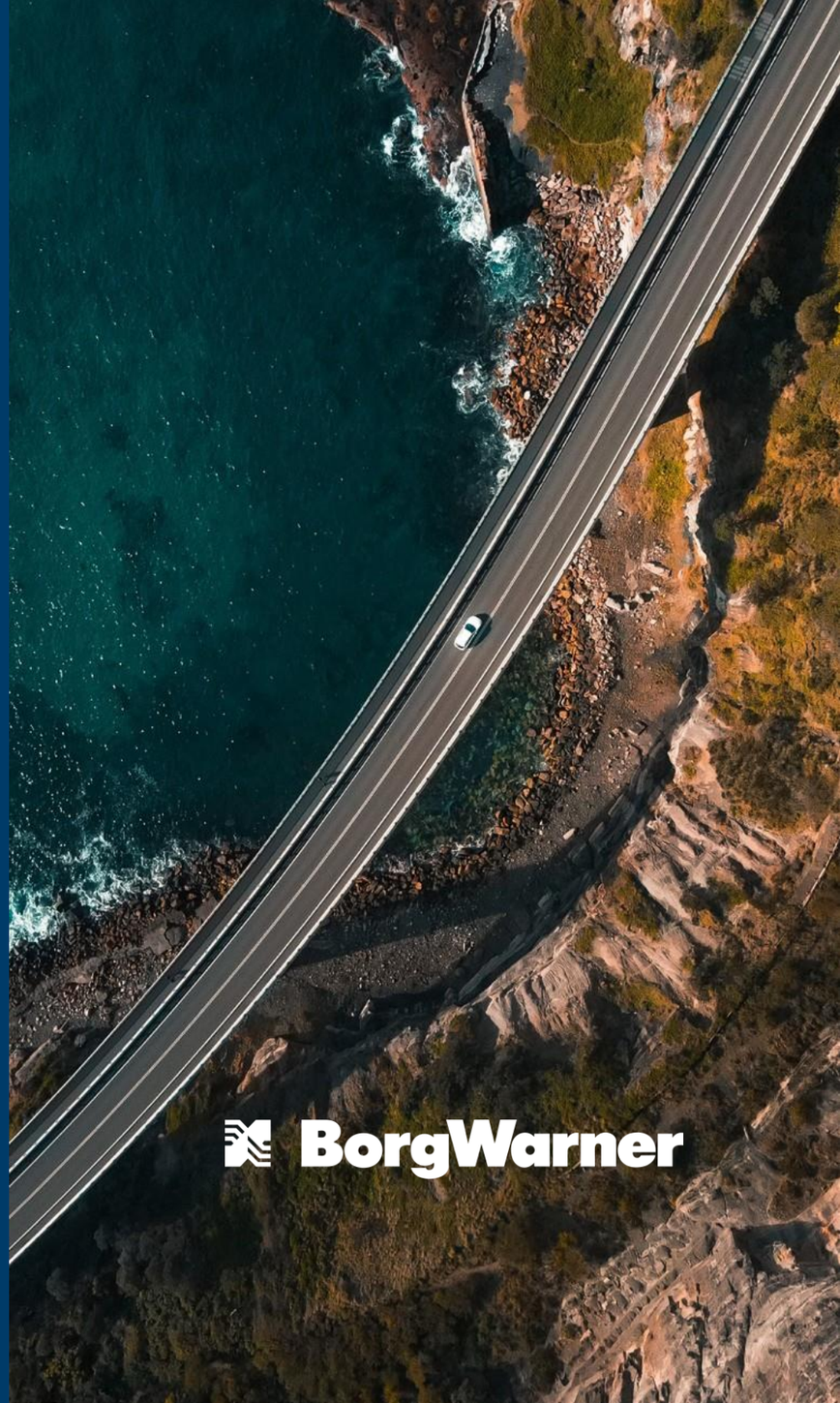
Q3 2022

Charging Forward Investor Presentation



Forward-Looking Statements

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," "guidance," "initiative," "intends," "may," "outlook," "plans," "potential," "predicts," "project," "pursue," "seek," "should," "target," "when," "will," "would," and variations of such words and similar expressions are intended to identify such forward-looking statements. Further, all statements, other than statements of historical fact contained or incorporated by reference in this presentation that we expect or anticipate will or may occur in the future regarding our financial position, business strategy and measures to implement that strategy, including changes to operations, competitive strengths, goals, expansion and growth of our business and operations, plans, references to future success and other such matters, are forward-looking statements. Accounting estimates, such as those described under the heading "Critical Accounting Policies and Estimates" in Item 7 of our most recently-filed Annual Report on Form 10-K ("Form 10-K"), are inherently forward-looking. All forward-looking statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Forward-looking statements are not guarantees of performance, and the Company's actual results may differ materially from those expressed, projected or implied in or by the forward-looking statements.

You should not place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. 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. These risks and uncertainties, among others, include: supply disruptions impacting us or our customers, such as the current shortage of semiconductor chips that has impacted original equipment manufacturer ("OEM") customers and their suppliers, including us; commodities availability and pricing, and an inability to achieve expected levels of success in additional commercial negotiations with customers; competitive challenges from existing and new competitors including OEM customers; the challenges associated with rapidly-changing technologies, particularly as relates to electric vehicles, and our ability to innovate in response; uncertainties regarding the extent and duration of impacts of matters associated with the COVID-19 pandemic, including additional production disruptions; the difficulty in forecasting demand for electric vehicles and our electric vehicles revenue growth; potential disruptions in the global economy caused by Russia's invasion of Ukraine; the ability to identify targets and consummate acquisitions on acceptable terms; failure to realize the expected benefits of acquisitions on a timely basis including our recent acquisitions of AKASOL AG, Santroll's light vehicle eMotor business, Rhombus Energy Solutions and our 2020 acquisition of Delphi Technologies PLC; the ability to identify appropriate combustion portfolio businesses for disposition and consummate planned dispositions on acceptable terms; the failure to promptly and effectively integrate acquired businesses; the potential for unknown or inestimable liabilities relating to the acquired businesses; our dependence on automotive and truck production, both of which are highly cyclical and subject to disruptions; our reliance on major OEM customers; fluctuations in interest rates and foreign currency exchange rates; our dependence on information systems; the uncertainty of the global economic environment and potential for recessionary conditions in regional economies; the outcome of existing or any future legal proceedings, including litigation with respect to various claims; future changes in laws and regulations, including, by way of example, taxes and tariffs, in the countries in which we operate; impacts from any potential future acquisition or disposition transactions; and the other risks noted in reports that we file with the Securities and Exchange Commission, including Item 1A, "Risk Factors" in our most recently-filed Form 10-K and/or Quarterly Report on Form 10-Q. We do not undertake any obligation to update or announce publicly any updates to or revisions to any of the forward-looking statements in this presentation to reflect any change in our expectations or any change in events, conditions, circumstances, or assumptions underlying the statements.

