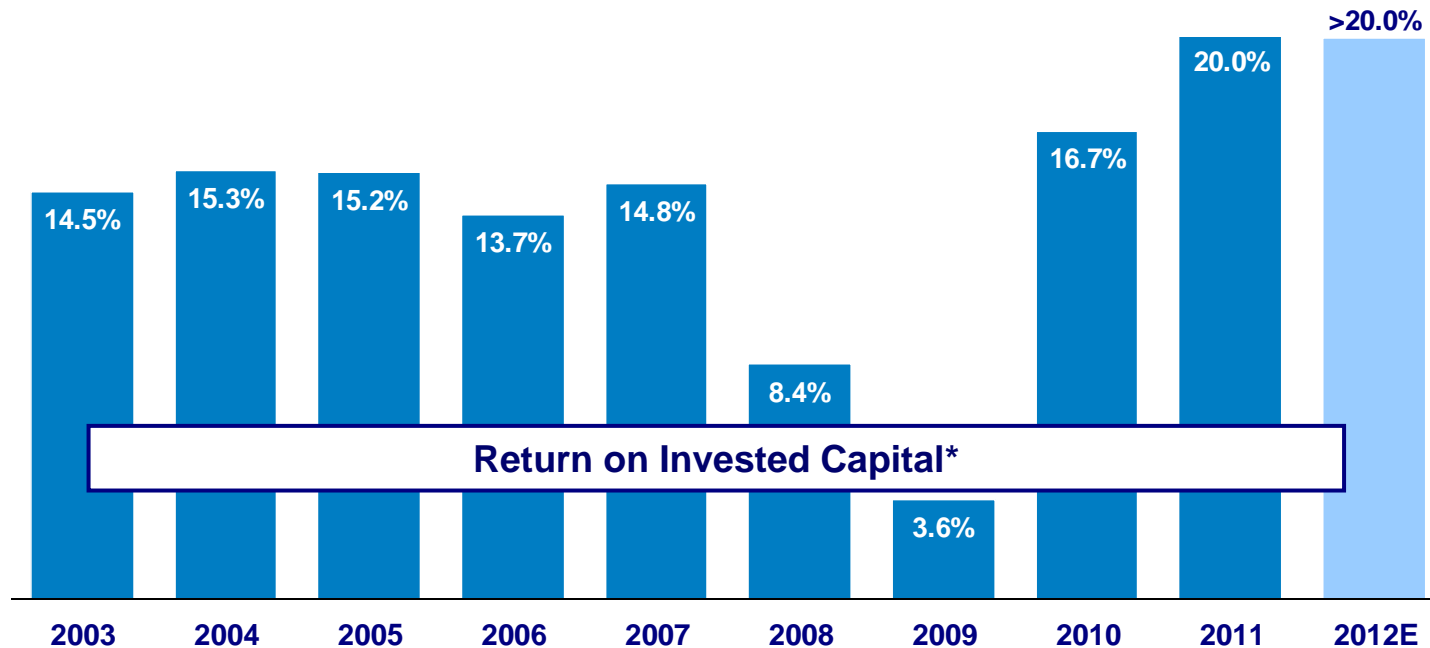
Strong Earnings Performance

Sales Growth + Cost Reduction Focus = Strong Earnings Growth



Financial Discipline

Strong Returns on Invested Capital = Economic Value Creation



Strong Capital Structure

A Strong Balance Sheet = The Flexibility to Take Advantage of Strategic Opportunities

As of December 31, 2011

\$ in millions

	<u>Actual</u>	<u>“If-Converted”</u>
Cash	\$359	\$359
Total debt	<u>1,329</u>	<u>960</u>
Net debt	970	601
Total equity	<u>2,453</u>	<u>2,822</u>
Total net capital	3,423	3,423
Net debt to capital	28.3%	17.6%
Net debt to TTM EBITDA	0.9x	0.5x

Our Strong Balance Sheet Has Enabled Strategic M&A



Etatech

- Advanced gasoline ignition technology (“Ecoflash”)
 - Improves fuel economy and emissions compared with spark plugs
- Expect to commercialize and launch by 2014
- Closed second quarter 2009
- \$15 million purchase price



