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 Annual Report on Form 10-K for the year ended December 31, 2020 (“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. Accounting estimates, such as those described under the heading “Critical Accounting Policies and Estimates” in Item 7 of our Annual Report on Form 10-K, are inherently forward-looking. All forward-looking 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. These risks and uncertainties, among others, include: the difficulty in forecasting demand for electric vehicles and our EV revenue growth to 2030; the ability to identify and consummate acquisitions on acceptable terms; failure to realize the expected benefits of acquisitions; the ability to identify appropriate combustion portfolio businesses for disposition and consummate planned dispositions on acceptable terms; 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/coronavirus pandemic, including additional production disruptions; the failure to realize the expected benefits of the acquisition of Delphi Technologies PLC that the Company completed on October 1, 2020; the failure to realize the expected benefits of the acquisition of AKASOL AG that the Company completed on June 4, 2021 or a delay in the ability to realize those benefits; the failure to successfully execute on a timely basis our taking private strategy with respect to AKASOL; the failure to promptly and effectively integrate acquired businesses; the potential for unknown or inestimable liabilities relating to 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; commodities availability and pricing; supply disruptions impacting the Company or the Company's customers, such as the current shortage of semi-conductors that has impacted OEM customers and the Company; fluctuations in interest rates and foreign currency exchange rates; availability of credit; our dependence on key management; our dependence on information systems; the uncertainty of the global economic environment; 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, tariffs, in the countries in which we operate; impacts from any potential future acquisition or divestiture transactions; and the other risks, including, by way of example, pandemics and quarantines, noted in reports that we file with the Securities and Exchange Commission, including Item 1A, “Risk Factors” in our most recently-filed Annual Report on 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 2021 and later 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.
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

- Estimate at the midpoint of FY21 guidance

- Source: BorgWarner estimate

~$350M
2021 EV Revenue

~45%

~$10B
2030 EV Revenue

1 Estimate at the midpoint of FY21 guidance

Source: BorgWarner estimate
BorgWarner Is Evolving Its Mission

Our mission was focused on balance:

Propulsion System Leader for Combustion, Hybrid and Electric Vehicles

Today and Tomorrow

We’re accelerating toward electrification

We deliver innovative and sustainable mobility solutions for the vehicle market
This Evolution Is Consistent with Our Commitment to Sustainability

GHG: 50% Reduction by 2030

Energy: 37% Reduction by 2030

Committed to being CARBON NEUTRAL by 2035

Our sustainability objectives go hand in hand with our strategy to generate financial results

Includes Scope 1 & 2 emissions
We Empower Our Diverse Teams

Gender Diversity

Overall
25.6%

New Hires
33.2%

Leadership
14.6%

Gender Pay Parity
98.7%

Minorities (USA)

Overall
21.2%

New Hires
24.7%

Leadership
13.9%

1 This study was facilitated by Mercer on behalf of BorgWarner. Baseline data: Regions studied: US and Canada, China, Germany, W. Europe, E. Europe, Latin America, Asia | 6,210 salaried employees Grades 10-19 | Measured pay against gender
External Factors Are Accelerating Demand for Cleaner, More Efficient Vehicles

Now is the optimal time to accelerate BorgWarner’s shift toward electrification.
We’ve Grown Our Electrification Portfolio Deliberately over Time

<table>
<thead>
<tr>
<th>Year</th>
<th>Activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Remy</td>
<td>Rotating electric (i.e., motors)</td>
</tr>
<tr>
<td>2016</td>
<td>Sevcon</td>
<td>Industrial-focused power electronics</td>
</tr>
<tr>
<td>2017</td>
<td>Remy</td>
<td>Electronics for start-up EV customers</td>
</tr>
<tr>
<td>2018</td>
<td>Romeo</td>
<td>Battery packs and modules (60/40 JV)</td>
</tr>
<tr>
<td>2019</td>
<td>Delphi</td>
<td>Power electronics and software</td>
</tr>
<tr>
<td>2020</td>
<td>Delphi</td>
<td>Battery packs and modules</td>
</tr>
</tbody>
</table>