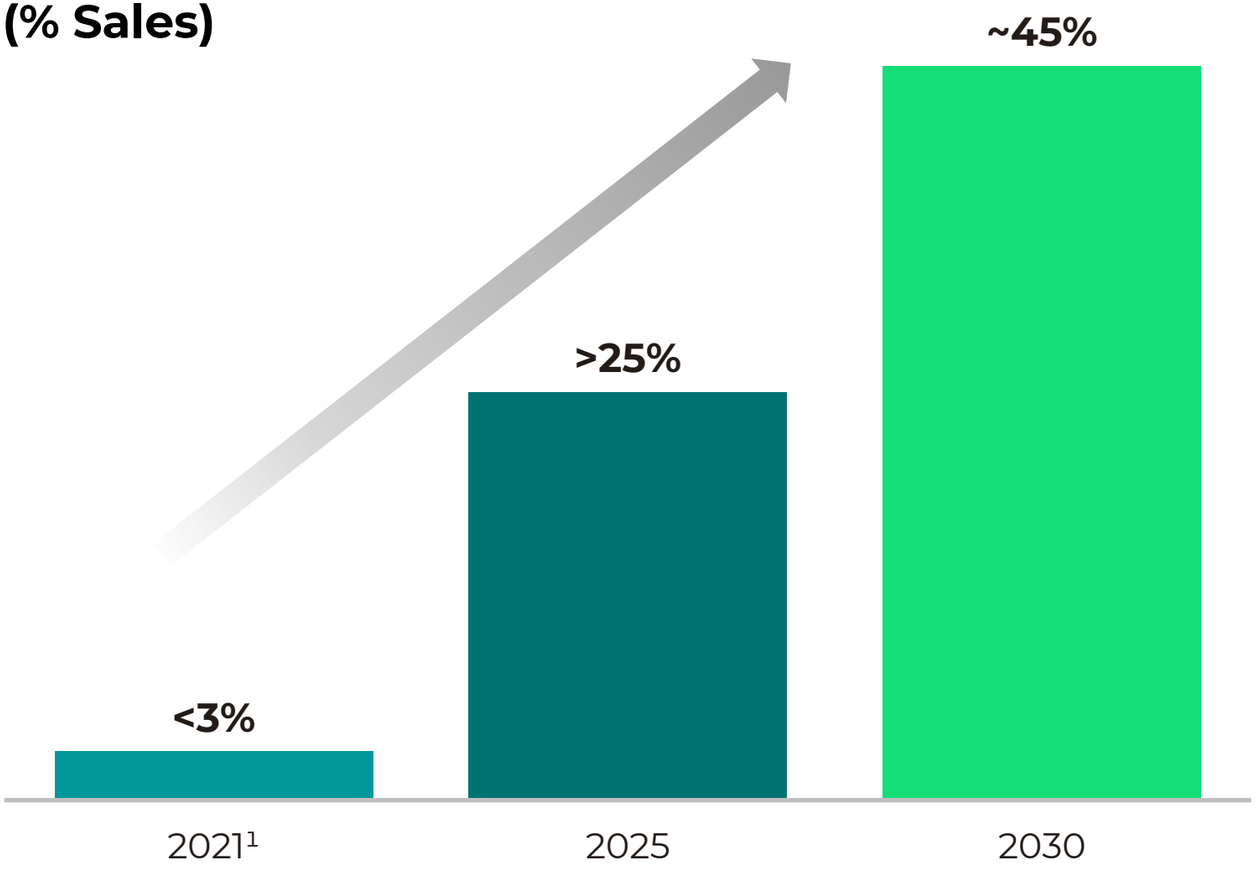
Non-GAAP Financial Measures

This presentation contains information about BorgWarner's financial results that is not presented in accordance with accounting principles generally accepted in the United States ("GAAP"). Such non-GAAP financial measures are reconciled to their closest GAAP financial measures in the Appendix. The provision of these comparable GAAP financial measures for 2022 is not intended to indicate that BorgWarner is explicitly or implicitly providing projections on those GAAP financial measures, and actual results for such measures are likely to vary from those presented. The reconciliations include all information reasonably available to the company at the date of this presentation and the adjustments that management can reasonably predict.

Management believes that these non-GAAP financial measures are useful to management, investors, and banking institutions in their analysis of the Company's business and operating performance. Management also uses this information for operational planning and decision-making purposes.

Non-GAAP financial measures are not and should not be considered a substitute for any GAAP measure. Additionally, because not all companies use identical calculations, the non-GAAP financial measures as presented by BorgWarner may not be comparable to similarly titled measures reported by other companies.

Electric Vehicles (% Sales)



[1] Based on FY21 Actual Sales
2025 & 2030 Source: BorgWarner estimates.

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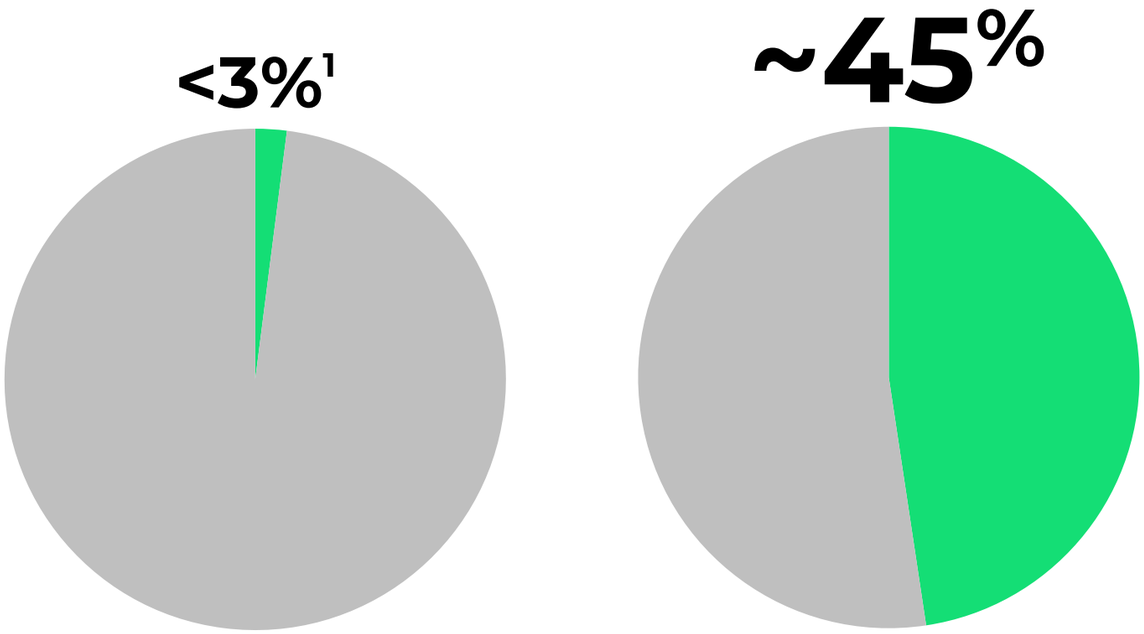
Intentional Growth for a Sustainable Future

- Our **accelerated electrification strategy** is a product of our vision and long-term focus
- Our vision of a **clean, energy-efficient world** is as relevant today as ever
- More aggressively deploying our **organic investments** and **capital** towards electrification

Revenue from EVs



~$350M
2021 EV Revenue

~$10B
2030 EV Revenue

[1] Based on FY21 Actual Sales
2030 Source: BorgWarner estimate.

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Charging Forward Aligns Our Business and Sustainability Strategy

New 2022 Sustainability Report shows our accomplishments and focus

CREATE A CLEANER, MORE ENERGY-EFFICIENT WORLD

88% revenue from clean and emissions-reducing products

- **45%** EV revenue by 2030

Reducing carbon & energy use

- **11.7%** from 2018
- **5.2%** from 2018

- Carbon neutral operations by 2035
- **85%** absolute Scope 1 & 2 GHG reduction by 2030
- Science based target underway

LIVE THE BORGWARNER BELIEFS

Power to Evolve training program to advance the electrification skills of our talent

- **30.1%** women in workforce
- **25.0%** racial/ethnic minorities in U.S. workforce

- **35%** global gender diversity by 2026
- **30%** US racial/ethnic diversity by 2026

PARTNER WITH AND REPORT TO STAKEHOLDERS

Executive pay linked to achieving Charging Forward eProduct goals

Sustainable Supply Chain strategy accelerates responsible and resilient supplier assessments

- ESG performance to be a factor in sourcing decisions

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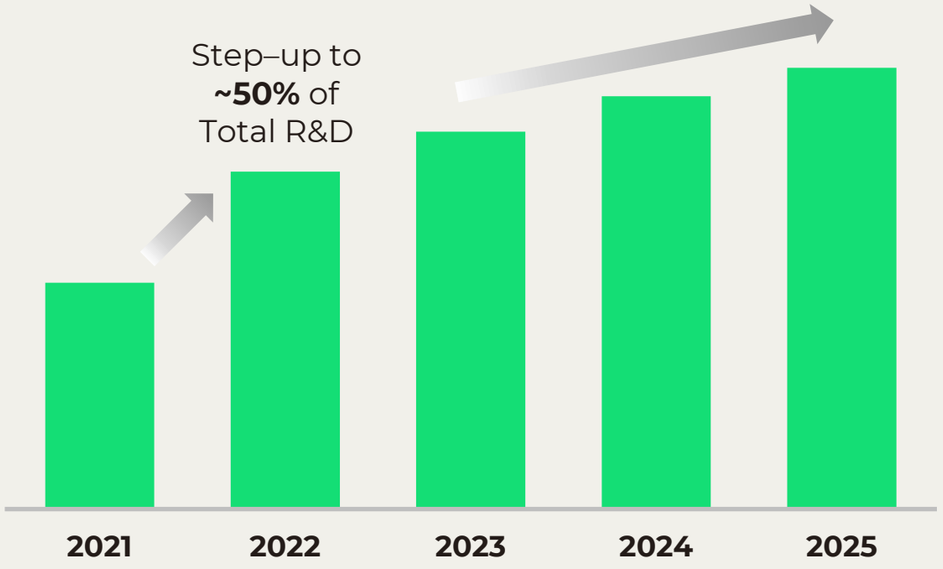
We Are Investing Organically to Achieve Our Ambitious EV Goals

Our Organic Investment Strategy Will Also Play a Major Role in Advancing Electric Light Vehicles

Estimated R&D Spend for eProducts



- **>$4B** over next 5 years on combined R&D and capital spending for eProducts
- eProduct expected to continue to grow as percentage of total R&D to support secured programs and additional high confidence wins
- Organic spending supplemented with up to **$5.5B** available for M&A

Our sustainability objectives are closely aligned with our strategy to generate financial results