Haldex Traction Systems

- Premium FWD/AWD technology
- Closed first quarter 2011
- \$205 million purchase price



Dytech ENSA

- EGR Coolers and Tubes
- Closed second quarter 2010
- \$148 million purchase price

2012 Expectations

<u>Industry Production Outlook</u>		<u>Year-over-Year Growth</u>
North America	~ 13.9 million	+6%
Europe	~ 19.3 million	-4%
China	~ 18.6 million	+8%
Japan	~ 9.3 million	+18%
Global	~ 81.2 million	+6%
 <u>BorgWarner Outlook</u>		
Sales Growth--Reported	10% - 12%	
Sales Growth--Net of F/X	14% - 16%	
EPS Guidance	\$5.35 - \$5.65	
Net Cash Provided by Operating Activities	\$900-\$1,000 million	
Capital Spending incl. Tooling Outlays	\$450-\$500 million	
R&D Spending	~ 3.7% of sales	
Tax Rate	~ 25%	
Return on Invested Capital	> 20%	
\$ / Euro Exchange Rate	1.30	

The BorgWarner Strategic Difference

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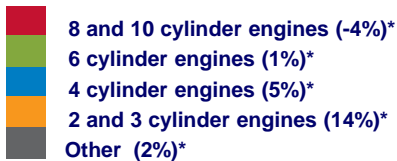
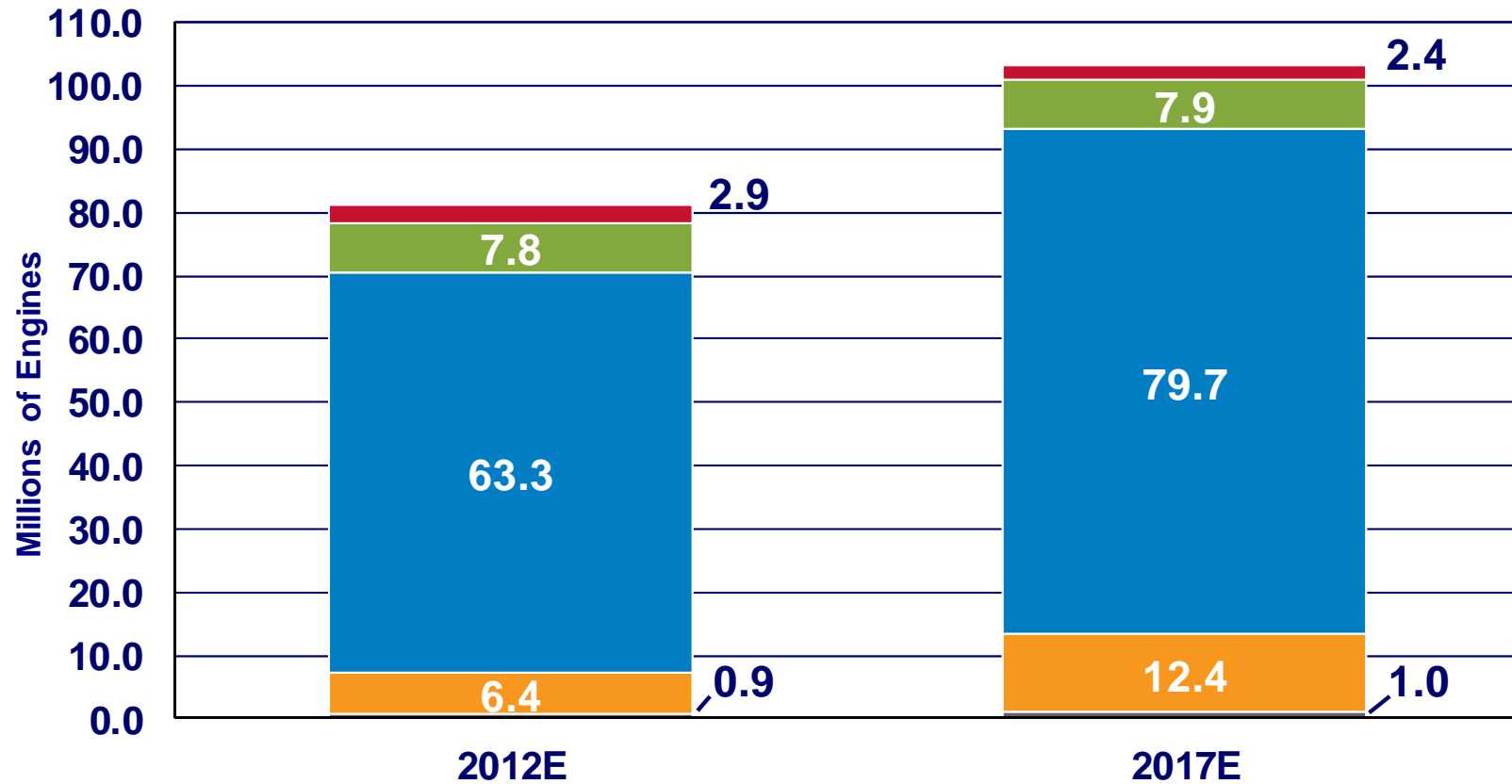
Forward-Looking Statements

