

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

QUARTERLY REPORT

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2024

OR

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number: 1-12162

BORGWARNER INC.

(Exact name of registrant as specified in its charter)

Delaware

13-3404508

(State or other jurisdiction of
Incorporation or organization)

(I.R.S. Employer
Identification No.)

3850 Hamlin Road, Auburn Hills, Michigan

48326

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (248) 754-9200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	BWA	New York Stock Exchange
1.00% Senior Notes due 2031	BWA31	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 25, 2024, the registrant had 227,837,662 shares of voting common stock outstanding.

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CAUTIONARY STATEMENTS FOR FORWARD-LOOKING STATEMENTS

Statements in this Quarterly Report on Form 10-Q (this “Form 10-Q” or “report”) (including Management’s Discussion and Analysis of Financial Condition and Results of Operations) may constitute forward-looking statements as contemplated by the 1995 Private Securities Litigation Reform Act (the “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 Form 10-Q, 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, 2023 (“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 Form 10-Q. 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, commodity availability and pricing, and an inability to achieve expected levels of recoverability in commercial negotiations with customers concerning these costs; competitive challenges from existing and new competitors, including original equipment manufacturer (“OEM”) customers; the challenges associated with rapidly changing technologies, particularly as they relate to electric vehicles, and our ability to innovate in response; the difficulty in forecasting demand for electric vehicles and our electric vehicles revenue growth; potential disruptions in the global economy caused by wars or other geopolitical conflicts; the ability to identify targets and consummate acquisitions on acceptable terms; failure to realize the expected benefits of acquisitions on a timely basis; the possibility that our 2023 tax-free spin-off of our former Fuel Systems and Aftermarket segments into a separate publicly traded company will not achieve its intended benefits; 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, which is highly cyclical and subject to disruptions; our reliance on major OEM customers; impacts of any future strikes involving any of our OEM customers and any actions such OEM customers take in response; fluctuations in interest rates and foreign currency exchange rates; 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, or governmental investigations, including related litigation; 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. 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 Form 10-Q to reflect any change in our expectations or any change in events, conditions, circumstances, or assumptions underlying the statements.

This section and the discussions contained in Item 1A, “Risk Factors,” and in Item 7, subheading “Critical Accounting Policies and Estimates” in our most recently-filed Form 10-K are intended to provide meaningful cautionary statements for purposes of the safe harbor provisions of the Act. This should not be construed as a complete list of all of the economic, competitive, governmental, technological and other factors that could adversely affect our expected consolidated financial position, results of operations or liquidity. Additional risks and uncertainties, including without limitation those not currently known to us or that we currently believe are immaterial, also may impair our business, operations, liquidity, financial condition and prospects.

Use of Non-GAAP Financial Measures

In addition to results presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”), this report includes non-GAAP financial measures. We believe that these non-GAAP financial measures provide additional information that is useful to investors in understanding the underlying performance and trends of the Company. Readers should be aware that non-GAAP financial measures have inherent limitations and should be cautious with respect to the use of such measures. To compensate for these limitations, we use non-GAAP measures as comparative tools, together with GAAP measures, to assist in the evaluation of our operating performance or financial condition. We ensure that these measures are calculated using the appropriate GAAP components in their entirety and that they are computed in a manner intended to facilitate consistent period-to-period comparisons. Our method of calculating these non-GAAP measures may differ from methods used by other companies. These non-GAAP measures should not be considered in isolation or as a substitute for those financial measures prepared in accordance with GAAP. Where non-GAAP financial measures are used, the most directly comparable GAAP or regulatory financial measure, as well as the reconciliation to the most directly comparable GAAP financial measure, can be found in this report.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BORGWARNER INC. AND CONSOLIDATED SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions)	March 31, 2024	December 31, 2023
ASSETS		
Cash, cash equivalents and restricted cash	\$ 1,037	\$ 1,534
Receivables, net	3,289	3,109
Inventories, net	1,333	1,313
Prepayments and other current assets	298	261
Total current assets	5,957	6,217
Property, plant and equipment, net	3,766	3,783
Investments and long-term receivables	365	364
Goodwill	2,977	3,013
Other intangible assets, net	540	564
Other non-current assets	517	512
Total assets	\$ 14,122	\$ 14,453
LIABILITIES AND EQUITY		
Short-term debt	\$ 445	\$ 73
Accounts payable	2,378	2,546
Other current liabilities	1,046	1,148
Total current liabilities	3,869	3,767
Long-term debt	3,295	3,707
Retirement-related liabilities	142	146
Other non-current liabilities	774	767
Total liabilities	8,080	8,387
Commitments and contingencies		
Common stock	3	3
Capital in excess of par value	2,632	2,689
Retained earnings	6,325	6,152
Accumulated other comprehensive loss	(883)	(828)
Common stock held in treasury, at cost	(2,236)	(2,188)
Total BorgWarner Inc. stockholders' equity	5,841	5,828
Noncontrolling interest	201	238
Total equity	6,042	6,066
Total liabilities and equity	\$ 14,122	\$ 14,453

See accompanying Notes to Condensed Consolidated Financial Statements.

BORGWARNER INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,	
(in millions, except per share amounts)	2024	2023
Net sales	\$ 3,595	\$ 3,383
Cost of sales	2,951	2,806
Gross profit	644	577
Selling, general and administrative expenses	329	299
Restructuring expense	19	3
Other operating expense, net	1	1
Operating income	295	274
Equity in affiliates' earnings, net of tax	(5)	(1)
Unrealized loss on debt and equity securities	2	15
Interest expense, net	5	10
Other postretirement expense	3	2
Earnings from continuing operations before income taxes and noncontrolling interest	290	248
Provision for income taxes	62	67
Net earnings from continuing operations	228	181
Net (loss) earnings from discontinued operations	(7)	49
Net earnings	221	230
Net earnings from continuing operations attributable to noncontrolling interest	15	13
Net earnings attributable to BorgWarner Inc.	\$ 206	\$ 217
Amounts attributable to BorgWarner Inc.:		
Net earnings from continuing operations	\$ 213	\$ 168
Net (loss) earnings from discontinued operations	(7)	49
Net earnings attributable to BorgWarner Inc.	\$ 206	\$ 217
Earnings per share from continuing operations — basic	\$ 0.94	\$ 0.72
Earnings per share from discontinued operations — basic	(0.03)	0.21
Earnings per share attributable to BorgWarner Inc. — basic	\$ 0.91	\$ 0.93
Earnings per share from continuing operations — diluted	\$ 0.93	\$ 0.72
Earnings per share from discontinued operations — diluted	(0.03)	0.21
Earnings per share attributable to BorgWarner Inc. — diluted	\$ 0.90	\$ 0.93
Weighted average shares outstanding:		
Basic	227.7	232.8
Diluted	228.3	234.4

See accompanying Notes to Condensed Consolidated Financial Statements.

BORGWARNER INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

(in millions)	Three Months Ended March 31,	
	2024	2023
Net earnings attributable to BorgWarner Inc.	\$ 206	\$ 217
Other comprehensive (loss) income		
Foreign currency translation adjustments	(66)	39
Hedge instruments ¹	8	14
Postretirement defined benefit plans ¹	3	(1)
Total other comprehensive (loss) income attributable to BorgWarner Inc.	(55)	52
Comprehensive income attributable to BorgWarner Inc. ¹	151	269
Net earnings from continuing operations attributable to noncontrolling interest	15	13
Other comprehensive loss attributable to noncontrolling interest [‡]	(5)	(1)
Comprehensive income	\$ 161	\$ 281

¹ Net of income taxes.

See accompanying Notes to Condensed Consolidated Financial Statements.

BORGWARNER INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31,	
(in millions)	2024	2023
OPERATING ACTIVITIES OF CONTINUING OPERATIONS		
Net cash (used in) provided by operating activities of continuing operations (see Note 23)	\$ (118)	\$ 59
INVESTING ACTIVITIES OF CONTINUING OPERATIONS		
Capital expenditures, including tooling outlays	(190)	(239)
Payments for businesses acquired, net of cash acquired	—	(19)
Proceeds from settlement of net investment hedges, net	12	13
Proceeds from the sale of business, net	3	—
Proceeds from asset disposals and other, net	—	1
Net cash used in investing activities from continuing operations	(175)	(244)
FINANCING ACTIVITIES OF CONTINUING OPERATIONS		
Additions to debt	—	1
Repayments of debt, including current portion	(12)	(2)
Payments for purchase of treasury stock	(100)	—
Payments for stock-based compensation items	(23)	(25)
Dividends paid to BorgWarner stockholders	(25)	(39)
Dividends paid to noncontrolling stockholders	(23)	(25)
Net cash used in financing activities from continuing operations	(183)	(90)
CASH FLOWS FROM DISCONTINUED OPERATIONS		
Operating activities of discontinued operations	(10)	(71)
Investing activities of discontinued operations	—	(38)
Net cash used in discontinued operations	(10)	(109)
Effect of exchange rate changes on cash	(11)	(4)
Net decrease in cash, cash equivalents and restricted cash	(497)	(388)
Cash, cash equivalents and restricted cash at beginning of year	1,534	1,338
Cash, cash equivalents and restricted cash at end of period	\$ 1,037	\$ 950
Less: Cash, cash equivalents and restricted cash of discontinued operations at end of period	\$ —	\$ 181
Cash, cash equivalents and restricted cash of continuing operations at end of period	\$ 1,037	\$ 769

See accompanying Notes to Condensed Consolidated Financial Statements.

BORGWARNER INC. AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements of BorgWarner Inc. and Consolidated Subsidiaries (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes necessary for a comprehensive presentation of financial position, results of operations and cash flow activity required by GAAP for complete financial statements. In the opinion of management, all normal recurring adjustments necessary for a fair statement of results have been included. Certain prior period amounts have been reclassified to conform to the current period presentation. Operating results for the three months ended March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. The balance sheet as of December 31, 2023 was derived from the audited financial statements as of that date. For further information, refer to the Consolidated Financial Statements and Footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and accompanying notes, as well as the amounts of revenues and expenses reported during the periods covered by those financial statements and accompanying notes. Actual results could differ from these estimates.

On July 3, 2023, BorgWarner completed the previously announced spin-off ("Spin-Off") of its Fuel Systems and Aftermarket segments in a transaction intended to qualify as tax free to the Company's stockholders for U.S. federal income tax purposes, which was accomplished by the distribution of 100% of the outstanding common stock of PHINIA, Inc. ("PHINIA") to holders of record of common stock of the Company on a pro-rata basis. Each holder of record of common stock of the Company received one share of PHINIA common stock for every five shares of common stock of the Company held on June 23, 2023, the record date for the distribution ("Distribution Date"). In lieu of fractional shares of PHINIA, stockholders of the Company received cash. PHINIA is an independent public company trading under the symbol "PHIN" on the New York Stock Exchange.

In connection with the Spin-Off, the Company entered into several agreements with PHINIA on or prior to the Distribution Date that, among other things, provide a framework for the Company's relationship with PHINIA after the Spin-Off, including a separation and distribution agreement, an employee matters agreement, a tax matters agreement, an intellectual property cross-license agreement and a transition services agreement through which the Company and PHINIA will continue to provide certain services to each other following the Spin-Off. The Company expects performance under the transition services agreement to be substantially complete by June 30, 2024.

NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." It requires incremental disclosures related to an entity's reportable segments, including (i) significant segment expense categories and amounts for each reportable segment that are provided to the chief operating decision maker ("CODM"), (ii) an aggregate amount and description of other segment items included in each reported measure, (iii) all annual disclosures about a reportable segment's profit or loss and assets required by Topic 280 to be disclosed in interim periods, (iv) the title and position of the individual or the name of the group identified as the CODM and (v) an explanation of how the CODM uses the reported measures of segment profit or loss to assess performance and allocate resources to the segment. The standard improves transparency by providing disaggregated expense information about an entity's reportable segments. The standard does not change the definition of a segment, the method for determining segments or the criteria for aggregating operating segments into reportable segments. This guidance is effective for annual reporting periods beginning after December 15, 2023, and interim reporting periods beginning after December 15, 2024. The Company does not expect this guidance to have a material impact on the identification of its reportable segments or its Consolidated Financial Statements.

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." It requires entities to disaggregate information related to the effective tax rate reconciliation and income taxes paid. The standard improves transparency by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. This guidance is effective for annual reporting periods beginning after December 15, 2024. The Company does not expect this guidance to have a material impact on its Consolidated Financial Statements.