Source: BorgWarner estimate

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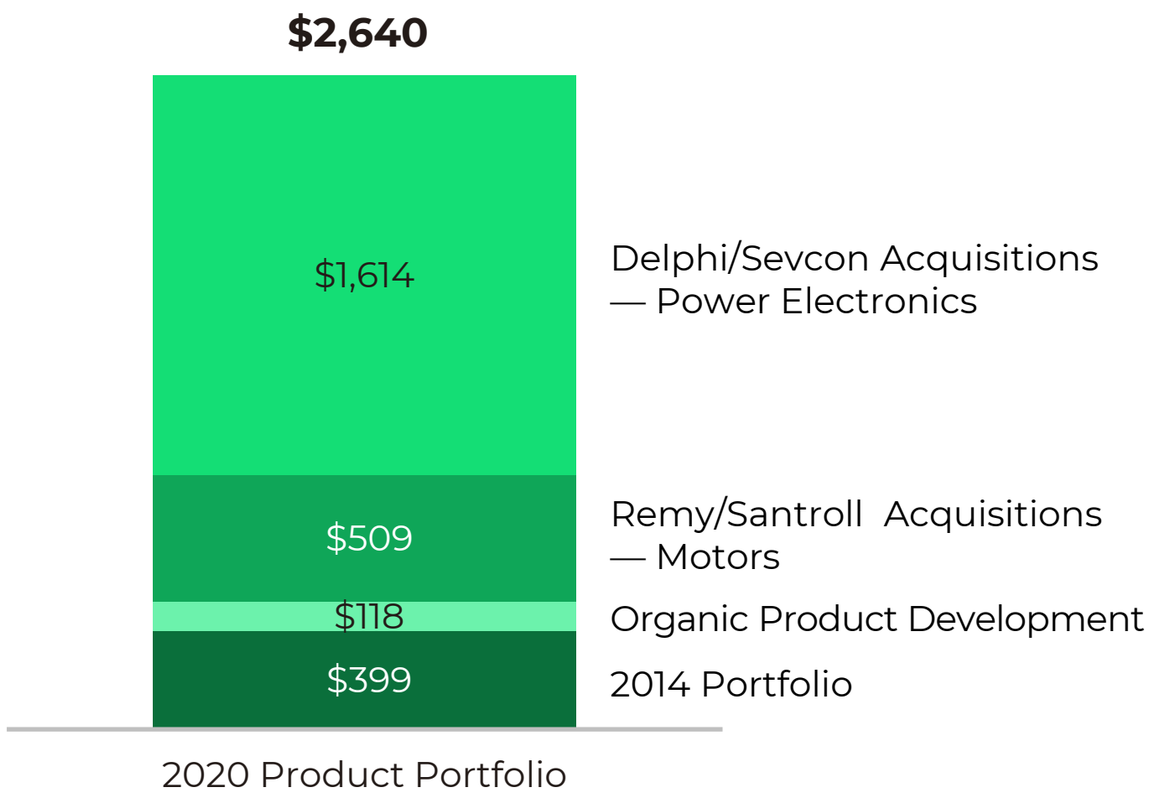
We've Grown Our Electrification Portfolio Deliberately over Time

2015	Remy	Rotating electric (i.e., motors)
2016	SEVCON	Industrial-focused power electronics and charging
2017	RMS / AM RACING	Electronics for start-up EV customers
2018		
2019	Delphi Technologies	Power electronics and software
2020	AKASOL	Battery packs and modules
2021	Santroll's LV eMotor Business	LV eMotors
2022	Rhombus Energy Solutions	DC Fast Charging

Est. 2025 Content Opportunity per eLV



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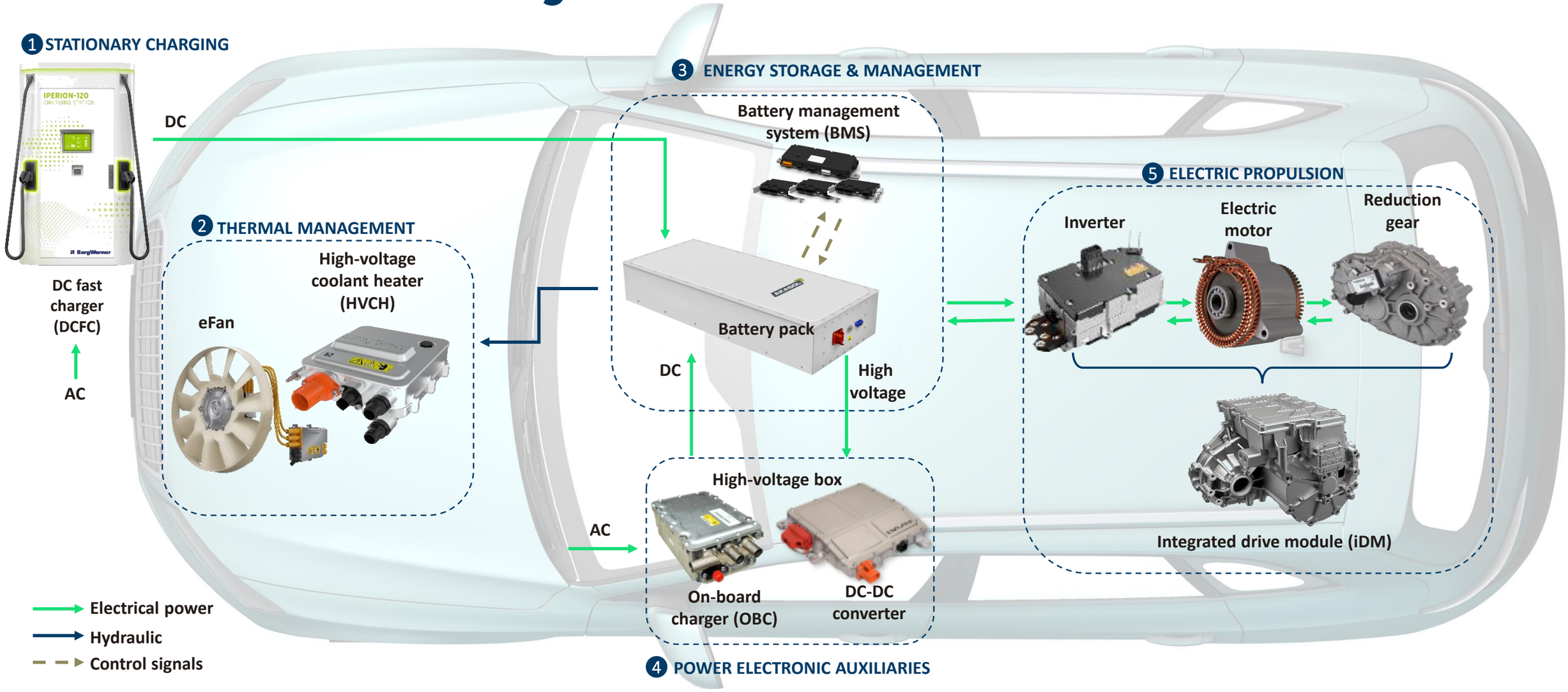
Our Investments Have Resulted in a Wide-Ranging Electric Vehicle System Portfolio



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Pursuing a Science Based Target to reduce Scope 1, 2, and 3 emissions

Submitting a science-based target to SBTi in 2022:

- Carbon neutral operations by 2035
  - 85% absolute reduction by 2030
- **In process:** understanding our Scope 3 emissions and reduction potential

Aspiration is to make meaningful impact, <u>not</u> to achieve goals through purchasing credits

Our decarbonization roadmap

Scope 1 & 2

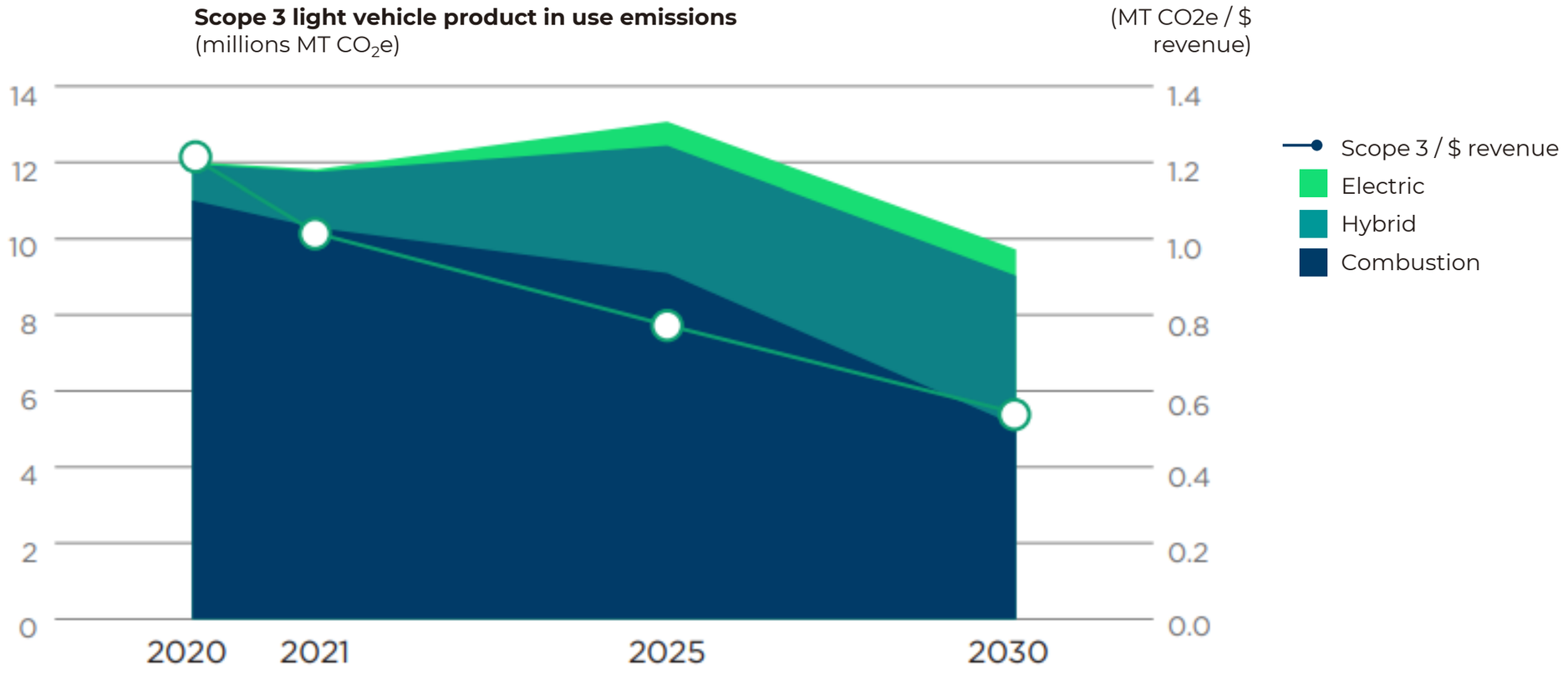
- **Operations:** Identify and assess plant-level efficiency opportunities; promoting energy management certification (ISO 50001)
- **Energy sources:** Continue to invest in renewable energy