Statements contained in this presentation may contain forward-looking statements as contemplated by the 1995 Private Securities Litigation Reform Act that are based on management's current outlook, expectations, estimates and projections. Words such as "anticipates," "believes," "continues," "could," "designed," "effect," "estimates", "evaluates," "expects," "forecasts," "goal," "initiative," "intends," "outlook," "plans," "potential," "project," "pursue," "seek," "should," "target," "when," "would," variations of such words and similar expressions are intended to identify such forward-looking statements. Forward-looking statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results to differ materially from those expressed, projected or implied in or by the forward-looking statements. Such risks and uncertainties include: fluctuations in domestic or foreign vehicle production, the continued use by original equipment manufacturers of outside suppliers, fluctuations in demand for vehicles containing our products, changes in general economic conditions, as well as other risks noted reports that we file with the Securities and Exchange Commission, including the Risk Factors identified in our most recently filed Annual Report on Form 10-K. We do not undertake any obligation to update or announce publicly any updates to or revision to any of the forward-looking statements.

Appendix

Global Engine Downsizing

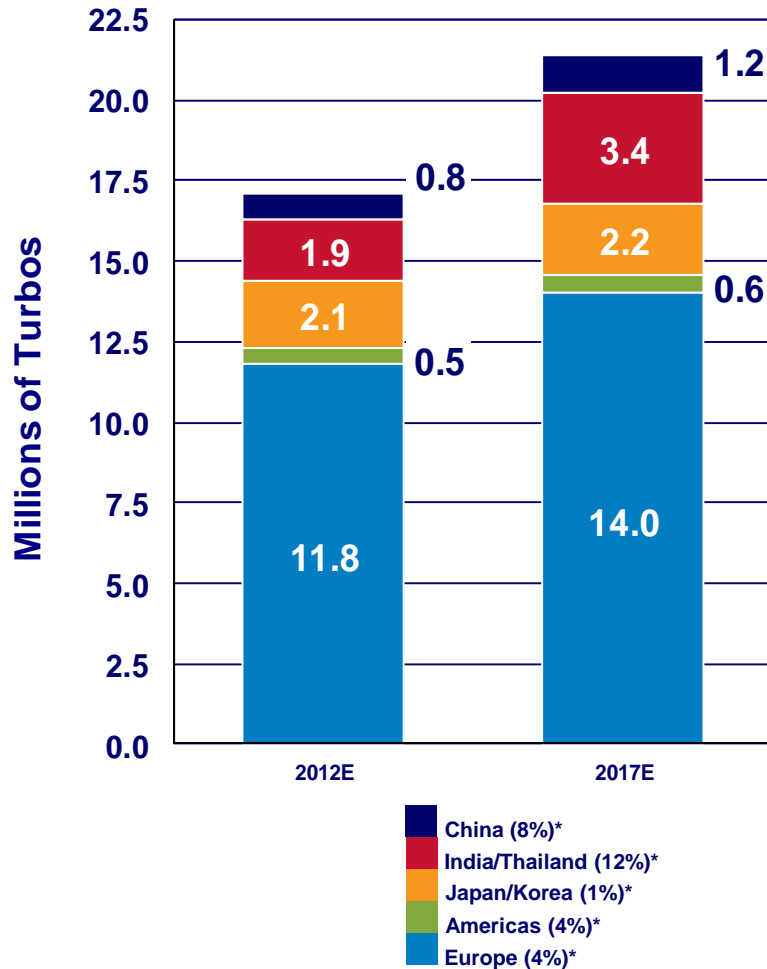
Light Vehicle Engines Produced—by Engine Size