Est. 2025 Content Opportunity per eLV

- $2,640
- $1,614
- $509
- $118
- $399

Delphi/Sevcon Acquisitions — Power Electronics
Remy Acquisition — Motors
Organic Product Development
2014 Portfolio
2020 Product Portfolio
Electric Vehicles (% Sales)

- 2021¹: <3%
- 2025: >25%
- 2030: ~45%

¹ Estimate at the midpoint of FY21 guidance
Source: BorgWarner estimate
eLV Market Expected to Experience Profound Growth Over Next Decade

BorgWarner has positioned itself to capitalize on this growth

- 2021: ~$11B
- 2025: 15% CAGR, ~$38B
- 2030: 35% CAGR, ~$76B

EV Market Penetration:
- 2021: 5%
- 2025: 15%
- 2030: 30%

1 Includes high-voltage air heater and high-voltage coolant heater for light vehicle EVs only
2 Includes inverter, DCDC, OBC, CIDD, HV Box and BMS for light vehicle EVs only
3 Includes motors and eGearDrives® for light vehicle EVs only

Source: BorgWarner estimate
We’re Well Positioned to Seize eLV Market Opportunity

Est. 2025 BorgWarner Content Opportunity Per Light Vehicle Summary

**Combustion Based**
- Combustion: $907
- Hybrid: $1,875

**Electric**
- ~2.9X Combustion $$
- $2,640

**Addressable Market**
- $100B
- $38B

Sources: BorgWarner TAM; IHS Markit, KGP. Excludes: Romeo Power Battery JV opportunities, Service & Aftermarket
Electric Component Vehicle Sourcing

**Electric Drive Motor**
- 58% OEM In-House
- 42% Suppliers
- Addressable outsourced market: $4.2B in 2025

**Gearbox**
- 34% OEM In-House
- 66% Suppliers
- Addressable outsourced market: $1.9B in 2025

**Inverter**
- 82% OEM In-House
- 18% Suppliers
- Addressable outsourced market: $8.8B in 2025

**On-Board Charger, DC-DC Converter & Battery Pack Controller**
- 83% OEM In-House
- 17% Suppliers
- Addressable outsourced market: $9.7B in 2025
2025 EV Addressable Market Breakdown

- Power Electronics outsourcing strong increasing trend
- Motor outsourcing relatively flat through 2025
- Sub-components insourced market represent additional opportunity

More 70% of Electric Vehicle Addressable Market Expected to be Outsourced
Recent Awards Across EV Product Portfolio

800-Volt Inverter
▪ with premium European OEM on next-generation BEVs expected to launch in 2024

800-volt Electric Motor
▪ with large global commercial vehicle EV customer launching in 2024

400-Volt Inverter
▪ with major European OEM on next-generation BEVs expected to launch in 2022

High Voltage Coolant Heater
▪ with major European premium OEM launching in 2023

Integrated Drive Module (iDM)
▪ with Hyundai Motor Group for EVs expected to launch in 2023

Integrated Drive Module (iDM)
▪ for Ford’s new all-electric Mustang Mach-E SUV

Electric Drive Modules (eDM)
▪ for electric JMC-Ford and two other NEV manufacturers in China

Integrated Drive Modules (iDM)
▪ with a leading Chinese luxury NEV brand
Key European Inverter Wins Provide Scale

**BorgWarner Competitive Advantage**

- Efficient speed to market with products covering 400V SiC, 800V SiC, 48V
- Proprietary inverter power module design
- Vertical integration
  - Power modules, integrated circuit development and full software capability in-house
- Scale in Electronics

**Inverters for 3 Key European OEM Programs**

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>~72K</td>
</tr>
<tr>
<td>2023</td>
<td>~</td>
</tr>
<tr>
<td>2024</td>
<td>~</td>
</tr>
<tr>
<td>2025</td>
<td>~1.1M</td>
</tr>
</tbody>
</table>