Scope 3

- **Product portfolio:** Transform towards BEV including power electronics, battery solutions and charging stations
- **Supply chain:** Develop a carbon-efficient supply base
- **Materials:** Preferred use of less energy intense and sustainably produced raw materials
- **Circular economy:** Implement circular product development with increased recycled and remanufactured materials
- **Product design:** Define new product design guidelines and targets for weight reductions

Electrification strategy to drive expected Scope 3 product-in-use emissions decline

Light vehicle example: indirect product-in-use emissions expected to decline 19% by 2030 vs. 2020 on our EV parts shift



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Implementing our Supply Chain Oversight Roadmap to Ensure Quality and Responsibility

We use the industry SAQ survey to drive our ESG performance in our supply chain

- In 2021, we again launched our Sustainability Self-Assessment Questionnaire (SAQ) for high-impact and high-risk suppliers
- The SAQ is an industry standard questionnaire that asks suppliers about key sustainability issues

2022 supply chain strategy includes implementing ESG performance as a factor in sourcing decisions

59.8%

supplier survey participation, ***up from 24.1%***

Goal of 80%

Sustainability Self-Assessment Questionnaire

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Employee Diversity[1]

3 of 11
Strategy Board members are diverse.

30.1%
of the company's total workforce are women.

17.4%
of the company's U.S. leadership are racial/ethnic minorities.

98.9%
Based on our pay equity survey, women earned compensation 98.9% of that received by men.

We Set Goals to Advance DEI to Support Creating an Inclusive and Sustainable Workforce of the Future

Our Goals

Diversity

35% of global workforce are women by 2026

30% of U.S. workforce is racially/ethnically diverse by 2026

Equity

Achieve and maintain pay parity for all by 2026

Inclusion

80% or above on the BorgWarner Beliefs index score from our employee engagement survey by 2026

Promoting employee diversity

% total workforce
(2019 – 2021)[2]

1 Board and Strategy Board demographics are as of June 2022.
2 Women is defined as employees that have self-identified as "female". Racial/ethnic minorities is defined as employees that have self-identified as outside of the majority ("White Not Hispanic or Latino"). Employees that have not specified their gender or race/ethnicity have been excluded from this calculation. To show comparable data, 2019 and 2020 data was regenerated in June 2022 to reflect changes in categorization.

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We Are Developing Our Workforce to Have the Skills and Diversity to Achieve Our Business Goals

2021 Talent & Development Highlights

84,000+	hours of training provided to salaried employees
15,038	salaried employees received training, ~95% of the respective workforce
28%	increase in salaried employees that received training
872	current or future leaders were impacted by training investment
68%	of our leadership positions were filled via internal placements

POWER TO E-VOLVE

Our training program created in partnership with leading European and U.S. universities

- Aims to **upskill** our automotive engineers to work on our **EV product**
- Employees learn complete modules for inverters, batteries, and motors, **propelling our business and aligning with Charging Forward strategy**

Top quartile-worker safety

- 60% improvement in Total Recordable Incident Rate since 2015
- Aim to transition all manufacturing sites to ISO 45001 health and safety management framework by end of 2023

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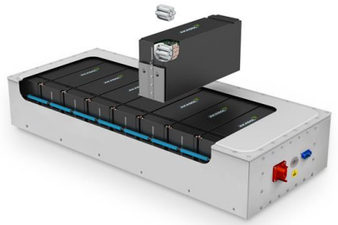
Recent Awards Across EV Product Portfolio

800-Volt Inverter

- Award with a premium European OEM on next-generation BEVs expected to launch in 2024

800-volt Electric Motor

- Award with a large global commercial vehicle EV customer expected to launch in 2024



Commercial Vehicle Battery System

- Award with a European commercial vehicle OEM expected to launch in 2024

High Voltage eFan System

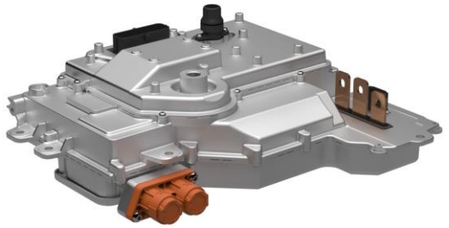
- Award with a major European commercial vehicle OEM for battery electric heavy-duty long-haul trucks expected to launch in 2024

Integrated Drive Module (iDM)

- Award with Hyundai Motor Group for EVs expected to launch in 2023

High-voltage Coolant Heaters

- Awards with an established global OEM & an emerging Chinese OEM expected to launch in 2023 and 2024



High-voltage SiC Inverter

- Award with a North American inverter program with a Global OEM, expected launch in 2024

800V Integrated Drive Modules (iDM)

- Award with a Chinese luxury NEV brand expected to launch in 2023

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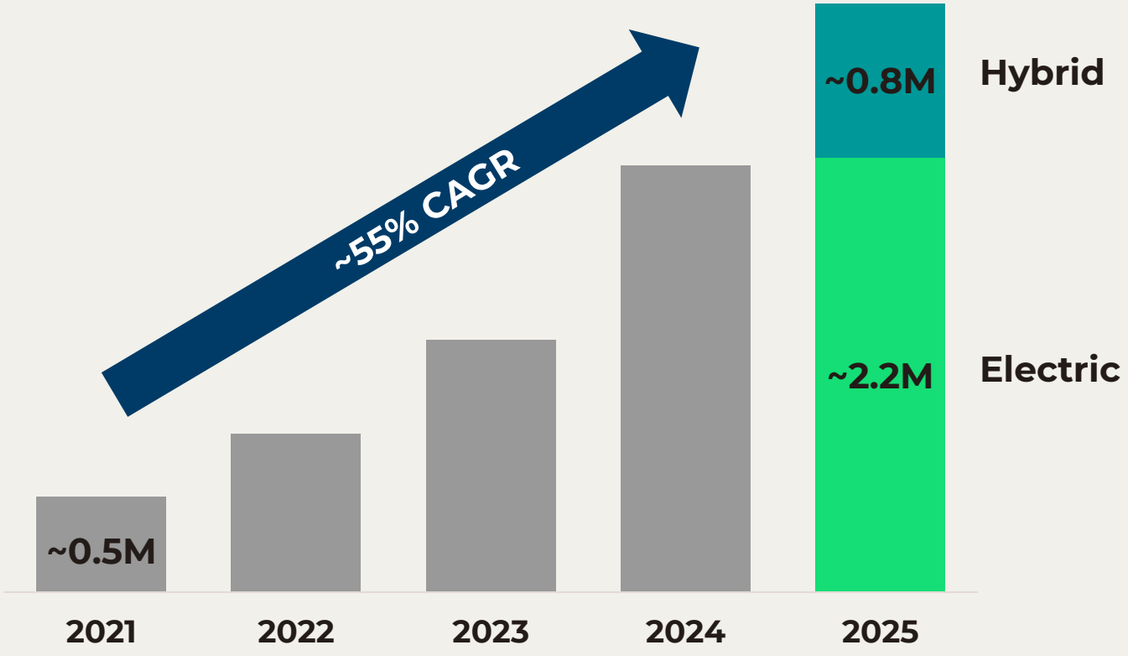
Positioned to be #1 Non-Captive Inverter Producer by 2025

Product Highlights

- Efficient speed to market with products covering 400V and 800V, silicon and silicon carbide
- Proprietary inverter power module design
- Vertical integration:
  - Power modules, integrated circuit development and full software capability in house

Have secured ~$2.1 billion in inverter sales in 2025 with additional opportunities being actively pursued