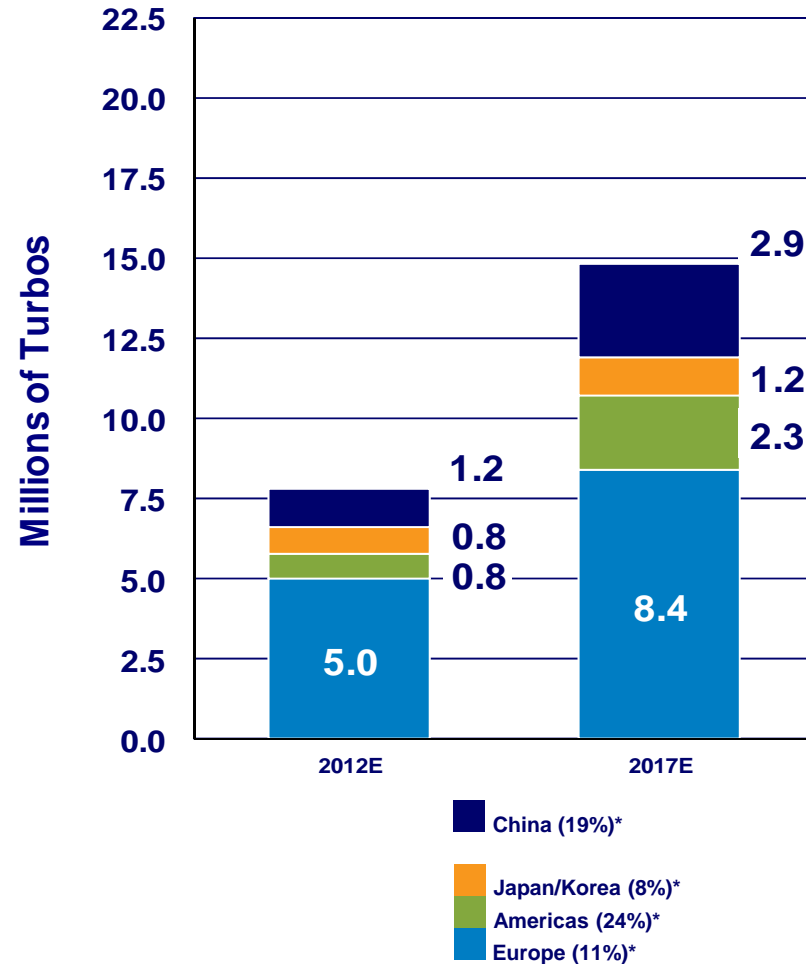
2, 3 and 4 cylinder engines account for nearly 99% of total engine growth 2012-2017