NOTE 3 ACQUISITIONS

In accordance with ASC Topic 805, "Business Combinations," acquisitions are recorded using the acquisition method of accounting. The Company recognizes and measures the acquisition date fair value of the identifiable assets acquired, liabilities assumed, and any non-controlling interest using a range of methodologies as indicated by generally accepted valuation practices. Various valuation techniques are used to determine the fair value of intangible assets, with the primary techniques being forms of the income approach, specifically the relief-from-royalty and multi-period excess earnings valuation methods. Under these valuation approaches, the Company is required to make estimates and assumptions from a market participant perspective and may include revenue growth rates, estimated earnings, royalty rates, obsolescence factors, contributory asset charges, customer attrition and discount rates.

Due to the insignificant size of the 2024 and 2023 acquisitions, both individually and in the aggregate, relative to the Company, supplemental pro forma financial information for the current and prior reporting periods is not provided.

Eldor Corporation's Electric Hybrid Systems Business

On December 1, 2023, the Company completed its acquisition of the electric hybrid systems business segment of Eldor Corporation ("Eldor"), which is headquartered in Italy. The Company expects the acquisition to complement its existing ePropulsion product portfolio by enhancing the Company's engineering capabilities in power electronics. The Company paid €72 million (\$78 million) at closing and is obligated to remit up to €175 million (\$191 million) of earn-out payments that could be paid over the two years following closing. The earn-out payments are contingent upon booked business for future periods from new customer awards. The Company's current estimates indicate that the minimum threshold for the

earn-out target will not be achieved; thus, no amount of the potential earn-out payments has been included in the purchase consideration or in the Company's Condensed Consolidated Balance Sheet.

The purchase price was allocated on a preliminary basis as of December 1, 2023. Assets acquired and liabilities assumed were recorded at estimated fair values based on management's estimates, available information, and supportable assumptions that management considered reasonable. Certain estimated values for the acquisition, including goodwill, tangible and intangible assets and deferred taxes, are not yet finalized, and the preliminary purchase price allocations are subject to change as the Company completes its analysis of the fair value at the date of acquisition. The final valuation of assets acquired and liabilities assumed may be materially different than the estimated values shown below.

The estimated fair values of assets acquired and liabilities assumed as of December 1, 2023 were assets of \$6 million, including goodwill and intangibles of \$25 million, and liabilities of \$8 million.

Any excess of the purchase price over the estimated fair value of net assets was recognized as goodwill. Goodwill of \$14 million was recorded within the Company's ePropulsion segment. Goodwill consists of the Company's expected future economic benefits that will be realized from expanding the Company's electric vehicle portfolio as electric vehicle production continues to increase. Goodwill is not expected to be deductible for tax purposes in Italy.

(in millions)	Estimated Life	Estimated Fair Value
Developed technology	6 years	\$ 9
Customer relationships	10 years	2
Total other intangible assets		<u>\$ 11</u>

Identifiable intangible assets were valued using the market approach.

The impact of the Eldor acquisition on net sales and net earnings was immaterial for the three months ended March 31, 2024.

Hubei Surpass Sun Electric Charging Business

On March 1, 2023, the Company completed its acquisition of 100% of the electric vehicle solution, smart grid and smart energy businesses ("SSE") of Hubei Surpass Sun Electric, pursuant to an Equity Transfer Agreement. The acquisition complements the Company's existing European and North American charging footprint by adding a presence in China. The total consideration was ¥288 million (\$42 million), including ¥268 million (\$39 million) of base purchase price and ¥20 million (\$3 million) of estimated earn-out payments. The Company paid ¥217 million (\$31 million) of base purchase price in the year ended December 31, 2023. Of the remaining ¥51 million (\$8 million) of base purchase price, ¥31 million (\$5 million) is payable by July 31, 2024 and is recorded in Other current liabilities in the Company's Condensed Consolidated Balance Sheet as of March 31, 2024. The remaining ¥20 million (\$3 million) of base purchase price is payable before April 30, 2025 and is recorded in Other non-current liabilities in the Company's Condensed Consolidated Balance Sheet as of March 31, 2024. Pursuant to the agreement, the Company's obligation to remit up to ¥103 million (\$15 million) of earn-out payments is contingent upon the achievement of certain revenue and pre-tax profit margin targets in 2023 and 2024 as well as the retention of key employees during the same time period. As of March 31, 2024, the Company's estimate of the earn-out payments was approximately ¥20 million (\$3 million), of which half is recorded in Other current liabilities and half is recorded in Other non-current liabilities in the Company's Condensed Consolidated Balance Sheet.

The Company finalized its valuation of the assets and liabilities of the SSE acquisition during the third quarter of 2023. Any excess of the purchase price over the estimated fair value of net assets was

recognized as goodwill. Goodwill of \$2 million was recorded within the Company's Air Management segment. Goodwill consists of the Company's expected future economic benefits that will be realized from expanding the Company's electric vehicle portfolio as electric vehicle production continues to increase. Goodwill is not deductible for tax purposes in China.

The following table summarizes the other intangible assets acquired:

(in millions)	Estimated Life	Estimated Fair Value
Developed technology	5 years	\$ 2
Customer relationships	6 years	1
Total other intangible assets		\$ 3

The impact of the SSE acquisition on net sales and net earnings was immaterial for the three months ended March 31, 2024 and 2023.

Drivetek AG

On December 1, 2022, the Company completed its acquisition of 100% of Drivetek AG ("Drivetek"), an engineering and product development company located in Switzerland. This acquisition strengthens the Company's power electronics capabilities in auxiliary inverters, which the Company expects will help to accelerate the growth of its High Voltage eFan business. The Company paid £27 million (\$29 million) at closing, and up to £10 million (\$10 million) could be paid in the form of contingent earn-out payments over the three years following closing. The earn-out payments are contingent upon achievement of estimated future sales targets associated with newly awarded business and future turnover rate targets. As of March 31, 2024, the Company's estimate of the earn-out payments was approximately £10 million (\$11 million), which is recorded in Other non-current liabilities in the Company's Condensed Consolidated Balance Sheet.

The impact of the Drivetek acquisition on net sales and net earnings was immaterial for the three months ended March 31, 2024 and 2023.

Rhombus Energy Solutions

On July 29, 2022, the Company completed its acquisition of 100% of Rhombus Energy Solutions ("Rhombus"), a provider of charging solutions in the North American market, pursuant to the terms of an Agreement and Plan of Merger (the "Agreement"). The acquisition complements the Company's existing European charging footprint to accelerate organic growth and adds North American regional presence to its charging business.

The Company paid \$131 million at closing. Pursuant to the Agreement, the Company is obligated to remit up to \$30 million of earn-out payments, payable in 2025, contingent upon achievement of certain sales dollars, sales volume, and gross margin targets. The Company's current estimates indicate that the minimum thresholds for these earn-out targets will not be achieved; thus, no amount for the earn-out payments has been included in the purchase consideration or in the Company's Condensed Consolidated Balance Sheet. Additionally, pursuant to the Agreement, the Company is obligated to remit up to \$25 million over the three years following closing in key employee retention-related payments, which include certain performance targets. The amounts are being accounted for as post-combination expense.

The impact of the Rhombus acquisition on net sales and net earnings was immaterial for the three months ended March 31, 2024 and 2023.

Santroll Automotive Components

On March 31, 2022, the Company completed its acquisition of 100% of Santroll Automotive Components ("Santroll"), a carve-out of Santroll Electric Auto's eMotor business, pursuant to the terms of an Equity Transfer Agreement ("ETA"). The acquisition is expected to strengthen the Company's vertical integration, scale and portfolio breadth in light vehicle eMotors while allowing for increased speed to market.

The total final consideration was \$192 million, including approximately ¥1.0 billion (\$152 million) of base purchase price and ¥0.25 billion (\$40 million) of originally estimated earn-out payments. The Company paid approximately ¥1.0 billion (\$157 million) of base purchase price in the year ended December 31, 2022 and no longer expects to recapture a previously anticipated \$5 million of post-closing adjustments, which was recorded in Other operating expense, net during the three months ended March 31, 2023. Pursuant to the ETA, the obligation of the Company to remit up to ¥0.3 billion (approximately \$47 million) of earn-out payments was contingent upon achievement of certain sales volume targets and certain estimated future volume targets associated with newly awarded business. During the second quarter of 2023, the Company paid approximately ¥0.2 billion (\$24 million) to settle the remaining earn-out liability and related adjustments.

NOTE 4 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company manufactures and sells products, primarily to OEMs of light vehicles and, to a lesser extent, to other OEMs of commercial vehicles and off-highway vehicles, to certain tier one vehicle systems suppliers and into the aftermarket. The Company's payment terms are based on customary business practices and vary by customer type and products offered. The Company evaluated the terms of its arrangements and determined that they do not contain significant financing components.

Generally, revenue is recognized upon shipment or delivery; however, a limited number of the Company's customer arrangements for its highly customized products with no alternative use provide the Company with the right to payment during the production process. As a result, for these limited arrangements, revenue is recognized as goods are produced and control transfers to the customer using the input cost-to-cost method. The Company recorded a contract asset of \$16 million and \$18 million at March 31, 2024 and December 31, 2023, respectively, for these arrangements. These amounts are reflected in Prepayments and other current assets in the Company's Condensed Consolidated Balance Sheets.

In limited instances, certain customers have provided payments in advance of receiving related products, typically at the onset of an arrangement prior to the beginning of production. These contract liabilities are reflected as Other current liabilities in the Condensed Consolidated Balance Sheets and were \$17 million at March 31, 2024 and \$18 million at December 31, 2023. These amounts are reflected as revenue over the term of the arrangement (typically 3 to 7 years) as the underlying products are shipped and represent the Company's remaining performance obligations as of the end of the period.

The Company continually seeks business development opportunities and, at times, provides customer incentives for new program awards. When the Company determines that the payments are incremental and incurred only if the new business is obtained and expects to recover these amounts from the customer over the term of the new business arrangement, the Company capitalizes these amounts. As of March 31, 2024 and December 31, 2023, the Company recorded customer incentive payments of \$26 million and \$27 million, respectively, in Prepayments and other current assets, and \$47 million and \$58 million, respectively, in Other non-current assets in the Condensed Consolidated Balance Sheets.

The Company's products can be disaggregated by two types: eProducts and Foundational products. eProducts include all products utilized on or for electric vehicles ("EVs") plus those same products and components that are included in hybrid powertrains whose underlying technologies are adaptable or applicable to those used in or for EVs. Foundational products include all products utilized on internal combustion engines plus those same products and components that are also included in hybrid powertrains. The following table represents a disaggregation of revenue from contracts with customers by Foundational products and eProducts for the three months ended March 31, 2024 and 2023.

(in millions)	Three Months Ended March 31,	
	2024	2023
Foundational products	\$ 3,089	\$ 2,968
eProducts	506	415
Total	\$ 3,595	\$ 3,383

The following tables represent a disaggregation of revenue from contracts with customers by reportable segment and region. Refer to Note 22, "Reportable Segments," to the Condensed Consolidated Financial Statements for more information.

(in millions)	Three Months Ended March 31, 2024			
	Drivetrain & Battery			Total
	Air Management	Systems	ePropulsion	
North America	\$ 560	\$ 401	\$ 52	\$ 1,013
Europe	909	386	119	1,414
Asia	488	366	259	1,113
Other	51	4	—	55
Total	\$ 2,008	\$ 1,157	\$ 430	\$ 3,595

(in millions)	Three Months Ended March 31, 2023			
	Drivetrain & Battery			Total
	Air Management	Systems	ePropulsion	
North America	\$ 522	\$ 371	\$ 128	\$ 1,021
Europe	895	300	62	1,257
Asia	491	283	276	1,050
Other	52	1	2	55
Total	\$ 1,960	\$ 955	\$ 468	\$ 3,383

NOTE 5 RESTRUCTURING

The Company's restructuring activities are undertaken, as necessary, to execute management's strategy and streamline operations, consolidate and take advantage of available capacity and resources, and ultimately achieve net cost reductions. Restructuring activities include efforts to integrate and rationalize the Company's business and to relocate operations to best-cost locations.

The Company's restructuring expenses consist primarily of employee termination benefits (principally severance and/or termination benefits) and other costs, which are primarily professional fees and costs related to facility closures and exits.