Estimated Booked Inverter Volumes



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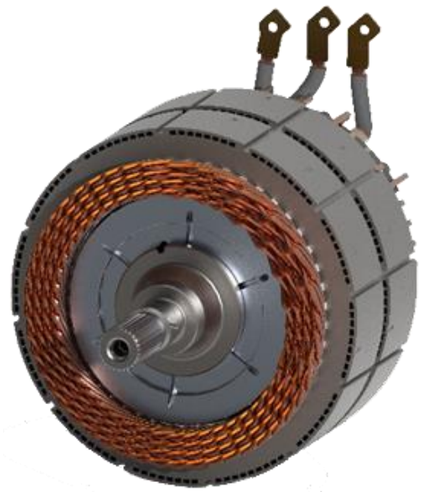
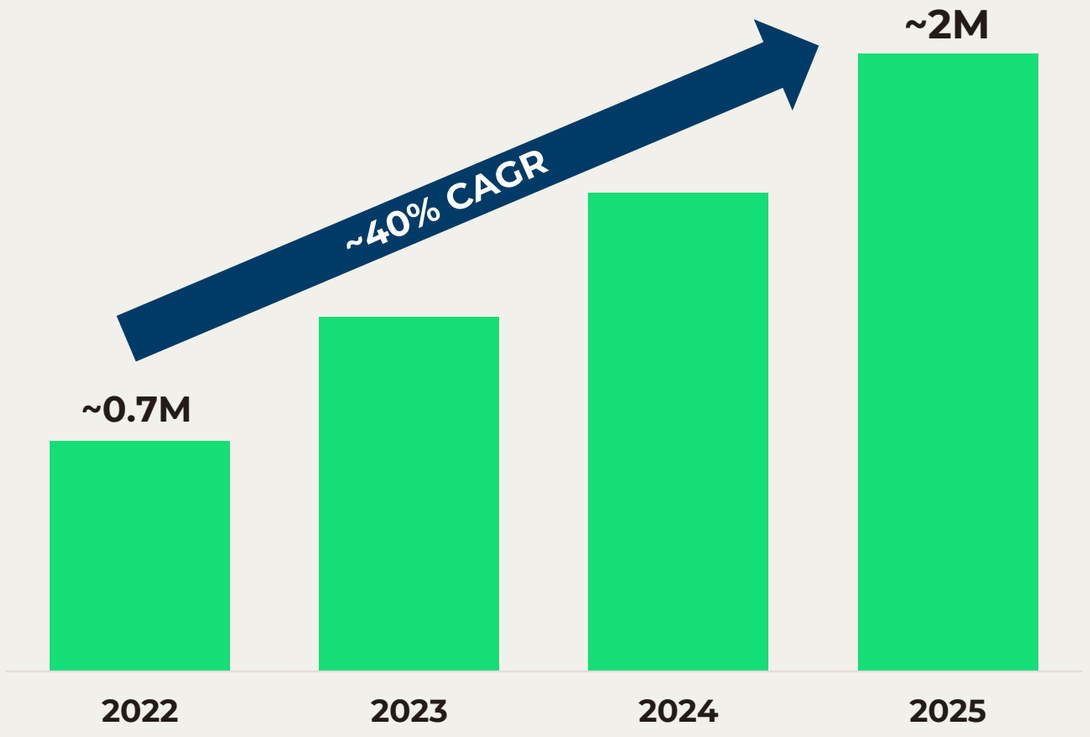
eMotor Business Continues to Grow



Product Highlights

- Flat-wire high-voltage hairpin designs bring higher efficiency as well as superior power and torque density
- In-house design of manufacturing equipment enables an optimized product and process
- 400V and 800V capabilities with awarded business across voltages, size / torque capacities, and passenger car / CV



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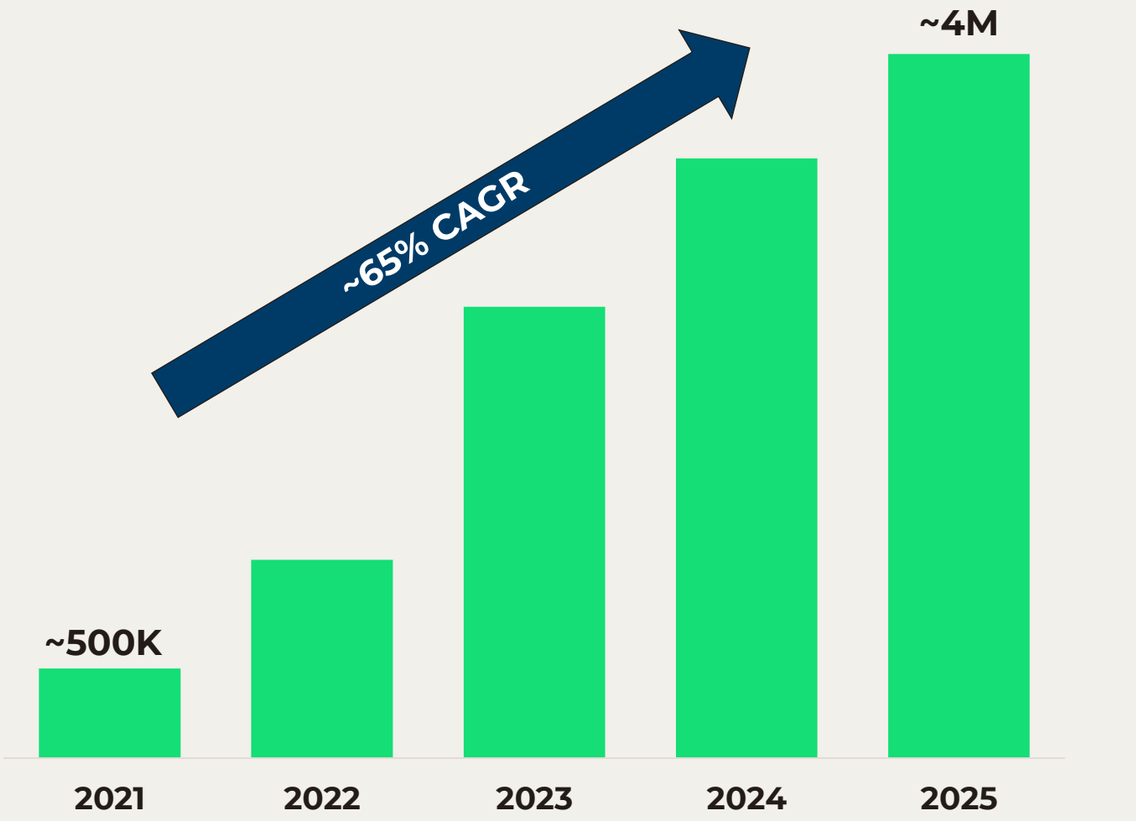
Leader in High-voltage Coolant Heaters

Product Highlights

- Enables improved battery performance, longer range and comfortable cabin climate
- 400V and 800V capabilities with awarded business across multiple variations



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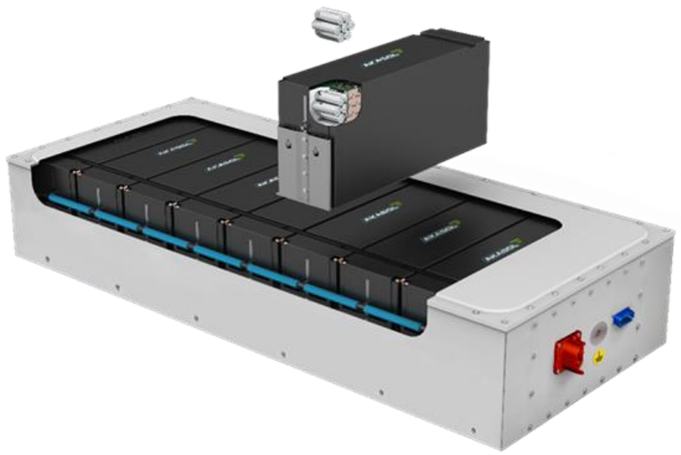
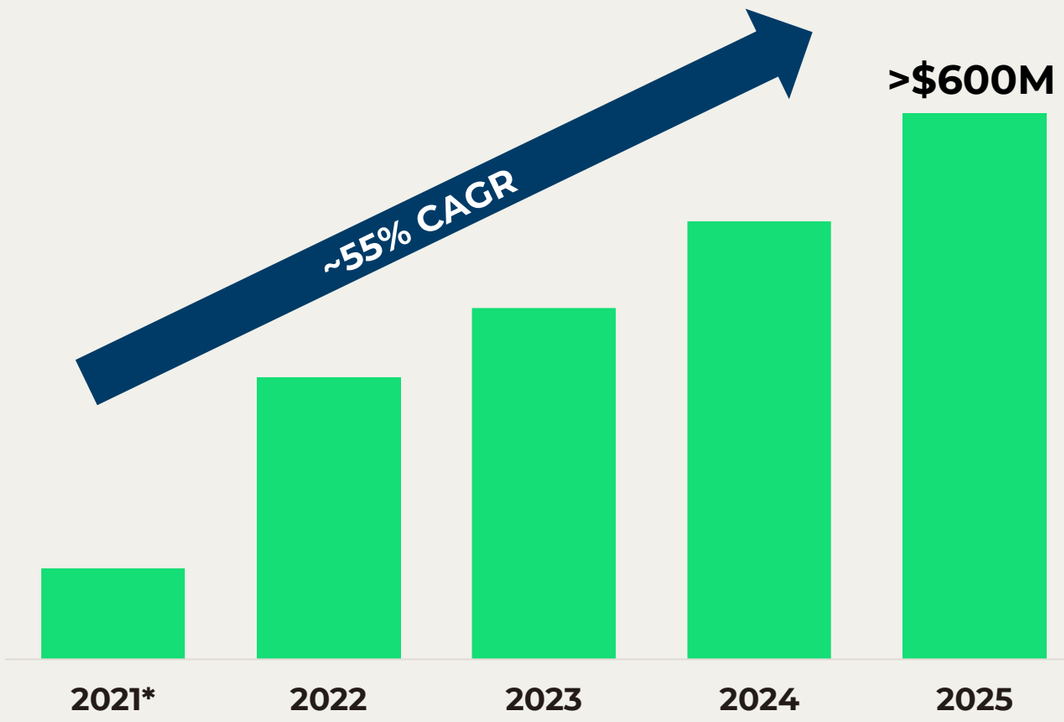
eCV Battery Pack Technology Supporting Growth