LV Turbocharger Growth by Market

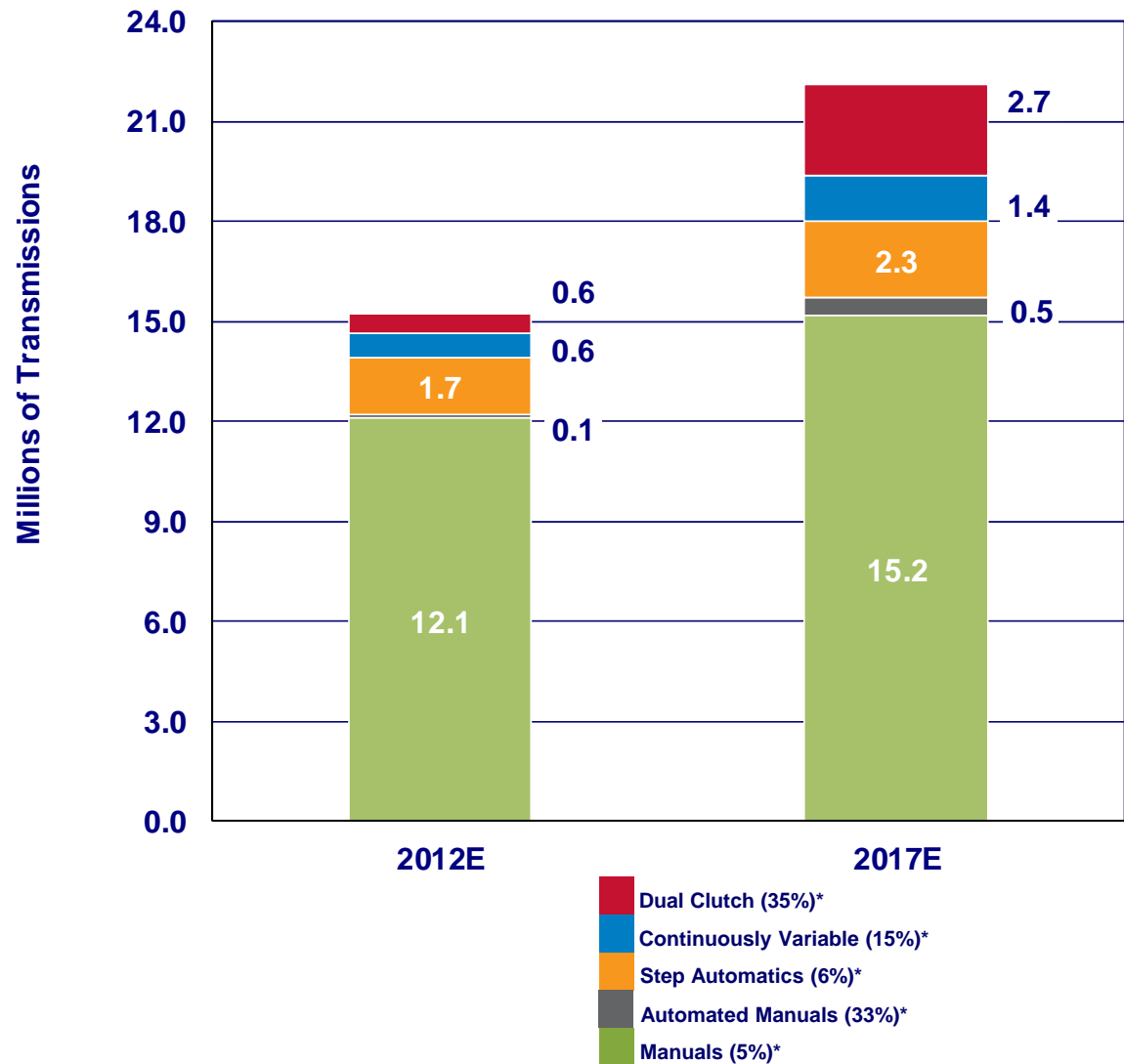
Diesel Turbochargers
~25% growth from 2012 to 2017