Inverter wins expected to drive substantial future revenue growth
Recently Launched Geely Award Adds Scale to High-voltage Coolant Heater Product Line

Product Highlights

- Enables improved battery performance, longer range and comfortable cabin climate
- 400V and 800V capabilities with awarded business across multiple variations
- Expected to be a ~$400 million product line by 2025

Estimated Annual High-voltage Coolant Heater Volumes

- 2021: ~600K
- 2022: ~1.7M
- 2023: ~2.8M
- 2024: ~4M
- 2025: ~6M
We’re Prepared to Profitably Scale eLV and Accelerate Expansion

Our Objectives

• Deliver on organic growth initiatives
• Leverage next-generation products and technologies
• Proactively pursue inorganic growth opportunities to strengthen e-propulsion capabilities and scale

Estimated BorgWarner eLV Revenue

Charging Forward Initiatives

• ~$250M
• ~$3.5B

Growth with End Markets

• ~$8B

1 Estimate at the midpoint of FY21 guidance. Source: BorgWarner estimate.
**eCV Market Also Poised for Significant Acceleration**

BorgWarner enhancing its focus in this area to participate in rapid growth

---

- **1.** Includes batteries for trucks and buses, material handling, rail, marine, construction & mining
- **2.** Includes inverters, motors, and eGearDrives® for global on-road EV trucks and buses as well as off-road estimates

**Source:** BorgWarner estimate
…With Significant Potential for Growth

Estimated BorgWarner eCV Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Organic</th>
<th>AKASOL</th>
<th>Other M&amp;A through 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>~$100M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td>&gt;$1B</td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td></td>
<td>&gt;$2B</td>
<td></td>
</tr>
</tbody>
</table>

Growth with End Markets

Charging Forward Initiatives

Our Objectives

• Execute organic growth plan
• Explore potential partnerships or collaborations for stronger move into eCV market
• Complement existing portfolio through acquisitions

1 Estimate at the midpoint of FY21 guidance. Source: BorgWarner estimate.
A More Focused Combustion Business

Areas of Focus

• Support our customers as they bridge to electrification
• Focus on technologies that interconnect with EVs and future mobility needs
• Deliver strong margins, cash flow and scale benefits
• Dispose $3B to $4B in annual revenue by 2025

Combustion Portfolio Profile

Leading market positions
Growing through 2025+
Strong margins and cash flow

Potential Dispositions
Not a product leader
Low growth through 2025
More challenged margin profile
Clear Roadmap to Driving Sustainable Growth Through 2030

Estimated Organic Growth and Portfolio Realignment…

…Sets Up Second Half of Decade

~$15B¹

2021

Organic Growth

Acquisitions

Dispositions

2025

~$18B

$3B to $4B

~$2B to $3B

2030

$22B+

Growth attributable to market mix

>25% of total

~45% of total

¹ FY’21 guidance currently $15.2 to $15.6 billion. Source: BorgWarner estimate.
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
Committed to Top-Quartile Margin Profile

**Adj. Operating Margin Performance**

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>~10.4%</td>
</tr>
<tr>
<td>2023</td>
<td>&gt;11.0%</td>
</tr>
<tr>
<td>2030</td>
<td></td>
</tr>
</tbody>
</table>

**Strong margins are part of the BorgWarner culture**

- Sales growth and proactive cost management sustain margin profile
- R&D for rapidly growing EV portfolio is overhang in medium term until corresponding revenue materializes
  - Maintaining ROIC discipline on EV programs expected to deliver comparable, long-term margin profile

Source: BorgWarner estimate at the midpoint of FY21 guidance and estimated FY23 outlook
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

Sources of Capital

- ~$5.5B Available for M&A
- ~$4.5B Free Cash Flow
- ~$1.5B Dispositions
- ~$1.0B Available Leverage

Uses of Capital

- $0.8B Share Repurchases
- $0.8B Dividends

2021-2025 Estimated Capital Flows

~$5.0B+

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
• We have both the **strategies** and **execution capabilities to lead** the industry

• **Sustainability is core** with a commitment to **carbon neutrality by 2035**

• Our actions through 2025 are expected to achieve **~45% of revenue from EV by 2030**, with potential for more to come
Appendix
Moderating 2021 Industry Expectations

BorgWarner Global Market

Q2’21 Actual  FY’21 Est.