The following tables display the Company's restructuring expense by reportable segment:

(in millions)	Three Months Ended March 31, 2024				
	Drivetrain & Battery				Total
	Air Management	Systems	ePropulsion	Corporate	
Employee termination benefits	\$ 6	\$ 7	\$ —	\$ —	\$ 13
Other	3	—	3	—	6
Total restructuring expense	\$ 9	\$ 7	\$ 3	\$ —	\$ 19

(in millions)	Three Months Ended March 31, 2023				
	Drivetrain & Battery				Total
	Air Management	Systems	ePropulsion	Corporate	
Employee termination benefits	\$ 2	\$ —	\$ —	\$ —	\$ 2
Other	1	—	—	—	1
Total restructuring expense	\$ 3	\$ —	\$ —	\$ —	\$ 3

The following tables display a roll forward of the restructuring liability recorded within the Company's Condensed Consolidated Balance Sheets and the related cash flow activity:

(in millions)	Employee		
	Termination Benefits	Other	Total
Balance at January 1, 2024	\$ 68	\$ 7	\$ 75
Restructuring expense, net	13	6	19
Cash payments	(9)	(6)	(15)
Foreign currency translation adjustment and other	(2)	—	(2)
Balance at March 31, 2024	70	7	77
Less: Non-current restructuring liability	9	—	9
Current restructuring liability at March 31, 2024	\$ 61	\$ 7	\$ 68

(in millions)	Employee		
	Termination Benefits	Other	Total
Balance at January 1, 2023	\$ 39	\$ 9	\$ 48
Restructuring expense, net	2	1	3
Cash payments	(14)	(2)	(16)
Foreign currency translation adjustment and other	—	—	—
Balance at March 31, 2023	27	8	35
Less: Non-current restructuring liability	6	—	6
Current restructuring liability at March 31, 2023	\$ 21	\$ 8	\$ 29

2023 Structural Costs Plan In 2023, the Company announced a \$130 million to \$150 million restructuring plan to address structural costs primarily in its Foundational products businesses. During the three months ended March 31, 2024 and 2023, the Company recorded \$19 million and \$3 million, respectively, of restructuring costs related to this plan. Cumulatively, the Company has incurred \$98 million of restructuring charges related to this plan.

The following provides details of restructuring expense incurred by the Company's reportable segments during the three months ended March 31, 2024 and 2023, related to the plan discussed above:

Air Management

- During the three months ended March 31, 2024, the segment recorded \$9 million of restructuring costs under this plan. This primarily related to \$6 million employee termination benefits for programs in Europe, China and the U.S.
- During the three months ended March 31, 2023, the segment recorded \$3 million of restructuring costs under this plan. This primarily related to \$2 million for a voluntary termination program.

Drivetrain & Battery Systems

- During the three months ended March 31, 2024, the segment recorded \$7 million of restructuring costs under this plan, primarily related to employee termination benefits for a program in Europe.

ePropulsion

- During the three months ended March 31, 2024, the segment recorded \$3 million of restructuring costs under this plan, primarily related to contract cancellations and equipment relocation costs.

Estimates of restructuring expense are based on information available at the time such charges are recorded. Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts paid for such activities may differ from amounts initially recorded. Accordingly, the Company may record revisions of previous estimates by adjusting previously established accruals.

The Company continues to evaluate different options across its operations to reduce existing structural costs over the next few years. The Company will recognize restructuring expense associated with any future actions at the time they are approved and become probable or are incurred. Any future actions could result in significant restructuring expense.

NOTE 6 RESEARCH AND DEVELOPMENT COSTS

The Company's net Research & Development ("R&D") expenditures are included in Selling, general and administrative expenses on the Condensed Consolidated Statements of Operations. Customer reimbursements are netted against gross R&D expenditures as they are considered a recovery of cost. Customer reimbursements for prototypes are recorded net of prototype costs based on customer contracts, typically either when the prototype is shipped or when it is accepted by the customer. Customer reimbursements for engineering services are recorded when performance obligations are satisfied in accordance with the contract. Financial risks and rewards transfer upon shipment, acceptance of a prototype component by the customer or upon completion of the performance obligation, as stated in the respective customer agreement. The Company has contracts with several customers relating to R&D activities that the Company performs at the Company's various R&D locations.

The following table presents the Company's gross and net expenditures on R&D activities:

(in millions)	Three Months Ended March 31,	
	2024	2023
Gross R&D expenditures	\$ 218	\$ 197
Customer reimbursements	(31)	(31)
Net R&D expenditures	\$ 187	\$ 166

NOTE 7 OTHER OPERATING EXPENSE, NET

Items included in Other operating expense, net consist of:

(in millions)	Three Months Ended March 31,	
	2024	2023
Merger and acquisition expense, net	\$ 2	\$ 8
Other income, net	(1)	(7)
Other operating expense, net	\$ 1	\$ 1

Merger and acquisition expense, net: During the three months ended March 31, 2024 and 2023, the Company recorded merger and acquisition expense, net of \$2 million and \$8 million, respectively, primarily related to professional fees associated with specific acquisition initiatives.

NOTE 8 INCOME TAXES

The Company's provision for income taxes is based upon an estimated annual tax rate for the year applied to federal, state and foreign income. On a quarterly basis, the annual effective tax rate is adjusted, as appropriate, based upon changed facts and circumstances, if any, as compared to those forecasted at the beginning of the fiscal year and each interim period thereafter.

The Company's effective tax rate for the three months ended March 31, 2024 and 2023 was 21% and 27%, respectively. During the three months ended March 31, 2024, a discrete tax benefit of \$1 million was recorded related to various changes in filing positions for prior years. During the three months ended March 31, 2023, a discrete tax benefit of \$13 million was recorded related to the resolution of tax audits, and a \$10 million discrete tax expense was recorded for the impact of enacted tax law changes.

The annual effective tax rates differ from the U.S. statutory rate primarily due to foreign rates that vary from those in the U.S., jurisdictions with pretax losses for which no tax benefit could be realized, U.S. taxes on foreign earnings, the realization of certain business tax credits (including foreign tax credits), and permanent differences between book and tax treatment for certain items (including the Foreign-Derived Intangible Income ("FDII") deduction and the enhanced deduction of research and development expenses in certain jurisdictions).

The Company estimates that it is reasonably possible there could be a decrease of approximately \$113 million in unrecognized tax benefits and interest in the next 12 months related to the conclusion of tax audits and the lapse of statutes of limitations subsequent to the reporting period in certain taxing jurisdictions.

NOTE 9 INVENTORIES, NET

A summary of Inventories, net is presented below:

(in millions)	March 31,	December 31,
	2024	2023
Raw material and supplies	\$ 982	\$ 991
Work in progress	164	160
Finished goods	220	194
FIFO inventories	1,366	1,345
LIFO reserve	(33)	(32)
Inventories, net	\$ 1,333	\$ 1,313

NOTE 10 OTHER ASSETS

Additional detail related to assets is presented below:

(in millions)	March 31, 2024	December 31, 2023
Prepayments and other current assets:		
Prepaid tooling	\$ 86	\$ 89
Derivative instruments	53	32
Prepaid taxes	49	38
Customer incentive payments (Note 4)	26	27
Contract assets (Note 4)	16	18
Prepaid insurance	7	10
Other	61	47
Total prepayments and other current assets	<u>\$ 298</u>	<u>\$ 261</u>
Investments and long-term receivables:		
Investment in equity affiliates	\$ 241	\$ 237
Investment in equity securities	69	71
Long-term receivables	55	56
Total investments and long-term receivables	<u>\$ 365</u>	<u>\$ 364</u>
Other non-current assets:		
Deferred income taxes	\$ 256	\$ 257
Operating leases	137	143
Customer incentive payments (Note 4)	47	58
Derivative instruments	37	15
Other	40	39
Total other non-current assets	<u>\$ 517</u>	<u>\$ 512</u>

NOTE 11 GOODWILL AND OTHER INTANGIBLES

During the fourth quarter of each year, the Company assesses its goodwill and indefinite-lived intangible assets assigned to each of its reporting units. In addition, the Company may test goodwill in between annual test dates if an event occurs or circumstances change that could more-likely-than-not reduce the fair value of a reporting unit below its carrying value.

During the first quarter of 2024, the Company reduced the outlook of its ePropulsion business in response to volatility in actual and expected customer production schedules. This was viewed as a triggering event, and as a result, the Company performed an interim quantitative analysis of the fair value of the ePropulsion reporting unit. The estimated fair value was determined using a combined income and market approach, consistent with the Company's analysis performed during the fourth quarter of 2023. The most critical assumptions used in the calculation of the fair value of the ePropulsion reporting unit were projected revenue growth rates, projected operating income margin, and discount rates. Additionally, as of March 31, 2024, the carrying value of the ePropulsion reporting unit was higher than the carrying value used in the most recent quantitative analysis in 2023 due to capital investments made in the business.

Based on this interim impairment test, the ePropulsion reporting unit had an estimated fair value that exceeded its carrying value, including goodwill, by approximately 5%, resulting in no impairment.

The fair value of the ePropulsion reporting unit's goodwill is sensitive to differences between estimated and actual cash flows, including changes in the projected revenue, projected operating margin and discount rate used to evaluate the fair value of these assets and market multiples assumptions applied by the Company. Future changes in the judgments, assumptions and estimates from those used in valuations and goodwill impairment testing, including discount rates or future operating results and related cash flow projections, could result in significantly different estimates of the fair values in the future. An increase in discount rates, a reduction in projected cash flows or a combination of the two could lead to a reduction in the estimated fair values, which may result in impairment charges that could materially affect the Company's financial statements in any given year.

No events or circumstances were noted related to the Company's other reporting units in the three months ended March 31, 2024 that required additional assessment or testing.

A summary of the changes in the carrying amount of goodwill are as follows:

(in millions)	Drivetrain &			
	Air Management	Battery Systems	ePropulsion	Total
Gross goodwill balance, December 31, 2023	\$ 1,579	\$ 1,455	\$ 481	\$ 3,515
Accumulated impairment losses, December 31, 2023	(502)	—	—	(502)
Net goodwill balance, December 31, 2023	\$ 1,077	\$ 1,455	\$ 481	\$ 3,013
Goodwill during the period:				
Other, primarily translation adjustment	(9)	(16)	(11)	(36)
Ending balance, March 31, 2024	\$ 1,068	\$ 1,439	\$ 470	\$ 2,977

The Company's other intangible assets, primarily from acquisitions, consist of the following:

		March 31, 2024			December 31, 2023		
	Estimated useful lives (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(in millions)							
Amortized intangible assets:							
Patented and unpatented technology	5 - 15	\$ 360	\$ 151	\$ 209	\$ 364	\$ 145	\$ 219
Customer relationships	6 - 15	630	308	322	641	305	336
Miscellaneous	2 - 5	9	6	3	9	6	3
Total amortized intangible assets		999	465	534	1,014	456	558
Unamortized trade names		6	—	6	6	—	6
Total other intangible assets		\$ 1,005	\$ 465	\$ 540	\$ 1,020	\$ 456	\$ 564

NOTE 12 PRODUCT WARRANTY

The Company provides warranties on some, but not all, of its products. The warranty terms are typically from one to three years. Provisions for estimated expenses related to product warranty are made at the time products are sold. These estimates are established using historical information about the nature, frequency and average cost of warranty claim settlements, as well as product manufacturing and industry developments and recoveries from third parties. Management actively studies trends of warranty claims and takes action to improve product quality and minimize warranty claims. Management believes that the warranty accrual is appropriate; however, actual claims incurred could differ from the original estimates, requiring adjustments to the accrual. The product warranty accrual is allocated to current and non-current liabilities in the Condensed Consolidated Balance Sheets.

The following table summarizes the activity in the product warranty accrual accounts:

(in millions)	2024	2023
Beginning balance, January 1	\$ 196	\$ 185
Provisions for current period sales	19	21
Adjustments of prior estimates	(4)	(3)
Payments	(21)	(26)
Other, primarily translation adjustment	(4)	1
Ending balance, March 31	<u>\$ 186</u>	<u>\$ 178</u>

The product warranty liability is classified in the Condensed Consolidated Balance Sheets as follows:

(in millions)	March 31, 2024	December 31, 2023
Other current liabilities	\$ 80	\$ 91
Other non-current liabilities	106	105
Total product warranty liability	<u>\$ 186</u>	<u>\$ 196</u>

NOTE 13 DEBT

As of March 31, 2024 and December 31, 2023, the Company had debt outstanding as follows:

	March 31, 2024	December 31, 2023
(in millions)		
Short-term borrowings	\$ 58	\$ 70
Long-term debt		
3.375% Senior notes due 03/15/25 (\$384 million par value)	384	384
5.000% Senior notes due 10/01/25 (\$453 million par value) ¹	474	477
2.650% Senior notes due 07/01/27 (\$1,100 million par value)	1,094	1,093
7.125% Senior notes due 02/15/29 (\$121 million par value)	120	120
1.000% Senior Notes due 05/19/31 (€1,000 million par value)	1,064	1,088
4.375% Senior notes due 03/15/45 (\$500 million par value)	495	495
Term loan facilities, finance leases and other	51	53
Total long-term debt	3,682	3,710
Less: current portion	387	3
Long-term debt, net of current portion	\$ 3,295	\$ 3,707

¹ These notes include the fair value step up of \$21 million and \$24 million as of March 31, 2024 and December 31, 2023, respectively, related to the Delphi Technologies acquisition in 2020. The fair value step up was calculated based on observable market data and is amortized as a reduction to interest expense over the remaining life of the instrument using the effective interest method.

