

Automotive: The New Industry Emerges



August 2010

Our Beliefs
Respect
Collaboration
Excellence
Integrity
Community



Outline – A Suppliers Perspective

- BorgWarner at a Glance
- Future Vision
- Success Strategies for the Industry

Our Vision, Mission & Beliefs

Vision

- To be the Global Technology Leader in Powertrain Solutions

Mission

- Develop Leading Powertrain Technologies that improve Fuel Economy, Emissions & Performance




Our Beliefs

- Respect for each other
- Power of collaboration
- Passion for excellence
- Personal integrity
- Responsibility to our communities



Vision, Mission & Beliefs

BorgWarner at a Glance

- 2009 Sales: **\$4.0 Billion** (\$4.5B with NSK-Warner)
- Employees: **16,000**
- Operations: **60 Locations**
18 Countries
- Products: **Engine, Transmission and AWD systems**
- Market Drivers: **Fuel Economy** 
Emissions 
Performance 

BorgWarner = Powertrain Innovation

Engine 72% / 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
- Spark Plugs
- Ignition Coils
- Sensor Technology
- PTC Cabin Heaters
- Tire Pressure Monitoring System

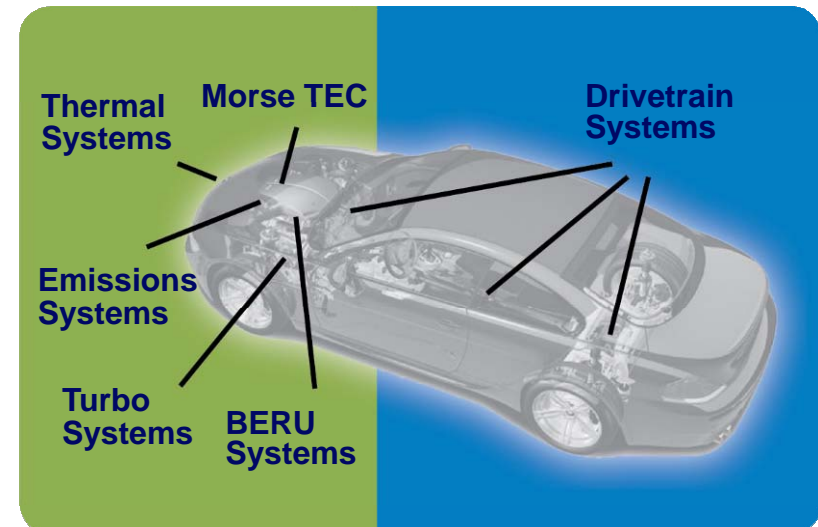
Drivetrain 28% / SALES

Transmission Systems

- DualTronic® Clutch Modules
- DualTronic® Control Modules
- Solenoids / Solenoid Modules
- One-way Clutches
- Friction Plates
- Transmission Bands