63.9%

~8.5% to ~11%  ( Prior Est. 9% to 12%)

North America

Q2’21 Actual  FY’21 Est.

127.5%

13% to 16%  ( Prior Est. 17% to 20%)

Europe

Q2’21 Actual  FY’21 Est.

83.5%

8% to 10%  ( Prior Est. 9% to 12%)

China

Q2’21 Actual  FY’21 Est.

-8.7%

1% to 3%  ( Prior Est. -2% to 1%)

Note: 2021 actuals and estimates are BorgWarner-weighted market assumptions based on July 2021 LV IHS and May 2021 CV On-Hwy IHS
# 2021 Expected Sales Walk and Guidance

$ in millions

## Full-year Net Sales Outlook

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2020 Net Sales</strong></td>
<td>$10,165</td>
<td>$2,627</td>
<td>$12,792</td>
<td>$520</td>
<td>$955</td>
<td>$858</td>
<td>$963</td>
<td>$15,200</td>
</tr>
<tr>
<td><strong>2021 Net Sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$15,600</td>
</tr>
</tbody>
</table>

## Net Sales Highlights

- Organic growth of ~14% to ~17%

## Earnings and FCF Highlights

- Incremental margins in the low 20% range before M&A, synergies and purchase price amortization
- Delphi Technologies cost synergies benefit expected to be incremental $100 to $105 million in 2021
- Adj. diluted EPS ~$4.15 to $4.40**
- Free cash flow ~$800 to $900 million**

* See pro forma description in Appendix
** Adj. operating margin, Adj. diluted EPS and free cash flow on this slide are non-US GAAP measures. See reconciliation to US GAAP in Appendix.
Acquisition of Leading Battery Systems Provider

Battery Systems is a key element of BorgWarner’s e-growth strategy

AKASOL is a leader in high-performance battery system solutions for electric vehicles

AKASOL has highly flexible battery technology across multiple cell architectures

AKASOL has proven technologies and products with established manufacturing facilities already in serial production today

AKASOL has a strong order backlog of approximately $2.4B\(^1\) primarily from leading OEMs

AKASOL products serve CV and Off-highway applications, which aligns with BorgWarner’s goal to increase its electrification portfolio across both LV and CV markets

\(^1\) Backlog based on latest AKASOL public disclosure of €2.0B as of Q2 2020 using $1.20 USD to Euro exchange rate.
Global Footprint with Production-Ready Capacity

State-of-the-art manufacturing facilities

- **Langen**: Completed capacity expansion to support future growth
- **Darmstadt**: New HQ with 1 GWh of installed capacity
- **Hazel Park**: New US facility to support North American customers