Gasoline Turbochargers
~90% growth from 2012 to 2017

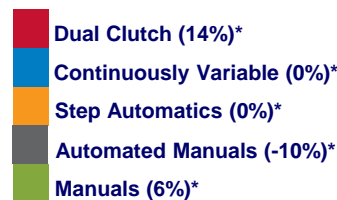
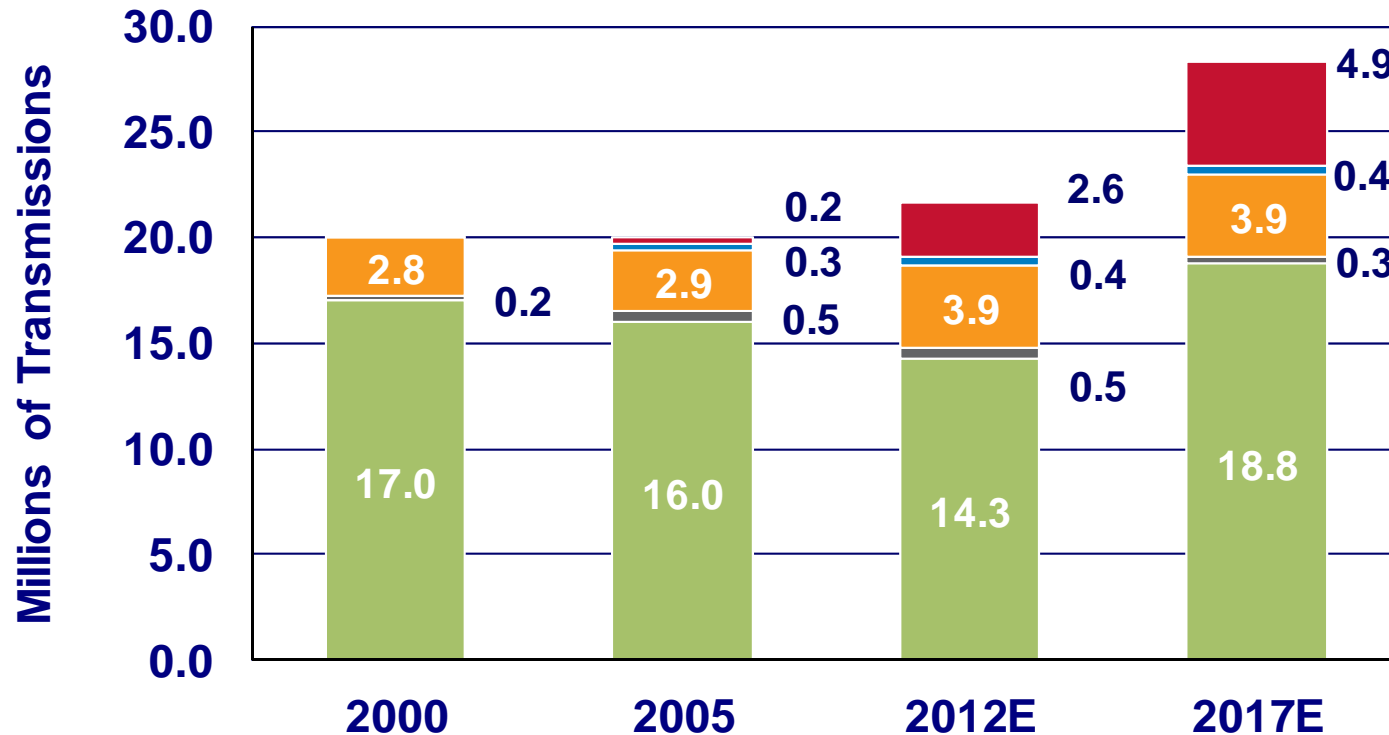