The Company may utilize uncommitted lines of credit for short-term working capital requirements. As of March 31, 2024 and December 31, 2023, the Company had \$58 million and \$70 million, respectively, in borrowings under these facilities, which are classified in Short-term debt in the Condensed Consolidated Balance Sheets. The short-term borrowings primarily relate to a European money market loan with an interest rate of Euribor plus 1.75% that is callable upon immediate notice by either party.

The following table provides details on Interest expense, net included in the Condensed Consolidated Statements of Operations:

	Three Months Ended March 31,	
(in millions)	2024	2023
Interest expense	\$ 15	\$ 17
Interest income	(10)	(7)
Interest expense, net	\$ 5	\$ 10

The Company has a \$2 billion multi-currency revolving credit facility that allows the Company to increase the facility by \$1 billion with bank group approval. This facility matures in September 2028. The credit agreement contains customary events of default and one key financial covenant which is a debt-to-EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio. The Company was in compliance with the financial covenant at March 31, 2024. At March 31, 2024 and December 31, 2023, the Company had no outstanding borrowings under this facility.

The Company's commercial paper program allows the Company to issue up to \$2 billion of short-term, unsecured commercial paper notes under the limits of its multi-currency revolving credit facility. Under this program, the Company may issue notes from time to time and use the proceeds for general corporate purposes. The Company had no outstanding borrowings under this program as of March 31, 2024 and December 31, 2023.

The total current combined borrowing capacity under the multi-currency revolving credit facility and commercial paper program cannot exceed \$2 billion.

As of March 31, 2024 and December 31, 2023, the estimated fair values of the Company's senior unsecured notes totaled \$3,284 million and \$3,304 million, respectively. The estimated fair values were \$347 million lower than their carrying value at March 31, 2024 and \$353 million lower than their carrying value at December 31, 2023. Fair market values of the senior unsecured notes are developed using observable values for similar debt instruments, which are considered Level 2 inputs as defined by ASC Topic 820. The carrying values of the Company's multi-currency revolving credit facility, commercial paper program and other debt facilities approximate fair value. The fair value estimates do not necessarily reflect the values the Company could realize in the current markets.

The Company had outstanding letters of credit of \$30 million and \$37 million at March 31, 2024 and December 31, 2023, respectively. The letters of credit typically act as guarantees of payment to certain third parties in accordance with specified terms and conditions.

NOTE 14 OTHER LIABILITIES

Additional detail related to liabilities is presented in the table below:

(in millions)	March 31, 2024	December 31, 2023
Other current liabilities:		
Payroll and employee related	\$ 210	\$ 329
Customer related	132	124
Indirect taxes	112	121
Product warranties (Note 12)	80	91
Income taxes payable	69	103
Employee termination benefits (Note 5)	61	61
Operating leases	36	37
Interest	30	26
Accrued freight	26	26
Dividends payable to noncontrolling stockholders	24	—
Insurance	20	16
Contract liabilities (Note 4)	17	18
Supplier related	17	16
Other non-income taxes	14	12
Deferred engineering	13	13
Retirement related	11	11
Other	174	144
Total other current liabilities	<u>\$ 1,046</u>	<u>\$ 1,148</u>
Other non-current liabilities:		
Other income tax liabilities	\$ 227	\$ 226
Deferred income taxes	162	160
Operating leases	107	112
Product warranties (Note 12)	106	105
Deferred income	84	83
Earn-out liability (Note 3)	13	13
Employee termination benefits (Note 5)	9	7
Other	66	61
Total other non-current liabilities	<u>\$ 774</u>	<u>\$ 767</u>

NOTE 15 FAIR VALUE MEASUREMENTS

ASC Topic 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC Topic 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

- Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets;
- Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques noted in ASC Topic 820:

- A. **Market approach:** Prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets or liabilities, such as a business.
- B. **Cost approach:** Amount that would be required to replace the service capacity of an asset (replacement cost).
- C. **Income approach:** Techniques to convert future amounts to a single present amount based upon market expectations (including present value techniques, option-pricing and excess earnings models).

The following tables classify assets and liabilities measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023:

(in millions)	Basis of fair value measurements								
	Balance at March 31, 2024	Quoted prices in active markets for identical items (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Valuation technique	Assets measured at NAV ¹			
Assets:									
Current earn-out receivable	\$ 5	\$ —	\$ —	\$ 5	C	\$	—		
Investment in equity securities	\$ 25	\$ —	\$ —	\$ —	—	\$	25		
Foreign currency contracts	\$ 42	\$ —	\$ 42	\$ —	A	\$	—		
Net investment hedge contracts	\$ 48	\$ —	\$ 48	\$ —	A	\$	—		
Liabilities:									
Current earn-out liabilities	\$ 1	\$ —	\$ —	\$ 1	C	\$	—		
Non-current earn-out liabilities	\$ 13	\$ —	\$ —	\$ 13	C	\$	—		
Foreign currency contracts	\$ 4	\$ —	\$ 4	\$ —	A	\$	—		

(in millions)	Balance at December 31, 2023	Basis of fair value measurements				Valuation technique	Assets measured at NAV ¹		
		Quoted prices in active markets for identical items	Significant other observable inputs	Significant unobservable inputs					
		(Level 1)	(Level 2)	(Level 3)					
Assets:									
Current earn-out receivable	\$ 5	\$ —	\$ —	\$ 5	C	\$ —			
Investment in equity securities	\$ 26	\$ —	\$ —	\$ —	—	\$ 26			
Foreign currency contracts	\$ 33	\$ —	\$ 33	\$ —	A	\$ —			
Net investment hedge contracts	\$ 14	\$ —	\$ 14	\$ —	A	\$ —			
Liabilities:									
Current earn-out liability	\$ 2	\$ —	\$ —	\$ 2	C	\$ —			
Non-current earn-out liability	\$ 13	\$ —	\$ —	\$ 13	C	\$ —			
Foreign currency contracts	\$ 3	\$ —	\$ 3	\$ —	A	\$ —			
Net investment hedge contracts	\$ 2	\$ —	\$ 2	\$ —	A	\$ —			

¹ Certain assets that are measured at fair value using the net asset value (“NAV”) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. These amounts represent investments in commingled and managed funds that have underlying assets in fixed income securities, equity securities, and other assets and the fair values have been estimated using the net asset value of the Company’s ownership interest in partners’ capital. The Company’s redemption of its investments with the funds is governed by the partnership agreements and subject to approval from the general partners. With the exception of annual distributions in connection with the Company’s deemed tax liability, distributions from each fund will be received as the underlying investments of the funds are liquidated, the timing of which is unknown.

The following table provides a reconciliation of the Company’s Level 3 earn-out assets and liabilities:

(in millions)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Current earn-out receivables	Current earn-out liabilities	Non-current earn-out liabilities
Balance at January 1, 2023	\$ 9	\$ 21	\$ 10
Contingent earn-out recognized upon acquisition or disposition	5	5	3
Change in fair value of contingent consideration	(9)	(24)	—
Balance at December 31, 2023	\$ 5	\$ 2	\$ 13
Contingent earn-out recognized upon acquisition or disposition	3	—	—
Change in fair value of contingent consideration	—	(1)	—
Earn-out settlements	(3)	—	—
Balance at March 31, 2024	\$ 5	\$ 1	\$ 13

Refer to Note 3, “Acquisitions,” to the Condensed Consolidated Financial Statements in Item 1 for more detail regarding earn-outs.

NOTE 16 FINANCIAL INSTRUMENTS

The Company’s financial instruments include cash and cash equivalents, marketable securities and accounts receivable. Due to the short-term nature of these instruments, their book value approximates their fair value. The Company’s financial instruments may also include long-term debt, investments in equity securities, interest rate and cross-currency swaps, commodity derivative contracts and foreign currency derivative contracts. All derivative contracts are placed with counterparties that have an S&P, or equivalent, investment grade credit rating at the time of the contracts’ placement. An adjustment for non-performance risk is considered in the estimate of fair value in derivative assets based on the counterparty credit default swap (“CDS”) rate. When the Company is in a net derivative liability position, the non-

performance risk adjustment is based on its CDS rate. At March 31, 2024 and December 31, 2023, the Company had no derivative contracts that contained credit-risk-related contingent features.

Cash Flow Hedges

The Company, at times, uses certain commodity derivative contracts to protect against commodity price changes related to forecasted raw material and component purchases. At March 31, 2024 and December 31, 2023, the Company had no material commodity derivative contracts.

The Company manages its interest rate risk by balancing its exposure to fixed and variable rates while attempting to optimize its interest costs. The Company, at times, selectively uses interest rate swaps and options to reduce market value risk associated with changes in interest rates. At March 31, 2024 and December 31, 2023, the Company had no outstanding interest rate swaps or options.

The Company uses foreign currency forward and option contracts to protect against exchange rate movements for forecasted cash flows, including capital expenditures, purchases, operating expenses or sales transactions designated in currencies other than the functional currency of the operating unit. Foreign currency derivative contracts require the Company, at a future date, to either buy or sell foreign currency in exchange for the operating units' local currency.

Effectiveness for cash flow hedges is assessed at the inception of the hedging relationship and quarterly, thereafter. Gains and losses arising from these contracts that are included in the assessment of effectiveness are deferred into accumulated other comprehensive income (loss) ("AOCI") and reclassified into income as the underlying operating transactions are recognized. These realized gains or losses offset the hedged transaction and are recorded on the same line in the statement of operations. The initial value of any component excluded from the assessment of effectiveness is recognized in income using a systematic and rational method over the life of the hedging instrument. Any difference between the change in fair value of the excluded component and amounts recognized in income under that systematic and rational method is recognized in AOCI.

At March 31, 2024 and December 31, 2023, the following foreign currency derivative contracts were outstanding and mature through the ending duration noted below:

Foreign currency derivatives (in millions)*				
Functional Currency	Traded Currency	Notional in traded currency March 31, 2024	Notional in traded currency December 31, 2023	Ending Duration
British Pound	Euro	86	83	Mar - 26
Chinese Renminbi	U.S. Dollar	260	209	Dec - 25
Euro	British Pound	34	15	May - 24
Euro	Hungarian Forint	9,028	8,233	Mar - 26
Euro	Swiss Franc	30	24	Mar - 26
Euro	Polish Zloty	629	573	Mar - 26
Euro	U.S. Dollar	230	152	Mar - 26
Thai Baht	U.S. Dollar	24	30	Dec - 24
U.S. Dollar	Chinese Renminbi	582	582	Jun - 24
U.S. Dollar	Korean Won	28,808	34,209	Nov - 24
U.S. Dollar	Mexican Peso	3,978	3,280	Mar - 26
U.S. Dollar	Thai Baht	2,100	2,100	Jun - 24

*Table above excludes non-significant traded currency pairings with total notional amounts less than \$10 million U.S. Dollar equivalent as of March 31, 2024 and December 31, 2023.

Net Investment Hedges

In addition, the Company is also exposed to the risk that adverse changes in foreign currency exchange rates could impact its net investment in non-U.S. subsidiaries.