**Production Output**
- **2020**: 1.0 GWH
- **2022**: 4.7 GWH

**BorgWarner**
Flexible Battery Technology Across Cell Types

Integrated battery solutions for any kind of commercial vehicle

**Cell Architectures**
- **Pouch Cell / POC**
- **Prismatic Cell / PRC**
- **Cylindrical Cell / CYC**

**Cell**
Highly selective process allows AKASOL to use only the top-tier quality cells

**Module**
Highly functional and scalable module design with liquid cooling

**Accessories**
Development and supply of various accessories

**System**
Reliable and robust system design with various industry compliances

**Smart BMS**
AKASOL’s BMS offers a complete solution for monitoring and controlling complex battery systems

---

*Image credits to BorgWarner*
Technology Leading Position in Energy Density

Ultra-High-Energy System in Gravimetric and Volumetric Energy Density

Note(s): Company information as of November 2020. Gravimetric represents amount of energy stored in given mass. Volumetric represents amount of energy stored in given volume.
On October 1, 2020 BorgWarner completed its acquisition of Delphi Technologies PLC (Delphi Technologies). The 2020 pro forma unaudited quarterly financial information included herein includes the pro forma combined results of BorgWarner and Delphi Technologies for periods prior to October 1, 2020. The pro forma financial information for the three months ended March 31, 2020 and June 30, 2020 has been derived from the unaudited consolidated financial statements included in BorgWarner’s and Delphi Technologies’ Quarterly Reports on Form 10-Q for the three and six months ended June 30, 2020. The pro forma financial information for the three months ended September 30, 2020 has been derived from the unaudited consolidated financial statements included in BorgWarner’s Quarterly Report on Form 10-Q for the three months ended September 30, 2020 and from the books and records of Delphi Technologies for the same period. The pro forma financial information does not give effect to the transaction on periods prior to October 1, 2020 and is not necessarily indicative of either the actual consolidated results had the acquisition of Delphi Technologies occurred on January 1, 2020 or of future operating results.
## Pro Forma 2020 Quarterly Sales and Adj. Operating Income (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Pro forma Q1 2020</th>
<th>Pro forma Q2 2020</th>
<th>Pro forma Q3 2020</th>
<th>As Reported Q4 2020</th>
<th>Pro forma FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Air Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>$1,683</td>
<td>$961</td>
<td>$1,750</td>
<td>$1,942</td>
<td>$6,336</td>
</tr>
<tr>
<td>Adj. EBIT</td>
<td>241</td>
<td>34</td>
<td>278</td>
<td>301</td>
<td>854</td>
</tr>
<tr>
<td>Adj. EBIT Margin</td>
<td>14.3%</td>
<td>3.5%</td>
<td>15.9%</td>
<td>15.5%</td>
<td>13.5%</td>
</tr>
<tr>
<td><strong>e-Propulsion &amp; Drivetrain</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>$1,032</td>
<td>$757</td>
<td>$1,305</td>
<td>$1,447</td>
<td>$4,541</td>
</tr>
<tr>
<td>Adj. EBIT</td>
<td>64</td>
<td>(4)</td>
<td>148</td>
<td>164</td>
<td>372</td>
</tr>
<tr>
<td>Adj. EBIT Margin</td>
<td>6.2%</td>
<td>-0.5%</td>
<td>11.3%</td>
<td>11.3%</td>
<td>8.2%</td>
</tr>
<tr>
<td><strong>Fuel Injection</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>$411</td>
<td>$250</td>
<td>$410</td>
<td>$479</td>
<td>$1,550</td>
</tr>
<tr>
<td>Adj. EBIT</td>
<td>20</td>
<td>(28)</td>
<td>31</td>
<td>39</td>
<td>62</td>
</tr>
<tr>
<td>Adj. EBIT Margin</td>
<td>4.9%</td>
<td>-11.2%</td>
<td>7.6%</td>
<td>8.1%</td>
<td>4.0%</td>
</tr>
<tr>
<td><strong>Aftermarket</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>$174</td>
<td>$129</td>
<td>$195</td>
<td>$194</td>
<td>$692</td>
</tr>
<tr>
<td>Adj. EBIT</td>
<td>15</td>
<td>6</td>
<td>18</td>
<td>22</td>
<td>61</td>
</tr>
<tr>
<td>Adj. EBIT Margin</td>
<td>8.6%</td>
<td>4.7%</td>
<td>9.2%</td>
<td>11.3%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Inter-segment sales eliminations</td>
<td>(76)</td>
<td>(43)</td>
<td>(72)</td>
<td>(136)</td>
<td>(327)</td>
</tr>
<tr>
<td>Corporate expenses</td>
<td>(66)</td>
<td>(60)</td>
<td>(79)</td>
<td>(78)</td>
<td>(283)</td>
</tr>
<tr>
<td><strong>Total Company</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>$3,224</td>
<td>$2,054</td>
<td>$3,588</td>
<td>$3,926</td>
<td>$12,792</td>
</tr>
<tr>
<td>Adj. operating income</td>
<td>$274</td>
<td>(52)</td>
<td>396</td>
<td>448</td>
<td>1,066</td>
</tr>
<tr>
<td>Adj. operating margin</td>
<td>8.5%</td>
<td>-2.5%</td>
<td>11.0%</td>
<td>11.4%</td>
<td>8.3%</td>
</tr>
</tbody>
</table>
### Adjusted Operating Income and Margin Reconciliation to US GAAP