Product Highlights

- Pioneer in electric Commercial Vehicle batteries
- High energy density – highly efficient packaging
- Multi-pack system solutions, tailored to application
- Structural ruggedness and cycle life for the eCV environment

Modular, efficient solutions for eCV



* Note:: estimated full-year 2021 sales including pre-AKASOL transaction

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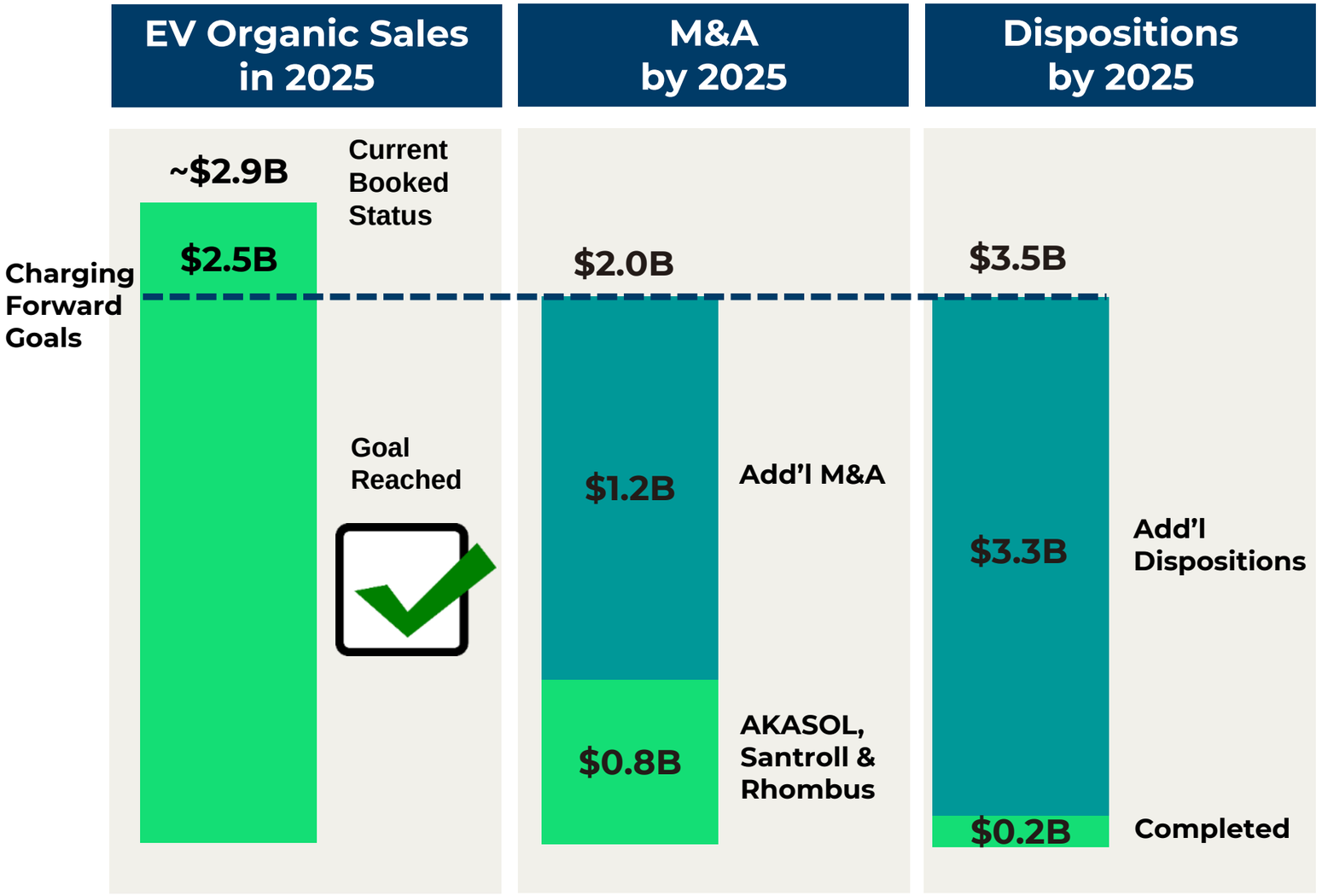
Progress Report



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- We have both the **strategies** and **execution capabilities to lead** the industry
- **Sustainability is core** with a commitment to **carbon neutrality by 2035** and **Scope 3 reduction potential**
- Our actions through 2025 are expected to achieve ~**45% of revenue from EV by 2030**, with potential for more to come

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Appendix

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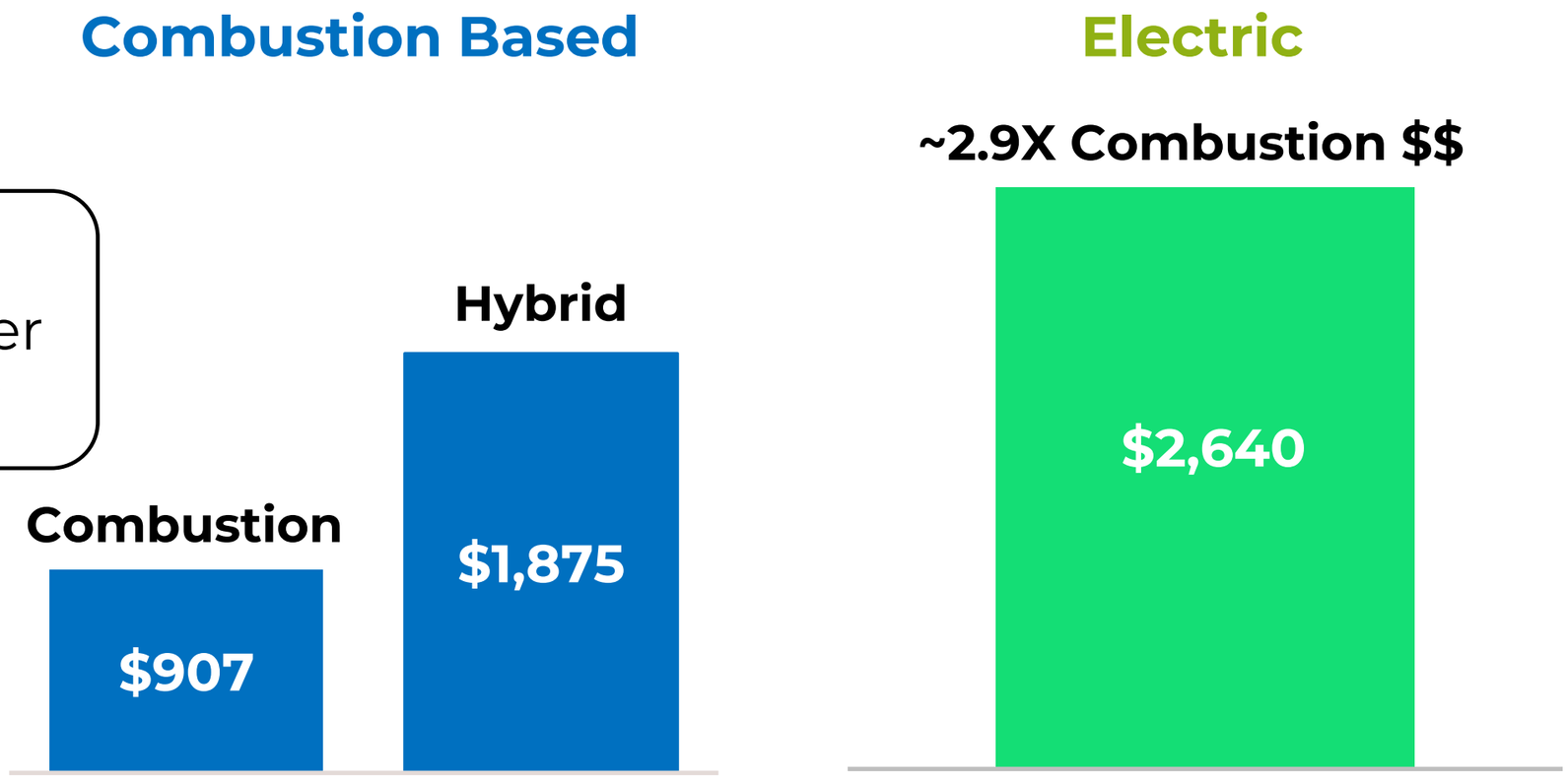
We're Well Positioned to Seize eLV Market Opportunity

Est. 2025 BorgWarner Content Opportunity Per Light Vehicle Summary



Sources: BorgWarner TAM; IHS Markit, KGP. Excludes: AKASOL battery pack opportunities, Service & Aftermarket.