The Company selectively uses cross-currency swaps to hedge that foreign currency exposure. At March 31, 2024 and December 31, 2023, the following cross-currency swap contracts were outstanding:

	Cross-currency swaps				
(in millions)	March 31, 2024		December 31, 2023		Ending duration
U.S. Dollar to Euro:					
Fixed receiving notional	\$	1,100	\$	1,100	Jul - 27
Fixed paying notional	€	976	€	976	Jul - 27
U.S. Dollar to Euro:					
Fixed receiving notional	\$	500	\$	500	Mar - 25
Fixed paying notional	€	450	€	450	Mar - 25
U.S. Dollar to Japanese yen:					
Fixed receiving notional	\$	100	\$	100	Feb - 29
Fixed paying notional	¥	12,724	¥	12,724	Feb - 29

In addition, the Company has designated the €1,000 million 1.000% Senior Notes due May 19, 2031, as a net investment hedge of the foreign currency exposure of its investments in certain Euro-denominated subsidiaries. Refer to Note 13 - "Debt" to the Condensed Consolidated Financial Statements in Item 1 of this report for more information.

Effectiveness for net investment hedges is assessed at the inception of the hedging relationship and quarterly, thereafter. Gains and losses arising from these contracts that are included in the assessment of effectiveness are deferred into foreign currency translation adjustments and only released when the subsidiary being hedged is sold or substantially liquidated. The initial value of any component excluded from the assessment of effectiveness is recognized in income using a systematic and rational method over the life of the hedging instrument. Any difference between the change in fair value of the excluded component and amounts recognized in income under that systematic and rational method is recognized in AOCI.

Fair Value of Derivative Instruments in the Balance Sheet

At March 31, 2024 and December 31, 2023, the following amounts were recorded in the Condensed Consolidated Balance Sheets as being payable to or receivable from counterparties for derivative instruments under ASC Topic 815, "Derivatives and Hedging":

(in millions)		Assets		Liabilities		
Derivatives designated as hedging instruments Under 815:	Location	December 31,		Location	December 31,	
		March 31, 2024	2023		March 31, 2024	2023
Foreign currency	Prepayments and other current assets	\$ 34	\$ 30	Other current liabilities	\$ 1	\$ 2
Foreign currency	Other non-current assets	\$ 5	\$ 1	Other non-current liabilities	\$ 1	\$ —
Net investment hedges	Prepayments and other current assets	\$ 16	\$ —	Other current liabilities	\$ —	\$ —
Net investment hedges	Other non-current assets	\$ 32	\$ 14	Other non-current liabilities	\$ —	\$ 2
Derivatives not designated as hedging instruments:						
Foreign currency	Prepayments and other current assets	\$ 3	\$ 2	Other current liabilities	\$ 2	\$ 1

Effect of Derivatives on the Statements of Operations and Statements of Comprehensive Income (Loss)

The table below shows deferred gains (losses) reported in AOCI as well as the amount expected to be reclassified to income in one year or less for designated net investment hedges. The amount expected to be reclassified to income in one year or less assumes no change in the current relationship of the hedged item at March 31, 2024 market rates.

(in millions)	Deferred gain (loss) in AOCI at		Gain (loss) expected to be reclassified to income in one year or less
Contract Type	March 31, 2024	December 31, 2023	
Net investment hedges:			
Cross-currency swaps	\$ 48	\$ 12	\$ —
Foreign currency-denominated debt	124	100	—
Total	\$ 172	\$ 112	\$ —

Derivative instruments designated as hedging instruments as defined by ASC Topic 815 held during the period resulted in the following gains and losses recorded in income:

(in millions)	Three Months Ended March 31, 2024			
	Net sales	Cost of sales	Selling, general and administrative expenses	Other comprehensive income (loss)
Total amounts of earnings and other comprehensive income (loss) line items in which the effects of cash flow hedges are recorded	\$ 3,595	\$ 2,951	\$ 329	\$ (55)
Gain (loss) on cash flow hedging relationships:				
Foreign currency:				
Gain (loss) recognized in other comprehensive income				\$ 8

(in millions)	Three Months Ended March 31, 2023			
	Net sales	Cost of sales	Selling, general and administrative expenses	Other comprehensive income (loss)
Total amounts of earnings and other comprehensive income (loss) line items in which the effects of cash flow hedges are recorded	\$ 3,383	\$ 2,806	\$ 299	\$ 52
Gain (loss) on cash flow hedging relationships:				
Foreign currency:				
Gain (loss) recognized in other comprehensive income				\$ 14

The gains or losses recorded in income related to components excluded from the assessment of effectiveness for derivative instruments designated as cash flow hedges were immaterial for the periods presented.

Gains and losses on derivative instruments designated as net investment hedges were recognized in other comprehensive income (loss) during the periods presented below.

(in millions)	Three Months Ended March 31,	
	2024	2023
Net investment hedges		
Cross-currency swaps	\$ 36	\$ (5)
Foreign currency-denominated debt	\$ 24	\$ (14)

Derivatives designated as net investment hedge instruments, as defined by ASC Topic 815, held during the period resulted in the following gains recorded in Interest expense on components excluded from the assessment of effectiveness:

(in millions)	Three Months Ended March 31,	
	2024	2023
Net investment hedges		
Cross-currency swaps	\$ 6	\$ 6

There were no gains or losses recorded in income related to components excluded from the assessment of effectiveness for foreign currency-denominated debt designated as net investment hedges. There were no gains and losses reclassified from AOCI for net investment hedges during the periods presented.

Derivatives Not Designated as Hedges

Derivatives not designated as hedging instruments are used to hedge remeasurement exposures of monetary assets and liabilities denominated in currencies other than the operating units' functional currency. These derivatives resulted in the following gains (losses) recorded in income:

(in millions)	Contract Type	Location	Three Months Ended March 31,	
			2024	2023
	Foreign Currency	Selling, general and administrative expenses	\$ 10	\$ (1)

NOTE 17 RETIREMENT BENEFIT PLANS

The Company has a number of defined benefit pension plans and other postemployment benefit plans covering eligible salaried and hourly employees and their dependents. The estimated contributions to the Company's defined benefit pension plans for 2024 range from \$20 million to \$30 million, of which

\$4 million has been contributed through the three months ended March 31, 2024. The other postemployment benefit plans, which provide medical and life insurance benefits, are funded on a pay-as-you-go basis.

The components of net periodic benefit expense recorded in the Condensed Consolidated Statements of Operations are as follows:

(in millions)	Pension benefits			
	2024		2023	
	US	Non-US	US	Non-US
Three Months Ended March 31,				
Service cost	\$ —	\$ 3	\$ —	\$ 4
Interest cost	1	5	2	6
Expected return on plan assets	(1)	(4)	(2)	(5)
Amortization of unrecognized prior service credit	—	—	—	—
Amortization of unrecognized loss	1	1	1	—
Net periodic benefit cost	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 1</u>	<u>\$ 5</u>

The components of net periodic benefit expense other than the service cost component are included in Other postretirement expense in the Condensed Consolidated Statements of Operations.

NOTE 18 STOCKHOLDERS' EQUITY

The changes of the Stockholders' Equity items during the three months ended March 31, 2024 and 2023, are as follows:

(in millions)	BorgWarner Inc. stockholders' equity						
	Issued common stock	Capital in excess of par value	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total
Balance, December 31, 2023	\$ 3	\$ 2,689	\$ (2,188)	\$ 6,152	\$ (828)	\$ 238	\$ 6,066
Dividends declared (\$0.11 per share*)	—	—	—	(25)	—	(47)	(72)
Issuance for executive stock plan, net of tax	—	(25)	21	—	—	—	(4)
Issuance of restricted stock, net of tax	—	(32)	31	—	—	—	(1)
Purchase of treasury stock	—	—	(100)	—	—	—	(100)
Net earnings	—	—	—	206	—	15	221
Other comprehensive loss	—	—	—	—	(55)	(5)	(60)
Spin-Off of PHINIA	—	—	—	(8)	—	—	(8)
Balance, March 31, 2024	\$ 3	\$ 2,632	\$ (2,236)	\$ 6,325	\$ (883)	\$ 201	\$ 6,042

(in millions)	BorgWarner Inc. stockholders' equity						
	Issued common stock	Capital in excess of par value	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total
Balance, December 31, 2022	\$ 3	\$ 2,675	\$ (2,032)	\$ 7,454	\$ (876)	\$ 284	\$ 7,508
Dividends declared (\$0.17 per share*)	—	—	—	(39)	—	(58)	(97)
Issuance for executive stock plan, net of tax	—	(10)	5	—	—	—	(5)
Issuance of restricted stock, net of tax	—	(4)	(4)	—	—	—	(8)
Net earnings	—	—	—	217	—	13	230
Other comprehensive loss	—	—	—	—	52	(1)	51
Balance, March 31, 2023	\$ 3	\$ 2,661	\$ (2,031)	\$ 7,632	\$ (824)	\$ 238	\$ 7,679

* Per share dividends amount declared relate to BorgWarner common stock.

NOTE 19 ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables summarize the activity within accumulated other comprehensive loss during the three months ended March 31, 2024 and 2023:

(in millions)	Foreign currency translation adjustments	Hedge instruments	Defined benefit retirement plans	Total
Beginning balance, December 31, 2023	\$ (719)	\$ 28	\$ (137)	\$ (828)
Comprehensive (loss) income before reclassifications	(52)	8	6	(38)
Income taxes associated with comprehensive (loss) income before reclassifications	(14)	—	—	(14)
Reclassification from accumulated other comprehensive loss	—	—	(2)	(2)
Income taxes associated with comprehensive income (loss) reclassified into net earnings	—	—	(1)	(1)
Ending balance, March 31, 2024	<u>\$ (785)</u>	<u>\$ 36</u>	<u>\$ (134)</u>	<u>\$ (883)</u>

(in millions)	Foreign currency translation adjustments	Hedge instruments	Defined benefit retirement plans	Total
Beginning balance, December 31, 2022	\$ (750)	\$ 4	\$ (130)	\$ (876)
Comprehensive (loss) income before reclassifications	34	14	(2)	46
Income taxes associated with comprehensive (loss) income before reclassifications	5	—	—	5
Reclassification from accumulated other comprehensive loss	—	—	1	1
Ending balance, March 31, 2023	<u>\$ (711)</u>	<u>\$ 18</u>	<u>\$ (131)</u>	<u>\$ (824)</u>

NOTE 20 CONTINGENCIES

In the normal course of business, the Company is party to various commercial and legal claims, actions and complaints, including matters involving warranty claims, intellectual property claims, governmental investigations and related proceedings, general liability and other risks. It is not possible to predict with certainty whether or not the Company will ultimately be successful in any of these commercial and legal matters or, if not, what the impact might be. The Company's management does not believe that adverse outcomes in any of these commercial and legal claims, actions and complaints are reasonably likely to have a material adverse effect on the Company's results of operations, financial position or cash flows. An adverse outcome could, nonetheless, be material to the results of operations or cash flows as the ultimate resolutions of these matters are inherently unpredictable.

Environmental

The Company and certain of its current and former direct and indirect corporate predecessors, subsidiaries and divisions have been identified by the United States Environmental Protection Agency and certain state environmental agencies and private parties as potentially responsible parties ("PRPs") at various hazardous waste disposal sites under the Comprehensive Environmental Response, Compensation and Liability Act ("Superfund") and equivalent state laws and, as such, may be presently liable for the cost of clean-up and other remedial activities at 17 such sites as of both March 31, 2024 and December 31, 2023. Responsibility for clean-up and other remedial activities at a Superfund site is typically shared among PRPs based on an allocation formula.

The Company believes that none of these matters, individually or in the aggregate, will have a material adverse effect on its results of operations, financial position or cash flows. Generally, this is because

either the estimates of the maximum potential liability at a site are not material or the liability will be shared with other PRPs, although no assurance can be given with respect to the ultimate outcome of any such matter.

The Company had an accrual for environmental liabilities of \$5 million and \$6 million as of March 31, 2024 and December 31, 2023, respectively, included in Other current and Other non-current liabilities in the Condensed Consolidated Balance Sheets. As of March 31, 2024, this accrual, which relates to six of the sites, is based on information available to the Company (which, in most cases, includes an estimate of allocation of liability among PRPs; the probability that other PRPs, many of which are large, solvent public companies, will fully pay the cost apportioned to them; currently available information from PRPs and/or federal or state environmental agencies concerning the scope of contamination and estimated remediation and consulting costs; and remediation alternatives). Clean-up and other remedial activities are complete or nearing completion at the other 11 sites, for which there was no accrual as of March 31, 2024.

NOTE 21 EARNINGS PER SHARE

The Company presents both basic and diluted earnings per share of common stock ("EPS") amounts. Basic EPS is calculated by dividing net earnings attributable to BorgWarner Inc. by the weighted average shares of common stock outstanding during the reporting period. Diluted EPS is calculated by dividing net earnings attributable to BorgWarner Inc. by the weighted average shares of common stock and common stock equivalents outstanding during the reporting period.