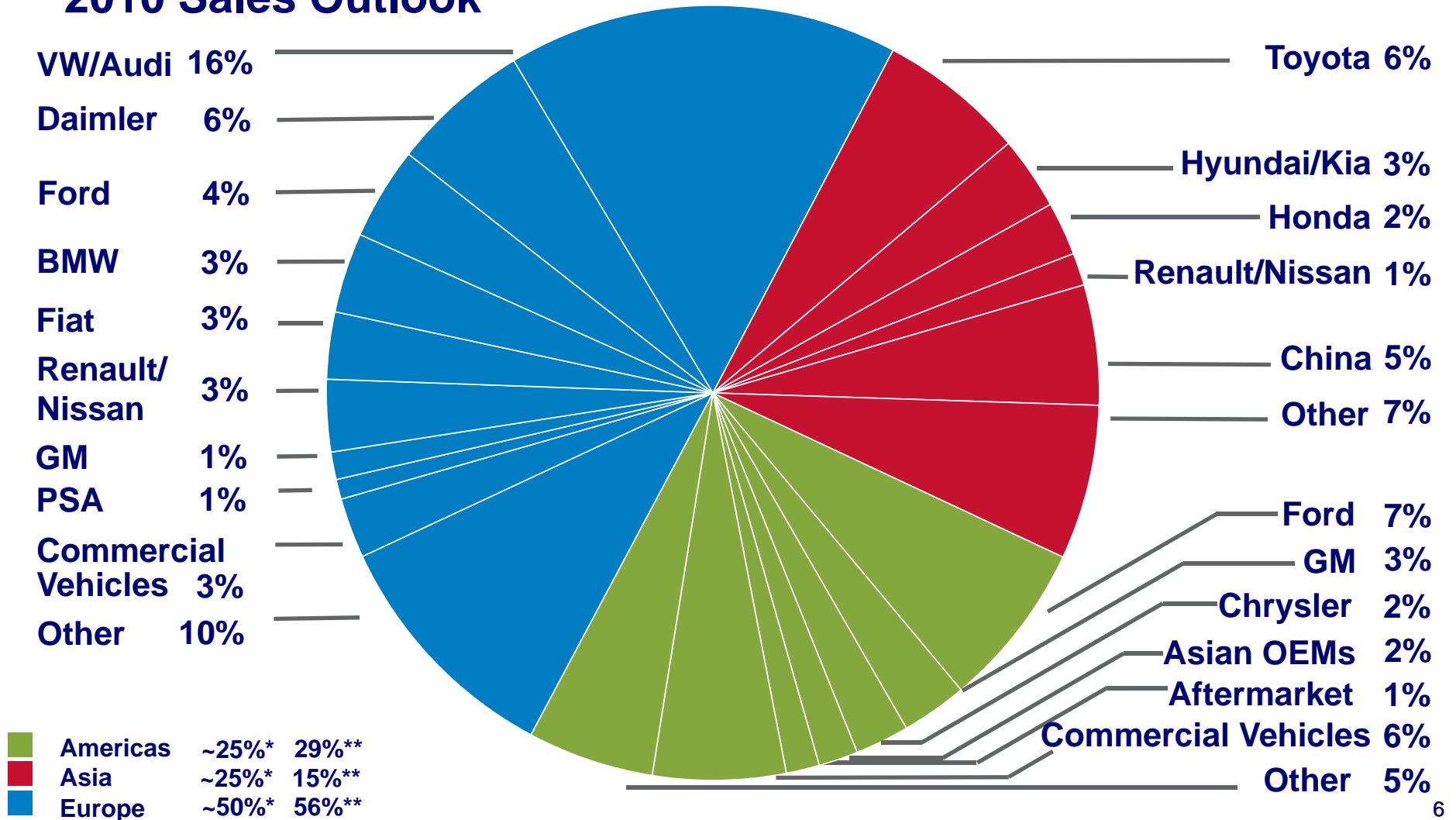
4WD/AWD Systems

- AWD Couplings
- Transfer Cases
- eGearDrive™ Electric Drive Transmissions
- AWD Electronic Controls and Systems Integration