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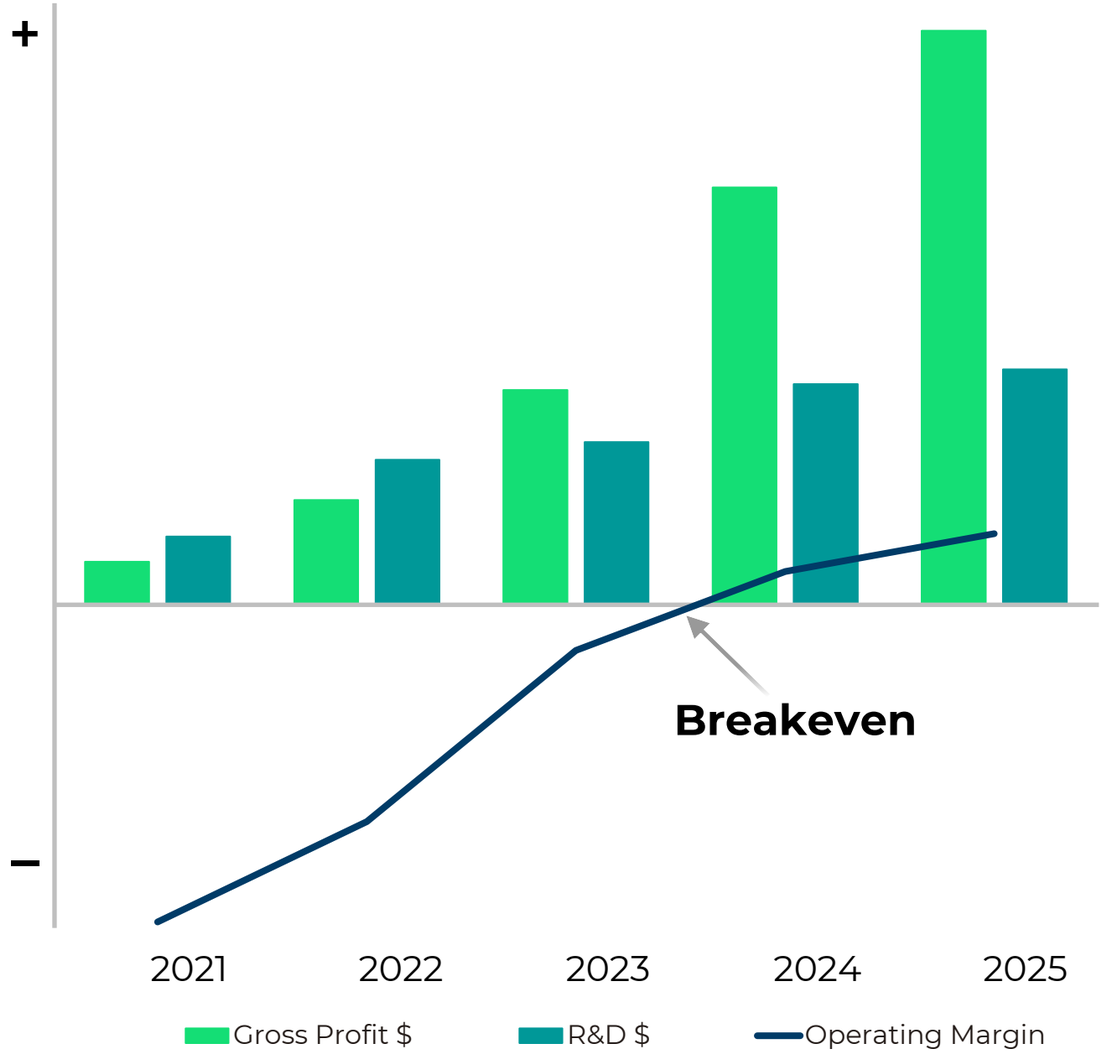
Profitability on EV Portfolio Expected to Improve as Programs Launch

- Current profitability already reflects elevated R&D spending for EVs
- Growth in R&D spending not commensurate with sales trajectory
- Improving gross margin reflects expected incremental margins on increasing sales

Estimated EV Profitability Characteristics



Source: BorgWarner estimate.

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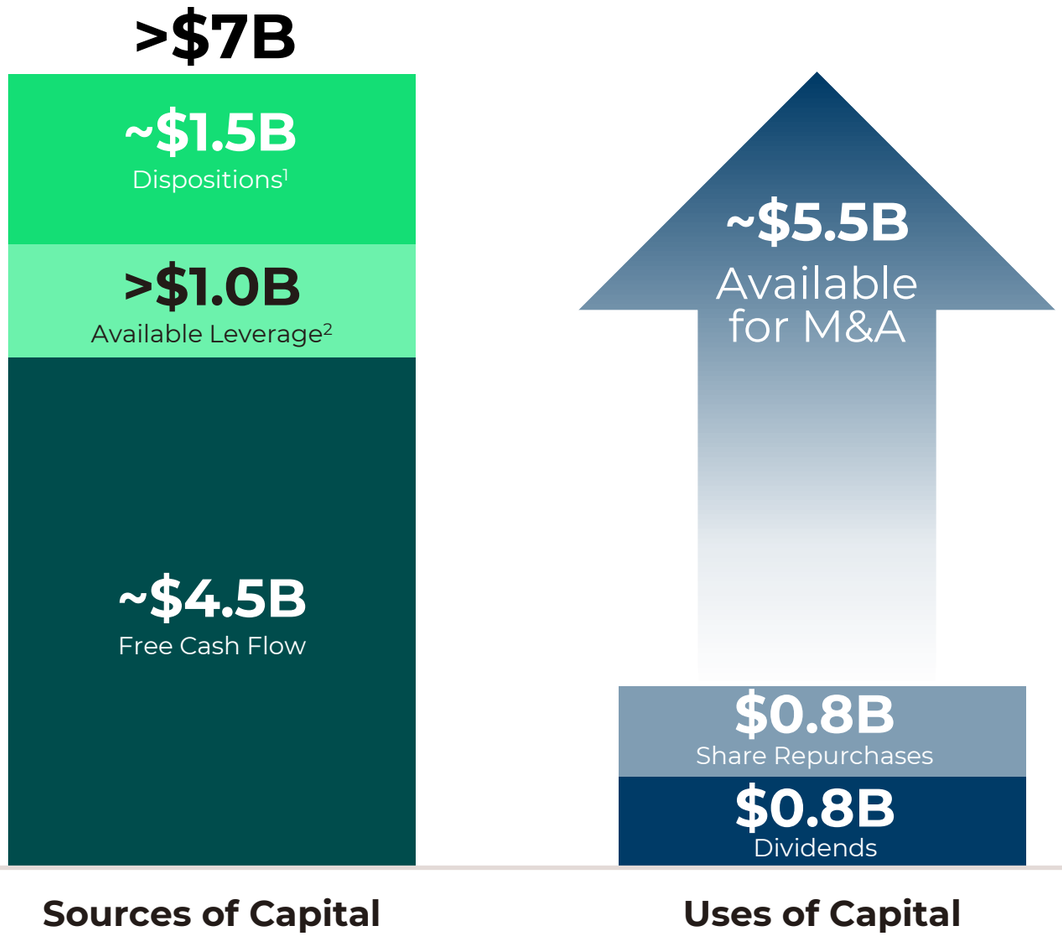
Significant Capital Available to Accelerate Positioning in EV

- Strong cash flow and investment-grade balance sheet support M&A
- Dispositions provide additional source of capital
- Discipline of returning capital to shareholders remains intact
  - Dividends sustainable through downturns
  - Share repurchase timing subject to M&A execution

2021-2025 Estimated Capital Flows



[1] Est. disposition proceeds net of loss of FCF through 2025 associated with dispositions.
[2] Est. incremental debt that could be issued while maintaining 1.8x gross-debt-to-EBITDA ratio
BorgWarner estimate

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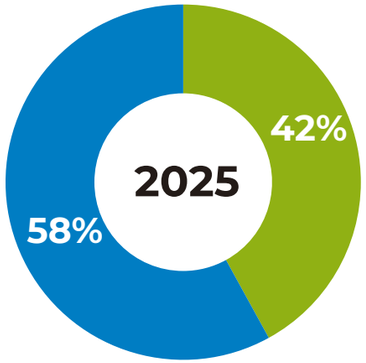
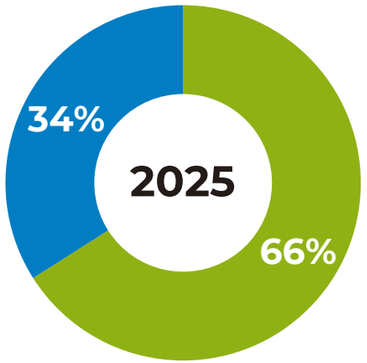
Electric Component Vehicle Sourcing