The Company defines adjusted operating income as operating income adjusted to eliminate the impact of restructuring expense, merger, acquisition and divestiture expense, other net expenses, discontinued operations, and other gains and losses not reflective of the Company’s ongoing operations. The company defines adjusted operating margin as adjusted operating income divided by net sales.

#### Table: Adjusted Operating Income and Margin Reconciliation

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>Year Ended December 31,</th>
<th>Full Year 2021 Guidance</th>
<th>Full Year 2023 Estimate&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Sales</td>
<td>$9,071</td>
<td>$9,799</td>
<td>$10,530</td>
</tr>
<tr>
<td>Operating income</td>
<td>$973</td>
<td>$1,072</td>
<td>$1,190</td>
</tr>
<tr>
<td>Operating margin %</td>
<td>10.7%</td>
<td>10.9%</td>
<td>11.3%</td>
</tr>
</tbody>
</table>

#### Non-comparable items:

- **Restructuring expense**: 27, 59, 67, 72, 203
- **Merger, acquisition and divestiture expense**: 24, 10, 6, 11, 96
- **Loss on sale**: -
- **Intangible asset accelerated amortization**: -
- **Amortization of inventory step-up**: -
- **Asset impairment and loss on divestiture**: 127, 71, 25, 7, 17
- **Net gain on insurance recovery for property damage**: -
- **Unfavorable arbitration loss**: -
- **Officer stock awards modification**: -
- **Asbestos related charge**: (49)
- **Gain on sale of building**: -
- **Gain on derecognition of subsidiary**: -
- **Other**: 12, 7, (4)

- **Adjusted operating income**: $1,114, $1,219, $1,296, $1,232, $990
- **Adjusted operating margin**: 12.3%, 12.4%, 12.3%, 12.1%, 9.7%

<sup>1</sup> Significant variability in low and high sales expectations relates to potential variability in acquisitions and dispositions.
The Company defines free cash flow as net cash provided by operating activities minus capital expenditures, including tooling outlays. The measure is useful to both management and investors in evaluating the Company’s ability to service and repay its debt.

### Free Cash Flow Reconciliation to US GAAP ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>$1,036</td>
<td>$1,180</td>
<td>$1,126</td>
<td>$1,008</td>
<td>$1,184</td>
<td>$1,600</td>
<td>$2,000</td>
<td>$8,800</td>
</tr>
<tr>
<td>Derecognition of subsidiary</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>172</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital expenditures, including tooling outlays</td>
<td>(501)</td>
<td>(560)</td>
<td>(546)</td>
<td>(481)</td>
<td>(441)</td>
<td>(750)</td>
<td>(1,000)</td>
<td>(4,300)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$535</td>
<td>$620</td>
<td>$580</td>
<td>$699</td>
<td>$743</td>
<td>$850</td>
<td>$1,000</td>
<td>$4,500</td>
</tr>
</tbody>
</table>

1 Estimate at the midpoint of FY21 guidance  
Source: BorgWarner estimate excluding the impact of any new acquisitions and dispositions