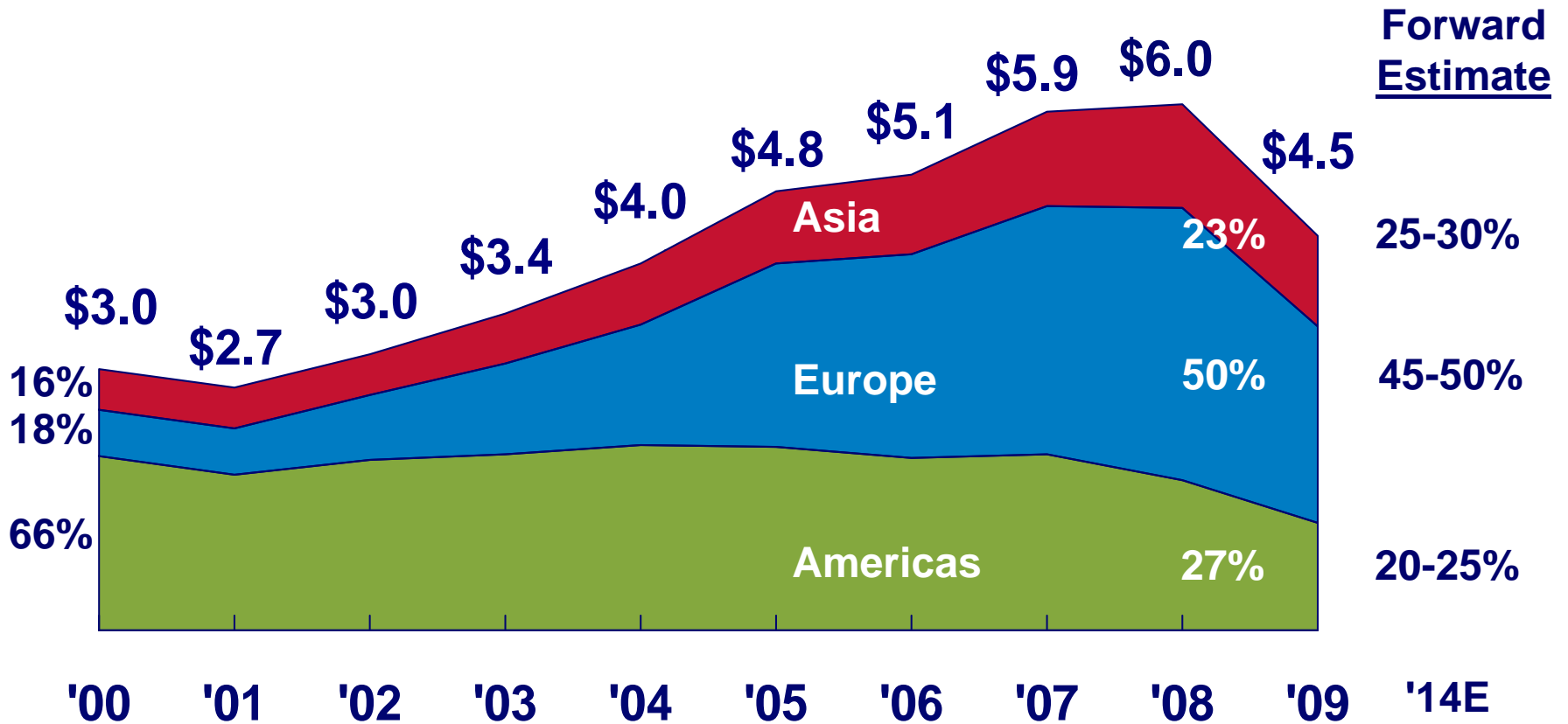


Customer Diversity Worldwide

2010 Sales Outlook*



Sales by Region (unconsolidated)