Transmissions in China



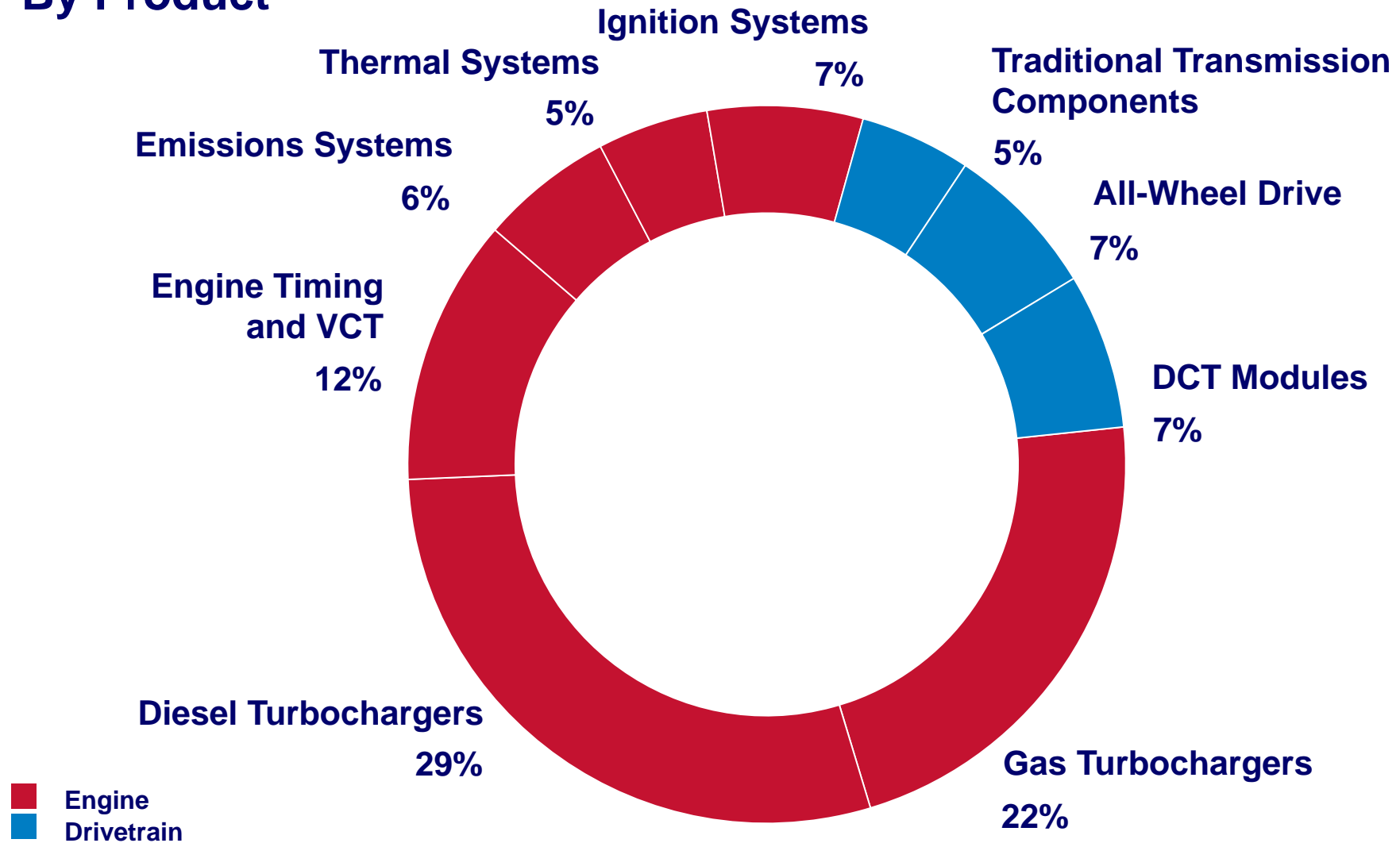
Transmissions in Europe

By Technology Type



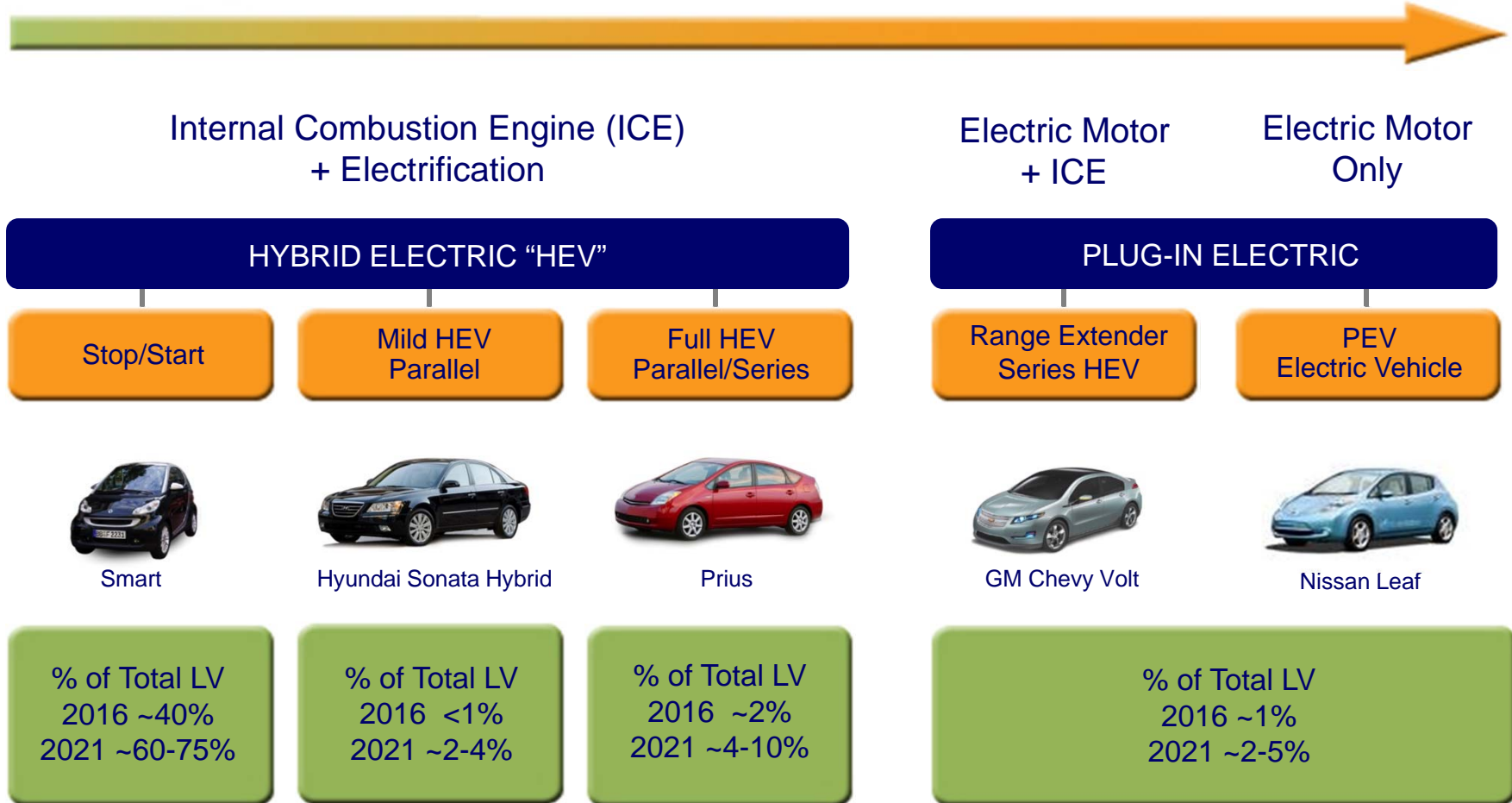
\$2.5 Billion of Net New Business in 2012 thru 2014

By Product



Hybrid and Electric Vehicle Segments

INCREASING ELECTRIFICATION



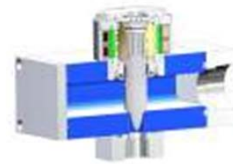
BorgWarner = Hybrid & Electric Vehicles

BorgWarner is developing advanced powertrain products specifically for HEVs & EVs

Driving the Engine



Turbochargers

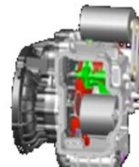


iTEMP™ Electronic Coolant Valve



HY-VO® Chain Driven Alternator/Starter Module

Driving the Wheels



DualTronic™ DCT with eAssist



Disconnect Clutch



eGearDrive® Transmissions*



Haldex® eAWD with Torque Vectoring

Driving the Accessories



Air Heater



iTEMP™ Dual Mode Coolant Pump



iTEMP™ Dual Mode Fan Drive

*Single and Multiple Speed 34

EPS Reconciliation

Actual Results

Earnings per diluted share	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
U.S. GAAP	\$1.60	\$1.93	\$2.09	\$1.83	\$2.45	(\$0.31)	\$0.23	\$3.07	\$4.45
Non-U.S. GAAP adjustments:									
Non-recurring charges and restructurings			0.36	0.43	0.02	2.28	0.17	0.16	(0.14)
Adjustments to tax accounts		(0.10)	(0.23)	(0.19)	(0.03)	0.10	(0.03)	(0.17)	(0.05)
Derivatives							0.03		
(Gain)/loss from divestitures/acquisitions			(0.06)	(0.03)				(0.04)	0.19
Non-U.S. GAAP including FAS 123(R)	\$1.60	\$1.83	\$2.17	\$2.03	\$2.44	\$2.07	\$0.40	\$3.02	\$4.45
Impact of FAS 123(R)				0.08	0.10	0.15	0.20	0.26	0.24
Non-U.S. GAAP excluding FAS 123(R)	\$1.60	\$1.83	\$2.17	\$2.11	\$2.54	\$2.22	\$0.60	\$3.28	\$4.69