The dilutive impact of stock-based compensation is calculated using the treasury stock method. The treasury stock method assumes that the Company uses the assumed proceeds from the exercise of awards to repurchase common stock at the average market price during the period. The assumed proceeds under the treasury stock method include the purchase price that the grantee will pay in the future and compensation cost for future service that the Company has not yet recognized. The dilutive effects of performance-based stock awards are included in the computation of diluted earnings per share at the level the related performance criteria are met through the respective balance sheet date. There were 1.2 million and 0.5 million performance share units excluded from the computation of the diluted earnings for both the three months ended March 31, 2024 and 2023, respectively. These units were excluded because the related performance criteria had not been met as of the balance sheet dates.

The following table reconciles the numerators and denominators used to calculate basic and diluted earnings per share of common stock:

(in millions, except per share amounts)	Three Months Ended March 31,	
	2024	2023
Basic earnings per share:		
Net earnings from continuing operations	\$ 213	\$ 168
Weighted average shares of common stock outstanding	227.7	232.8
Basic earnings per share of common stock	\$ 0.94	\$ 0.72
Diluted earnings per share:		
Net earnings from continuing operations	\$ 213	\$ 168
Weighted average shares of common stock outstanding	227.7	232.8
Effect of stock-based compensation	0.6	1.6
Weighted average shares of common stock outstanding including dilutive shares	228.3	234.4
Diluted earnings per share of common stock	\$ 0.93	\$ 0.72

NOTE 22 REPORTABLE SEGMENTS

The Company's business is aggregated into three reportable segments: Air Management, Drivetrain & Battery Systems, and ePropulsion. These segments are strategic business groups that are managed separately as each represents a specific grouping of related automotive components and systems.

Segment Adjusted Operating Income (Loss) is the measure of segment income or loss used by the Company. Segment Adjusted Operating Income (Loss) is comprised of operating income for the Company's reportable segments adjusted for restructuring, merger, acquisition and divestiture expense, intangible asset amortization expense, impairment charges and other items not reflective of ongoing operating income or loss. The Company believes Segment Adjusted Operating Income (Loss) is most reflective of the operational profitability or loss of our reportable segments.

The following tables show segment information and Segment Adjusted Operating Income (Loss) for the Company's reportable segments:

Net Sales by Reportable Segment

(in millions)	Three Months Ended March 31, 2024		
	Customers	Inter-segment	Net
Air Management	\$ 2,008	\$ 22	\$ 2,030
Drivetrain & Battery Systems	1,157	2	1,159
ePropulsion	430	6	436
Inter-segment eliminations	—	(30)	(30)
Net sales	<u>\$ 3,595</u>	<u>\$ —</u>	<u>\$ 3,595</u>

(in millions)	Three Months Ended March 31, 2023		
	Customers	Inter-segment	Net
Air Management	\$ 1,960	\$ 19	\$ 1,979
Drivetrain & Battery Systems	955	1	956
ePropulsion	468	19	487
Inter-segment eliminations	—	(39)	(39)
Net sales	<u>\$ 3,383</u>	<u>\$ —</u>	<u>\$ 3,383</u>

Segment Adjusted Operating Income (Loss)

(in millions)	Three Months Ended March 31,	
	2024	2023
Air Management	\$ 308	\$ 285
Drivetrain & Battery Systems	158	111
ePropulsion	(62)	(35)
Segment Adjusted Operating Income	404	361
Corporate, including stock-based compensation	65	61
Restructuring expense (Note 5)	19	3
Intangible asset amortization expense	17	17
Merger and acquisition expense, net	2	8
Other non-comparable items	6	(2)
Equity in affiliates' earnings, net of tax	(5)	(1)
Unrealized loss on debt and equity securities	2	15
Interest expense, net	5	10
Other postretirement expense	3	2
Earnings from continuing operations before income taxes and noncontrolling interest	\$ 290	\$ 248

NOTE 23 OPERATING CASH FLOWS AND OTHER SUPPLEMENTAL FINANCIAL INFORMATION

(in millions)	Three Months Ended March 31,	
	2024	2023
OPERATING ACTIVITIES OF CONTINUING OPERATIONS		
Net earnings	\$ 221	\$ 230
Net (loss) earnings from discontinued operations	(7)	49
Net earnings from continuing operations	228	181
Adjustments to reconcile net earnings from continuing operations to net cash (used in) provided by operating activities from continuing operations:		
Depreciation and tooling amortization	133	125
Intangible asset amortization	17	17
Restructuring expense, net of cash paid	13	2
Stock-based compensation expense	18	11
Deferred income tax benefit	(9)	(2)
Unrealized loss on debt and equity securities	2	15
Other non-cash adjustments	(19)	13
Adjustments to reconcile net earnings from continuing operations to net cash (used in) provided by operating activities from continuing operations	155	181
Retirement plan contributions	(4)	(5)
Changes in assets and liabilities, excluding effects of acquisitions, divestitures and foreign currency translation adjustments:		
Receivables	(229)	(159)
Inventories	(40)	(77)
Prepayments and other current assets	(9)	(6)
Accounts payable and accrued expenses	(211)	(85)
Prepaid taxes and income taxes payable	(42)	1
Other assets and liabilities	34	28
Net cash (used in) provided by operating activities from continuing operations	\$ (118)	\$ 59

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the period for:

Interest	\$ 31	\$ 25
Income taxes, net of refunds	\$ 93	\$ 74

Balance as of:

Non-cash investing transactions:	March 31,	December 31,
	2024	2023
Period end accounts payable related to property, plant and equipment purchases	\$ 133	\$ 148

NOTE 24 DISCONTINUED OPERATIONS

The historical results of operations of PHINIA for periods prior to the Spin-Off are presented as discontinued operations in these Condensed Consolidated Financial Statements.

The following table summarizes the financial results from discontinued operations of PHINIA.

(in millions)	Three Months Ended March 31,	
	2024	2023
Net sales	\$ —	\$ 836
Cost of sales	—	663
Gross profit	—	173
Selling, general and administrative expenses	—	85
Restructuring expense	—	4
Other operating expense, net	10	18
Operating (loss) income	(10)	66
Equity in affiliates' earnings, net of tax	—	(3)
(Loss) earnings from discontinued operations before income taxes	(10)	69
(Benefit) provision for income taxes	(3)	20
Net (loss) earnings from discontinued operations attributable to PHINIA	\$ (7)	\$ 49

In connection with the Spin-Off, the Company entered into a transition services agreement through which the Company and PHINIA will continue to provide certain services to each other following the Spin-Off. These services are related to information technology, human resources, finance, facilities, procurement, sales, intellectual property and engineering. The combined impact of these services is reported in results of continuing operations in the Condensed Consolidated Financial Statements. During the three months ended March 31, 2024, the Company provided services at a cost of \$4 million to PHINIA, and PHINIA provided services at a cost of \$1 million to the Company.

The Company incurred \$10 million and \$19 million of costs relating to the Spin-Off during the three months ended March 31, 2024 and 2023, respectively, which are reflected within Net (loss) earnings from discontinued operations in the Company's Condensed Consolidated Statements of Operations. Spin-Off costs are primarily comprised of professional fees and costs to separate certain operational activities.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

BorgWarner Inc. and Consolidated Subsidiaries (the "Company" or "BorgWarner") is a global product leader in clean and efficient technology solutions for combustion, hybrid and electric vehicles. BorgWarner's products help improve vehicle performance, propulsion efficiency, stability and air quality. The Company manufactures and sells these products worldwide, primarily to original equipment manufacturers ("OEMs") of light vehicles (passenger cars, sport-utility vehicles ("SUVs"), vans and light trucks). The Company's products are also sold to other OEMs of commercial vehicles (medium-duty trucks, heavy-duty trucks and buses) and off-highway vehicles (agricultural and construction machinery and marine applications). The Company also manufactures and sells its products to certain tier one vehicle systems suppliers and into the aftermarket for light, commercial and off-highway vehicles. The Company operates manufacturing facilities serving customers in Europe, the Americas and Asia and is an original equipment supplier to nearly every major automotive OEM in the world.

Charging Forward - Electrification Portfolio Strategy

In 2021, the Company announced its strategy to aggressively grow its eProducts over time through organic investments and technology-focused acquisitions. eProducts include all products utilized on or for electric vehicles ("EVs") plus those same products and components that are included in hybrid powertrains whose underlying technologies are adaptable or applicable to those used in or for EVs. The Company believes it is well positioned for the industry's anticipated migration to EVs.

In June 2023, the Company announced the next phase of its *Charging Forward* strategy, which focuses on profitably growing eProducts while maximizing the value of the Company's Foundational products portfolio. Foundational products include all products utilized on internal combustion engines plus those same products and components that are also included in hybrid powertrains. As a result of executing its strategy, the Company expects that, by 2027, it will achieve over \$10 billion in annual eProduct sales, deliver eProduct adjusted operating margin of approximately 7% and maintain its double-digit adjusted operating margin for its Foundational products portfolio. During the three months ended March 31, 2024 and 2023, the Company's eProducts revenue was approximately \$506 million and \$415 million, respectively, or 14% and 12% of its total revenue, respectively.

On July 3, 2023, BorgWarner completed the previously announced spin-off ("Spin-Off") of its Fuel Systems and Aftermarket segments in a transaction intended to qualify as tax free to the Company's stockholders for U.S. federal income tax purposes, which was accomplished by the distribution of 100% of the outstanding common stock of PHINIA, Inc. ("PHINIA") to holders of record of common stock of the Company on a pro-rata basis. Each holder of record of common stock of the Company received one share of PHINIA common stock for every five shares of common stock of the Company held on June 23, 2023, the record date for the distribution ("Distribution Date"). In lieu of fractional shares of PHINIA, stockholders of the Company received cash. PHINIA is an independent public company trading under the symbol "PHIN" on the New York Stock Exchange.

The historical results of operations of PHINIA for periods prior to the Spin-Off are presented as discontinued operations in the accompanying Condensed Consolidated Financial Statements.

Acquisitions

Eldor Corporation's Electric Hybrid Systems Business

On December 1, 2023, the Company completed its acquisition of the electric hybrid systems business segment of Eldor Corporation ("Eldor"), which is headquartered in Italy. The Company expects the acquisition to complement its existing ePropulsion product portfolio by enhancing the Company's

engineering capabilities in power electronics. The Company paid €72 million (\$78 million) at closing and is obligated to remit up to €175 million (\$191 million) of earn-out payments that could be paid over the two years following closing. The Company's current estimates indicate that the minimum threshold for the earn-out target will not be achieved; thus, no amount of the potential earn-out payments has been included in the purchase consideration.

Hubei Surpass Sun Electric Charging Business

On March 1, 2023, the Company completed its acquisition of the electric vehicle solution, smart grid and smart energy businesses of Hubei Surpass Sun Electric, pursuant to an Equity Transfer Agreement. The acquisition is expected to complement the Company's existing European and North American charging footprint by adding a presence in China. The total consideration was ¥288 million (\$42 million), including ¥268 million (\$39 million) of base purchase price and ¥20 million (\$3 million) of estimated earn-out payments. The Company paid ¥217 million (\$31 million) of the base purchase price in the year ended December 31, 2023. The remaining ¥51 million (\$8 million) of base purchase price is payable in two installments with the last payment due before April 30, 2025. In addition, pursuant to the agreement, the Company could be obligated to remit up to ¥103 million (\$15 million), in the form of contingent payments over approximately two years following the closing.

Drivetek AG

On December 1, 2022, the Company acquired Drivetek AG, an engineering and product development company located in Switzerland. This acquisition is expected to strengthen the Company's power electronics capabilities in auxiliary inverters to accelerate the growth of the High Voltage eFan business. The Company paid £27 million (\$29 million) of base purchase price at closing, and up to £10 million (\$10 million) could be paid in the form of contingent earn-out payments over three years following the closing.

Rhombus Energy Solutions

On July 29, 2022, the Company acquired Rhombus Energy Solutions, a provider of charging solutions in the North American market. The acquisition is expected to complement the Company's existing European charging footprint to accelerate organic growth and adds North American regional presence to its charging business. The Company paid \$131 million at closing, and up to \$30 million could be paid in the form of contingent earn-out payments over three years following the closing. The Company's current estimates indicate that the minimum thresholds for these earn-out targets will not be achieved; thus, no amount for the earn-out payments has been included in the purchase consideration.