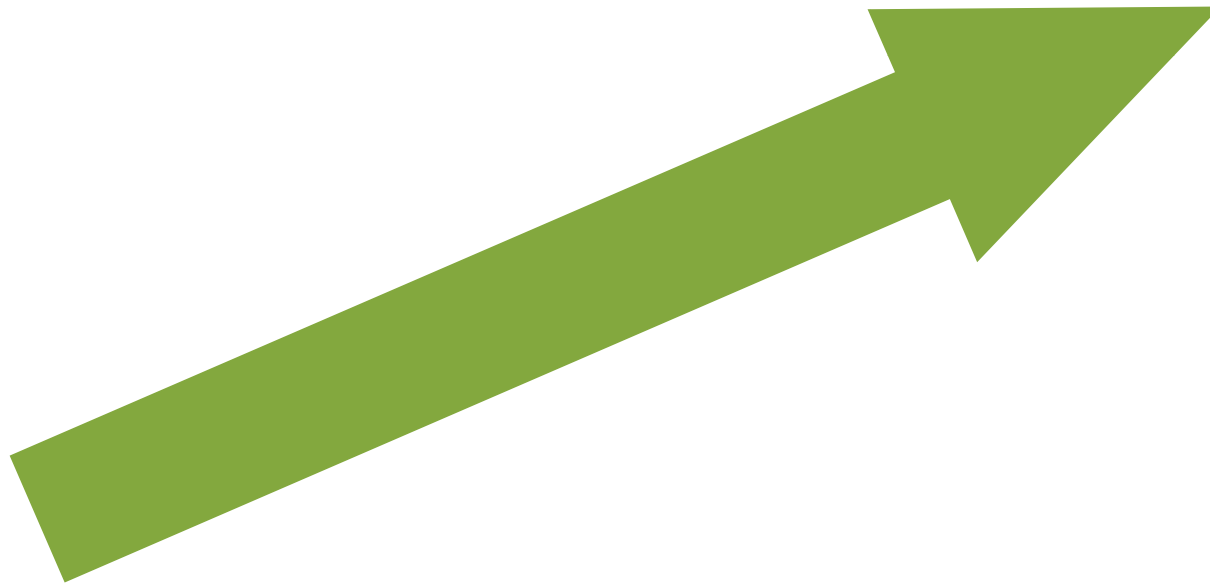
\$ in Billions
Includes NSK-Warner

A Suppliers Perspective

Future Vision

Future Vision

- Market volumes will continue to increase



Future Vision

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- Technology and Innovation will continue to be in high demand



Future Vision

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- **Governments will continue to play a large role in the auto industry**



Future Vision

- Market volumes will continue to increase
- Technology and Innovation will continue to be in high demand
- Governments will continue to play a large role in the auto industry
- **Uncertainty** is the “new norm”



Uncertainty the “New Norm”

- Uncertainty in Volumes
- Uncertainty in Technologies
- Uncertainty in Customers
- Uncertainty in Suppliers



A Suppliers Perspective

Success Strategies for the Industry

What's Needed for Success

Long Term Energy Policy

- Senator Murkowski, the Energy Committee's ranking Republican, questioned why a new Senate bill was tailored to favor electric car technology over other technologies.

*"I'm as hopeful as anyone that electric vehicles are here to stay. But the truth is that **Washington has a dismal record of picking winners and losers.**"*

Wall Street Journal June 23, 2010

- **Permanent R&D tax credit in U.S.**
- **Globally competitive pro-manufacturing atmosphere**

What's Needed for Success

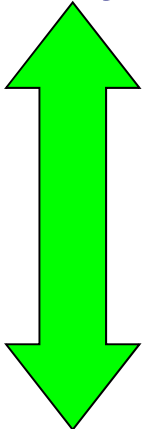
Real World Measurements

- **“Both EPA and NHTSA are interested in developing programs that employ test procedures that are more representative of real world driving conditions... the agencies intend to address it in the context of a future rulemaking to address standards for model year 2017 and thereafter.”**

Source: CAFE & CO2 proposed rules Federal Register / Vol. 74, No. 186 page 49470 Sept 28, 2009