Electric Drive Motor



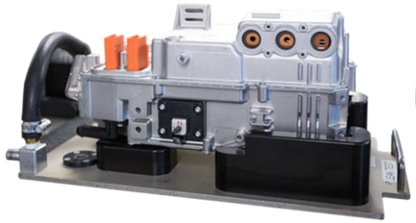
OEM In-House Suppliers

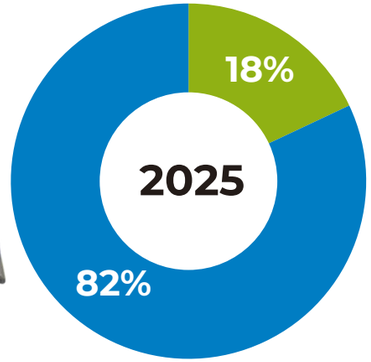
Gearbox



OEM In-House Suppliers

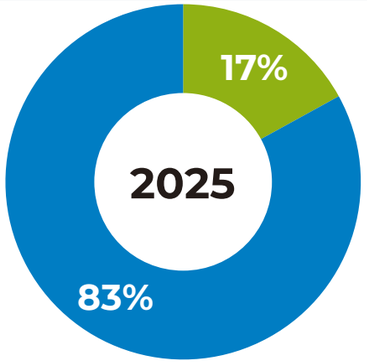
Inverter





OEM In-House Suppliers

On-Board Charger, DC-DC Converter & Battery Pack Controller



OEM In-House Suppliers

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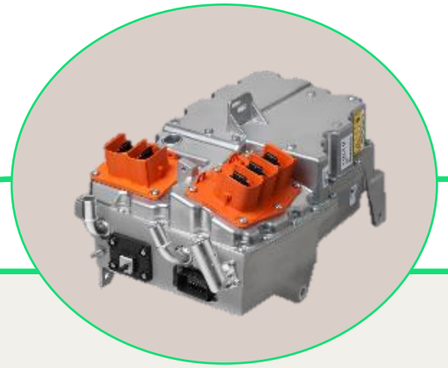
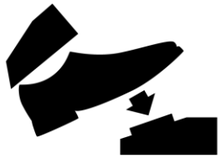
What Does an Inverter Do, and What's Inside?



Driver & Pedal



Battery

Computer
Competitive Advantage:
Custom Integrated Circuits (ASICs), Software

Capacitor
Competitive Advantage:
PolyCharge Technology

Power Module

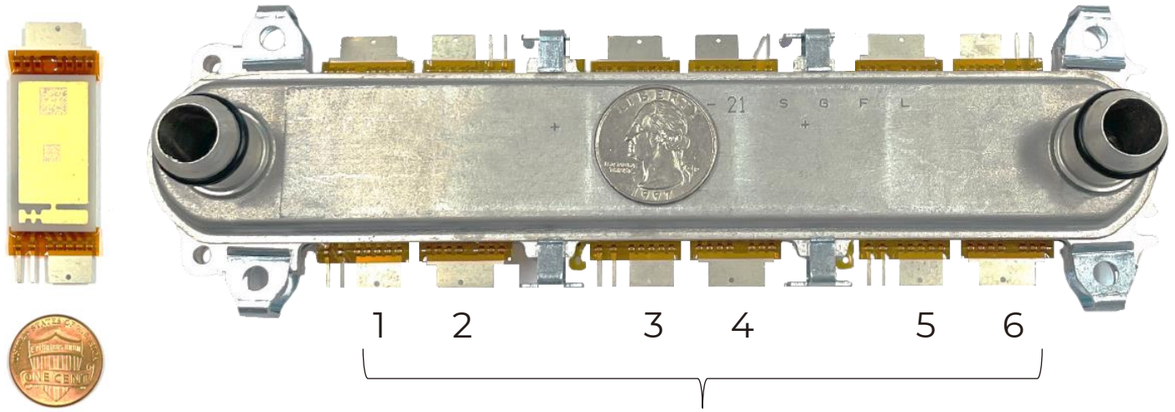
Competitive Advantage:
Viper power switch with double-sided cooling

Electric Motor & Gearbox

Three main inverter components necessary for e-machine operation

Driving Inverter Market Innovation

Proprietary Power Module Design

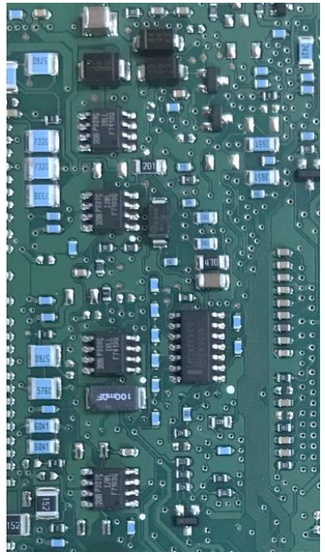


Six Power Transistors

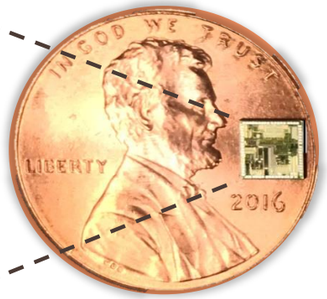
Competitive Advantages

- Very Compact
- Double-sided cooling: 2X better heat transfer
- Zero wire bonds – higher reliability

Custom Integrated Circuits



Electronics Circuitry



Silicon "die"

Benefits

- Reduced size and cost
- Added functionality
- Effective IP protection

BorgWarner

Integrated Drive Module: All Under One Roof

Class-leading Inverter
Physical integration eliminates phase cables

Integrated
Oil Cooler
and Park Lock
Actuator

Electric Machine
Power-dense designs using rectangular hairpin windings
Oil cooled end turns - higher continuous power
Product and process co-designed for efficient assembly

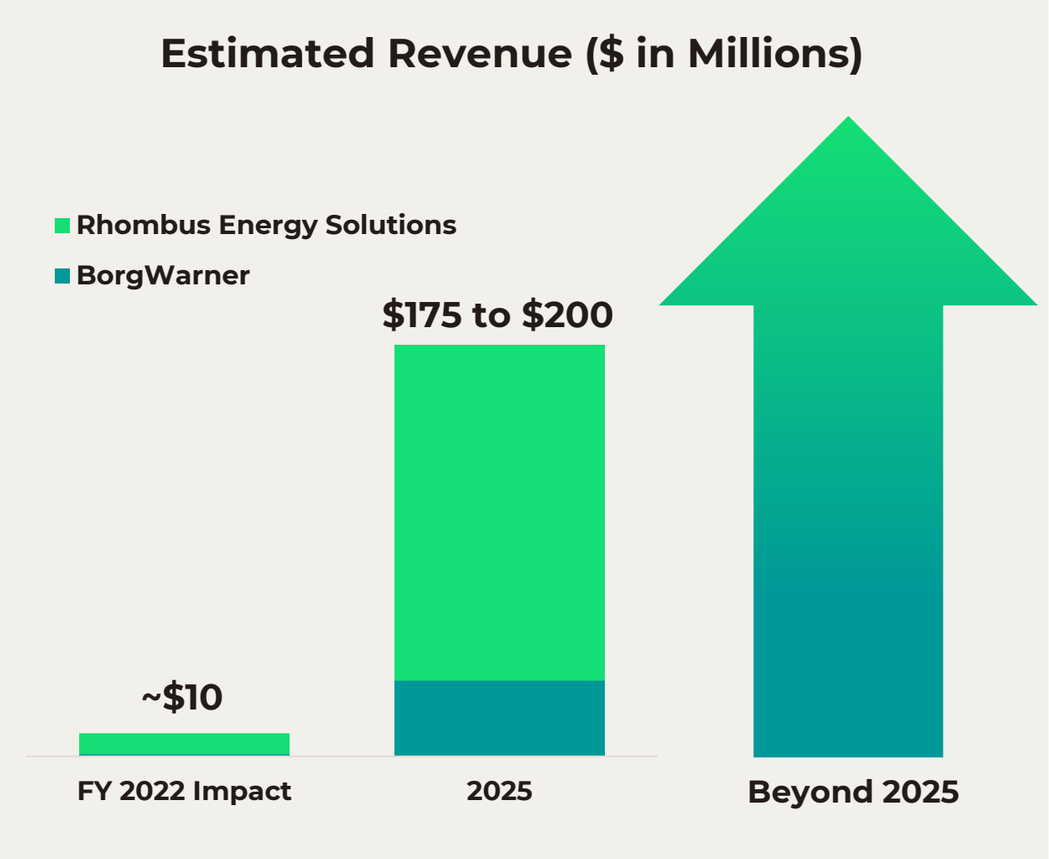
Gear Reduction
Quiet, efficient

BorgWarner

Acquisition of Rhombus Energy Solutions Expands EV Growth Opportunities

*BorgWarner to **accelerate the charging business**, leveraging the local knowledge and footprint of Rhombus Energy Solutions and BorgWarner's pre-existing business*

- Focuses on high-value DC fast-charging (DCFC) hardware and enabling software
- Complements existing BorgWarner European charging footprint to accelerate organic growth
- Adds North American regional presence
- Leverages BorgWarner's global strength and regional capabilities
  - Global strength across product quality, engineering, supply chain and manufacturing
  - Potential sales synergies with battery system customers
  - Regional sales capabilities and government interaction



BorgWarner