Santroll Automotive Components

On March 31, 2022, the Company acquired Santroll Automotive Components, a carve-out of Santroll Electric Auto's eMotor business. The acquisition is expected to strengthen the Company's vertical integration, scale and portfolio breadth in light vehicle eMotors while allowing for increased speed to market. The total final consideration was \$192 million, including approximately ¥1.0 billion (\$152 million) of base purchase price and ¥0.25 billion (\$40 million) of originally estimated earn-out payments. The Company paid approximately ¥1.0 billion (\$157 million) of base purchase price in the year ended December 31, 2022 and no longer expects to recapture a previously anticipated \$5 million of post-closing adjustments, which was recorded in Other operating expense, net during the three months ended March 31, 2023. Pursuant to the Equity Transfer Agreement for the acquisition, the obligation of the Company to remit up to ¥0.3 billion (approximately \$47 million) of earn-out payments was contingent upon achievement of certain sales volume targets and certain estimated future volume targets associated with newly awarded business. During the second quarter of 2023, the Company paid approximately ¥0.2 billion (\$24 million) to settle the remaining earn-out liability and related adjustments.

Refer to Note 3, "Acquisitions," to the Condensed Consolidated Financial Statements in Item 1 of this report for more information.

Key Trends and Economic Factors

Commodities and Other Inflationary Impacts. Prices for commodities have started showing a lower level of volatility in comparison to what the Company had experienced from the beginning of 2021. At the same time, many economies, including the United States, are still experiencing elevated levels of inflation, which continues to put pressure on other input costs (e.g. labor, energy, other materials). As a result, the Company expects a trend of slight increasing or flat costs.

Outlook

The Company expects global market production to be flat or to decrease modestly year over year in 2024. However, the Company expects net new business-related sales growth, due to the increased penetration of BorgWarner products, including eProducts, to drive a sales increase despite flat or decreased market production. As a result, the Company expects increased revenue in 2024, excluding the impact of foreign currencies. The Company expects the earnings benefit of this revenue growth to be partially offset by the negative earnings impact of the acquisition of Eldor.

The Company maintains a positive long-term outlook for its global business and is committed to new product development and strategic investments to enhance its product leadership strategy. There are several trends that are driving the Company's long-term growth that management expects to continue, including adoption of product offerings for electrified vehicles and increasingly stringent global emissions standards that the Company believes support demand for the Company's products that drive vehicle efficiency.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2024 vs. Three Months Ended March 31, 2023

The following table presents a summary of our operating results:

(in millions, except per share data)	Three Months Ended March 31,			
	2024		2023	
		% of net sales		% of net sales
Net sales				
Air Management	\$ 2,030	56.5 %	\$ 1,979	58.5 %
Drivetrain & Battery Systems	1,159	32.2	956	28.3
ePropulsion	436	12.1	487	14.4
Inter-segment eliminations	(30)	(0.8)	(39)	(1.2)
Total net sales	3,595	100.0	3,383	100.0
Cost of sales	2,951	82.1	2,806	82.9
Gross profit	644	17.9	577	17.1
Selling, general and administrative expenses - R&D, net	187	5.2	166	4.9
Selling, general and administrative expenses - Other	142	3.9	133	3.9
Restructuring expense	19	0.5	3	0.1
Other operating expense, net	1	—	1	—
Operating income	295	8.2	274	8.1
Equity in affiliates' earnings, net of tax	(5)	(0.1)	(1)	—
Unrealized loss on debt and equity securities	2	0.1	15	0.4
Interest expense, net	5	0.1	10	0.3
Other postretirement expense	3	0.1	2	0.1
Earnings from continuing operations before income taxes and noncontrolling interest	290	8.1	248	7.3
Provision for income taxes	62	1.7	67	2.0
Net earnings from continuing operations	228	6.3	181	5.4
Net (loss) earnings from discontinued operations	(7)	(0.2)	49	1.4
Net earnings	221	6.1	230	6.8
Net earnings from continuing operations attributable to noncontrolling interest	15	0.4	13	0.4
Net earnings attributable to BorgWarner Inc.	\$ 206	5.7 %	\$ 217	6.4 %
Earnings per share from continuing operations — diluted	\$ 0.93		\$ 0.72	

Net sales

Net sales for the three months ended March 31, 2024 totaled \$3,595 million, an increase of \$212 million, or 6%, compared to the three months ended March 31, 2023. The change in net sales for the three months ended March 31, 2024 was primarily driven by the following:

- Favorable volume, mix and net new business increased sales approximately \$233 million, or 7%. This increase was primarily driven by growth despite a decline in market production, which the Company believes reflects higher demand for its products. The weighted average market production as estimated by the Company was down approximately 1% from the three months ended March 31, 2023. Weighted average market production reflects light and commercial vehicle production as reported by IHS weighted for the Company's geographic exposure, as estimated by the Company.
- Fluctuations in foreign currencies resulted in a year-over-year decrease in sales of approximately \$32 million primarily due to the weakening of the Chinese Renminbi and Korean Won, partially offset by the strengthening of the Euro, in each case relative to the U.S. Dollar.

- Acquisitions contributed \$11 million in additional sales during the three months ended March 31, 2024.

Cost of sales and gross profit

Cost of sales and cost of sales as a percentage of net sales were \$2,951 million and 82.1%, respectively, during the three months ended March 31, 2024, compared to \$2,806 million and 82.9%, respectively, during the three months ended March 31, 2023. The change in cost of sales for the three months ended March 31, 2024 was primarily driven by the following:

- Higher sales volume, mix and net new business increased cost of sales by approximately \$166 million.
- Fluctuations in foreign currencies resulted in a year-over-year decrease in cost of sales of approximately \$23 million primarily due to the weakening of the Chinese Renminbi and Korean Won, partially offset by the strengthening of the Euro, in each case relative to the U.S. Dollar.

Gross profit and gross margin were \$644 million and 17.9%, respectively, during the three months ended March 31, 2024, compared to \$577 million and 17.1%, respectively, during the three months ended March 31, 2023. The increase in gross margin was primarily due to the factors discussed above.

Selling, general and administrative expenses ("SG&A")

SG&A for the three months ended March 31, 2024 was \$329 million as compared to \$299 million for the three months ended March 31, 2023. SG&A as a percentage of net sales was 9.2% and 8.8% for the three months ended March 31, 2024 and 2023, respectively. The change in SG&A was primarily attributable to:

- Research and Development ("R&D") costs increased by \$21 million. R&D costs, net of customer reimbursements, were 5.2% of net sales for the three months ended March 31, 2024, compared to 4.9% of net sales for the three months ended March 31, 2023. The increase in R&D costs, net of customer reimbursements, was primarily due to increasing net investment related to the Company's eProduct portfolio.
- Increased employee-related costs of \$17 million, primarily related to incentive compensation, partially offset by reductions in other administrative costs.

Restructuring expense was \$19 million and \$3 million for the three months ended March 31, 2024 and 2023, respectively, primarily related to employee termination benefits. Refer to Note 5 "Restructuring" to the Condensed Consolidated Financial Statements in Item 1 of this report for more information.

In 2023, the Company announced a \$130 million to \$150 million restructuring plan to address structural costs primarily in its Foundational products businesses. During the three months ended March 31, 2024 and 2023, the Company recorded \$19 million and \$3 million, respectively, of restructuring costs related to this plan. The resulting gross savings related to this plan are expected to be in the range of \$80 million to \$90 million annually by 2027 and are being utilized to sustain overall operating margin profile and cost competitiveness. Nearly all of the restructuring charges are expected to be cash expenditures, funded by cash on hand.

Other operating expense, net was \$1 million for the three months ended March 31, 2024 and 2023, respectively.

During the three months ended March 31, 2024 and 2023, the Company recorded merger and acquisition expense, net of \$2 million and \$8 million, respectively, primarily related to professional fees associated with specific acquisition initiatives.

Other operating expense, net is primarily comprised of items included within the subtitle “Non-comparable items impacting the Company’s earnings per diluted share and net earnings” below.

Equity in affiliates’ earnings, net of tax was \$5 million and \$1 million for the three months ended March 31, 2024 and 2023, respectively. This line item is driven by the results of the Company’s unconsolidated joint ventures.

Unrealized loss on debt and equity securities was \$2 million and \$15 million for the three months ended March 31, 2024 and 2023, respectively. This line item reflects the net unrealized gains or losses recognized due to valuing the Company’s investments at fair value. The amount recorded during the three months ended March 31, 2023 was primarily related to losses recognized to adjust the Company’s investment in Wolfspeed Inc. (“Wolfspeed”) convertible debt securities to fair value. The Company sold its Wolfspeed convertible debt securities during the third and fourth quarters of 2023.

Interest expense, net was \$5 million and \$10 million for the three months ended March 31, 2024 and 2023, respectively. This decrease was primarily due to the reduction in interest following a debt extinguishment completed in September 2023 and higher interest rates on cash and cash equivalents balances.

Provision for income taxes was \$62 million for the three months ended March 31, 2024, resulting in an effective rate of 21%. This compared to \$67 million, or an effective rate of 27%, for the three months ended March 31, 2023. During the three months ended March 31, 2024, a discrete tax benefit of \$1 million was recorded related to various changes in filing positions for prior years. During the three months ended March 31, 2023, a discrete tax benefit of \$13 million was recorded related to the resolution of tax audits, and a \$10 million discrete tax expense was recorded for the impact of enacted tax law changes.

Non-comparable items impacting the Company’s earnings per diluted share

The Company’s earnings per diluted share were \$0.93 and \$0.72 for the three months ended March 31, 2024 and 2023, respectively. The non-comparable items presented below are calculated after tax using the corresponding effective tax rate discrete to each item and the weighted average number of diluted shares for each of the periods then ended. The Company believes the following table is useful in highlighting non-comparable items that impacted its earnings per diluted share:

Non-comparable items:	Three Months Ended March 31,	
	2024	2023
Restructuring expense	\$ (0.06)	\$ (0.01)
Merger, acquisition and divestiture expense, net	(0.01)	(0.03)
Unrealized loss on debt and equity securities	(0.01)	(0.05)
Other non-comparable items	(0.02)	0.01
Tax adjustments	—	0.01
Total impact of non-comparable items per share - diluted	<u>\$ (0.10)</u>	<u>\$ (0.07)</u>

Results by Reportable Segment

The Company’s business is aggregated into three reportable segments: Air Management, Drivetrain & Battery Systems, and ePropulsion. These segments are strategic business groups that are managed separately as each represents a specific grouping of related automotive components and systems.

Segment Adjusted Operating Income (Loss) is the measure of segment income or loss used by the Company. Segment Adjusted Operating Income (Loss) is comprised of operating income for the

Company's reportable segments adjusted for restructuring, merger, acquisition and divestiture expense, intangible asset amortization expense, impairment charges and other items not reflective of ongoing operating income or loss. The Company believes Segment Adjusted Operating Income (Loss) is most reflective of the operational profitability or loss of our reportable segments.

The following tables presents net sales and Segment Adjusted Operating Income (Loss) for the Company's reportable segments:

Three Months Ended March 31, 2024 vs. Three Months Ended March 31, 2023

(in millions)	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
	Segment Adjusted Operating Income			Segment Adjusted Operating Income		
	Net sales	(Loss)	% margin	Net sales	(Loss)	% margin
Air Management	\$ 2,030	\$ 308	15.2 %	\$ 1,979	\$ 285	14.4 %
Drivetrain & Battery Systems	1,159	158	13.6 %	956	111	11.6 %
ePropulsion	436	(62)	(14.2)%	487	(35)	(7.2)%
Inter-segment eliminations	(30)	—		(39)	—	
Totals	\$ 3,595	\$ 404		\$ 3,383	\$ 361	

The **Air Management** segment's net sales increased \$51 million, or 3%, and Segment Adjusted Operating Income increased \$23 million from the three months ended March 31, 2023. Foreign currencies resulted in a year-over-year decrease in sales of approximately \$9 million primarily due to the weakening of the Chinese Renminbi and Korean Won, partially offset by the strengthening of the Euro, in each case relative to the U.S. Dollar. Acquisitions contributed \$5 million in additional sales during the three months ended March 31, 2024. The increase excluding these items was primarily due to approximately \$55 million of volume, mix, and net new business driven by increased demand for turbochargers in North America and high voltage coolant heaters in China and Europe, as well as, non-contractual commercial negotiations and normal contractual customer commodity pass-through arrangements with the Company's customers. Segment Adjusted Operating Margin was 15.2% for the three months ended March 31, 2024, compared to 14.4% during the three months ended March 31, 2023. The Segment Adjusted Operating Income increase was primarily due to conversion on higher sales and customer recoveries, partially offset by higher input costs due to R&D investments.