What's needed for Success

Consumer Education

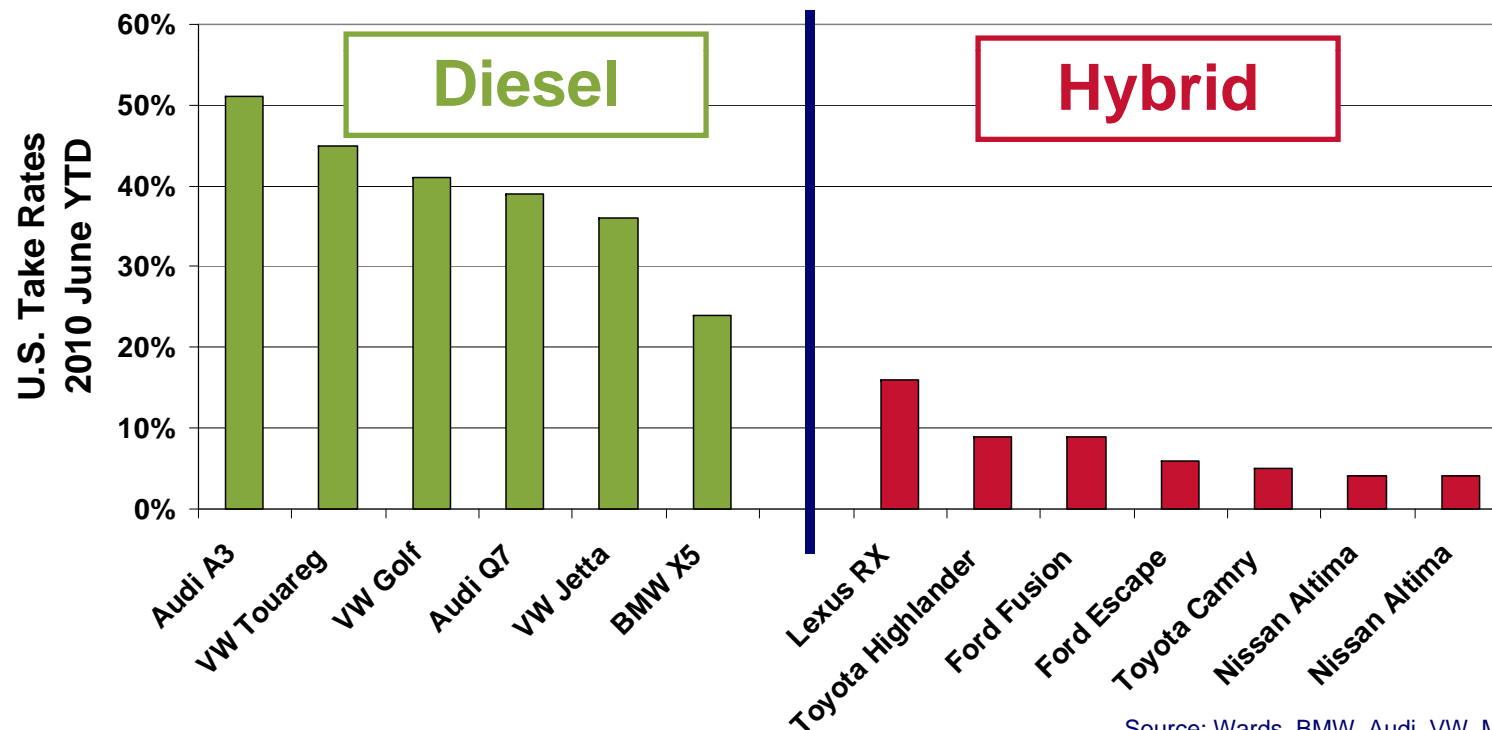
Varied Driving Habits	Technology Choice	Well to Wheel Green House Gas Emissions	
		<u>CO2 g/mile</u>	<u>fuel</u> US grid average
<p>City</p>  <p>Highway</p>	■ Electric	340	
	■ Hybrid	322	E10
	■ Gasoline	476	E10
	■ Diesel	334	B20

Source: Energy Information Administration Jan 2009 17

What's Needed for Success

Consumer Technology Choices

- When diesels or hybrids are offered as an option to a gas vehicle, the diesel take rates tend to be higher than the hybrid



Source: Wards, BMW, Audi, VW, Mercedes

What's Needed for Success

Long Term Energy Policy



Real World Measurements



Better Consumer Education



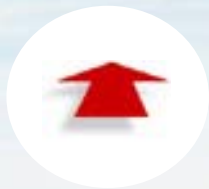
Consumer Technology Choices



Real World Sustainable Results

The BorgWarner Strategic Difference

- Technology Leadership Drives Growth
- Customer and Geographic Diversity
- Cost Focus
- Financial Strength and Discipline



*feel good
about driving*

Summary

- **Future will be Good but Intense**
- **Uncertainty is here to stay**
 - We must be prepared to manage accordingly
- **Government is here to stay**
 - We have their ear
 - We have common goals
 - Let's use it to our advantage and continue to work together to make progress
- **Suppliers need to Broaden Scope**

Thank You

*feel good
about driving*



*better fuel economy
reduced emissions
great performance*