The **Drivetrain & Battery Systems** segment's net sales increased \$203 million, or 21%, and Segment Adjusted Operating Income increased \$47 million from the three months ended March 31, 2023. Foreign currencies resulted in a year-over-year decrease in sales of approximately \$13 million primarily due to the weakening of the Chinese Renminbi relative to the U.S. Dollar. The increase excluding the impact of foreign currencies was primarily due to approximately \$216 million of volume, mix and net new business driven by increased demand for battery system products in Europe and drivetrain system products in China. Segment Adjusted Operating Margin was 13.6% for the three months ended March 31, 2024, compared to 11.6% during the three months ended March 31, 2023. The Segment Adjusted Operating Income increase was primarily due to conversion on higher sales.

The **ePropulsion** segment's net sales decreased \$51 million, or 10%, and Segment Adjusted Operating Loss increased \$27 million from the three months ended March 31, 2023. Foreign currencies resulted in a year-over-year decrease in sales of approximately \$10 million primarily due to the weakening of the Chinese Renminbi relative to the U.S. Dollar. Acquisitions contributed \$6 million in additional sales during the three months ended March 31, 2024. The decrease excluding these items was primarily due to approximately \$47 million of a reduction in volume, mix and net new business driven by decreased demand for the Company's light vehicle eProducts in North America. Segment Adjusted Operating Margin was (14.2)% for the three months ended March 31, 2024, compared to (7.2)% during the three months

ended March 31, 2023. The Segment Adjusted Operating Loss was primarily due to investments in R&D for eProducts. The Segment Adjusted Operating Loss increased due to lower sales, higher R&D investments and impacts related to the Eldor acquisition.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

The Company maintains various liquidity sources, including cash and cash equivalents and the unused portion of its multi-currency revolving credit agreement. As of March 31, 2024, the Company had liquidity of \$3,037 million, comprised of cash and cash equivalent balances of \$1,037 million and an undrawn revolving credit facility of \$2,000 million. The Company was in full compliance with its covenants under the revolving credit facility and had full access to its undrawn revolving credit facility. Given the Company's strong liquidity position, management believes that it will have sufficient liquidity and will maintain compliance with all covenants through at least the next 12 months.

As of March 31, 2024, cash balances of \$625 million were held by the Company's subsidiaries outside the United States. Cash and cash equivalents held by these subsidiaries are used to fund foreign operational activities and future investments, including acquisitions. The majority of cash held outside the United States is available for repatriation. The Company uses its U.S. liquidity primarily for various corporate purposes, including but not limited to debt service, share repurchases, dividend distributions, acquisitions and other corporate expenses.

The Company has a \$2.0 billion multi-currency revolving credit facility that includes a feature allowing the Company the ability to increase the facility by \$1.0 billion with bank group approval. This facility matures in September 2028. The credit facility agreement contains customary events of default and one key financial covenant, which is a debt-to-EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio. The Company was in compliance with the financial covenant at March 31, 2024. At March 31, 2024 and December 31, 2023, the Company had no outstanding borrowings under this facility.

The Company's commercial paper program allows the Company to issue up to \$2.0 billion of short-term, unsecured commercial paper notes under the limits of its multi-currency revolving credit facility. Under this program, the Company may issue notes from time to time and use the proceeds for general corporate purposes. The Company had no outstanding borrowings under this program as of March 31, 2024 and December 31, 2023.

The total current combined borrowing capacity under the multi-currency revolving credit facility and commercial paper program cannot exceed \$2.0 billion.

In addition to the revolving credit facility, the Company's universal shelf registration statement filed with the U.S. Securities and Exchange Commission provides the Company with the ability to issue various debt and equity securities subject to market conditions.

On February 7, 2024 and April 24, 2024, the Company's Board of Directors declared quarterly cash dividends of \$0.11 per share of common stock, respectively. The dividend declared in the first quarter was paid on March 15, 2024, and the dividend declared in the second quarter will be paid on June 17, 2024.

From a credit quality perspective, the Company has a credit rating of BBB from Standard & Poor's, Baa1 from Moody's and BBB+ from Fitch Ratings. The current outlook from each of Fitch, Standard & Poor's and Moody's is stable. None of the Company's debt agreements requires accelerated repayment in the event of a downgrade in credit ratings.

Cash Flows

Operating Activities

(in millions)	Three Months Ended March 31,	
	2024	2023
OPERATING ACTIVITIES OF CONTINUING OPERATIONS		
Net earnings from continuing operations	\$ 228	\$ 181
Adjustments to reconcile net earnings from continuing operations to net cash (used in) provided by operating activities from continuing operations:		
Depreciation and tooling amortization	133	125
Intangible asset amortization	17	17
Restructuring expense, net of cash paid	13	2
Stock-based compensation expense	18	11
Deferred income tax benefit	(9)	(2)
Unrealized loss on debt and equity securities	2	15
Other non-cash adjustments	(19)	13
Adjustments to reconcile net earnings from continuing operations to net cash (used in) provided by operating activities from continuing operations	155	181
Retirement plan contributions	(4)	(5)
Changes in assets and liabilities, excluding effects of acquisitions, divestitures and foreign currency translation adjustments:		
Receivables	(229)	(159)
Inventories	(40)	(77)
Accounts payable and accrued expenses	(211)	(85)
Other assets and liabilities	(17)	23
Net cash (used in) provided by operating activities from continuing operations	\$ (118)	\$ 59

Net cash used in operating activities was \$118 million for the three months ended March 31, 2024 compared to net cash provided by operating activities of \$59 million for the three months ended March 31, 2023. The decrease for the three months ended March 31, 2024 compared with the three months ended March 31, 2023 was primarily due to increased working capital investments and cash tax payments.

Investing Activities

(in millions)	Three Months Ended March 31,	
	2024	2023
INVESTING ACTIVITIES OF CONTINUING OPERATIONS		
Capital expenditures, including tooling outlays	\$ (190)	\$ (239)
Payments for businesses acquired, net of cash acquired	—	(19)
Proceeds from settlement of net investment hedges, net	12	13
Proceeds from the sale of business, net	3	—
Proceeds from asset disposals and other, net	—	1
Net cash used in investing activities from continuing operations	\$ (175)	\$ (244)

Net cash used in investing activities was \$175 million during the first three months of 2024 compared to \$244 million during the first three months of 2023. In 2023, the Company paid \$19 million related to the acquisition of the electric vehicle solution, smart grid and smart energy businesses of Hubei Surpass Sun Electric. As a percentage of sales, capital expenditures were 5.3% and 7.1% for the three months ended March 31, 2024 and 2023, respectively. The year over year reduction in capital expenditures was primarily due to lower eProduct investments.

Financing Activities

(in millions)	Three Months Ended March 31,	
	2024	2023
FINANCING ACTIVITIES OF CONTINUING OPERATIONS		
Additions to debt	\$ —	\$ 1
Repayments of debt, including current portion	(12)	(2)
Payments for purchase of treasury stock	(100)	—
Payments for stock-based compensation items	(23)	(25)
Dividends paid to BorgWarner stockholders	(25)	(39)
Dividends paid to noncontrolling stockholders	(23)	(25)
Net cash used in financing activities from continuing operations	\$ (183)	\$ (90)

Net cash used in financing activities was \$183 million during the first three months of 2024 compared to \$90 million during the first three months of 2023. Net cash used in financing activities during the three months ended March 31, 2024 was primarily related to the \$100 million of BorgWarner share repurchases, \$25 million in dividends paid to the Company's stockholders and \$23 million in dividends paid to noncontrolling stockholders of the Company's consolidated joint ventures.

CONTINGENCIES

In the normal course of business, the Company is party to various commercial and legal claims, actions and complaints, including matters involving warranty claims, intellectual property claims, governmental investigations and related proceedings, general liability and other risks. It is not possible to predict with certainty whether or not the Company will ultimately be successful in any of these commercial and legal matters or, if not, what the impact might be. The Company's management does not believe that adverse outcomes in any of these commercial and legal claims, actions and complaints are reasonably likely to have a material adverse effect on the Company's results of operations, financial position or cash flows. An adverse outcome could, nonetheless, be material to the results of operations or cash flows.

Environmental

The Company and certain of its current and former direct and indirect corporate predecessors, subsidiaries and divisions have been identified by the United States Environmental Protection Agency and certain state environmental agencies and private parties as potentially responsible parties ("PRPs") at various hazardous waste disposal sites under the Comprehensive Environmental Response, Compensation and Liability Act ("Superfund") and equivalent state laws and, as such, may be presently liable for the cost of clean-up and other remedial activities at 17 such sites as of both March 31, 2024 and December 31, 2023. Responsibility for clean-up and other remedial activities at a Superfund site is typically shared among PRPs based on an allocation formula.

The Company believes that none of these matters, individually or in the aggregate, will have a material adverse effect on its results of operations, financial position or cash flows. Generally, this is because either the estimates of the maximum potential liability at a site are not material or the liability will be shared with other PRPs, although no assurance can be given with respect to the ultimate outcome of any such matter.

Refer to Note 20, "Contingencies," to the Condensed Consolidated Financial Statements in Item 1 of this report for further details and information with respect to the Company's environmental liability.

New Accounting Pronouncements

Refer to Note 2, "New Accounting Pronouncements," to the Condensed Consolidated Financial Statements in Item 1 of this report for a detailed description of new applicable accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the information concerning the Company's exposures to interest rate risk or commodity price risk as stated in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Foreign currency exchange rate risk is the risk that the Company will incur economic losses due to adverse changes in foreign currency exchange rates. Currently, the Company's most significant currency exposures relate to the Brazilian Real, British Pound, Chinese Renminbi, Euro, Korean Won, Mexican Peso, Polish Zloty, Singaporean Dollar and Thai Baht. The Company mitigates its foreign currency exchange rate risk by establishing local production facilities and related supply chain participants in the markets it serves, by invoicing customers in the same currency as the source of the products and by funding some of its investments in foreign markets through local currency loans. The Company also monitors its foreign currency exposure in each country and implements strategies to respond to changing economic and political environments. In addition, the Company regularly enters into forward currency contracts, cross-currency swaps and foreign currency-denominated debt designated as net investment hedges to reduce exposure to translation exchange rate risk. As of March 31, 2024 and December 31, 2023, the Company recorded a deferred gain of \$172 million and \$112 million, respectively, both before taxes, for designated net investment hedges within accumulated other comprehensive income (loss).

The significant foreign currency translation adjustments during the three months ended March 31, 2024 and 2023 are shown in the following tables, which provide the percentage change in U.S. Dollar against the respective currencies and the approximate impacts of these changes recorded within other comprehensive income (loss) for the respective periods.

(in millions, except for percentages)		Three Months Ended March 31, 2024	
Euro	(2.2)%	\$	(35)
Chinese Renminbi	(1.7)%	\$	(29)
Korean Won	(3.8)%	\$	(5)

(in millions, except for percentages)		Three Months Ended March 31, 2023	
Euro	1.3 %	\$	22
Chinese Renminbi	0.4 %	\$	10
Brazilian Real	4.4 %	\$	10
Korean Won	(3.4)%	\$	(12)

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to a number of claims and judicial and administrative proceedings (some of which involve substantial amounts) arising out of the Company's business or relating to matters for which the Company may have a contractual indemnity obligation. Refer to Note 20, "Contingencies," to the Condensed Consolidated Financial Statements of this Form 10-Q for a discussion of environmental and other litigation which is incorporated herein by reference.

Item 1A. Risk Factors

During the three months ended March 31, 2024, there have been no material changes from the risk factors disclosed in the Company's Annual Report on the Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

In November 2023, the Company's Board of Directors authorized the purchase of up to \$544 million of the Company's common stock, which replaced the previous repurchase authorization. By its terms, this share repurchase authorization had an expiration date of December 31, 2027. As of March 31, 2024, the Company had repurchased \$277 million of common stock under this repurchase program. In April 2024, the Company's Board of Directors authorized the purchase of up to \$767 million of the Company's common stock, which replaces the previous authorization. By its terms, this share repurchase authorization expires on December 31, 2027. Shares purchased under this authorization may be repurchased in the open market at prevailing prices and at times and in amounts to be determined by management as market conditions and the Company's capital position warrant. The Company may use Rule 10b5-1 and 10b-18 plans to facilitate share repurchases. Repurchased shares will be deemed common stock held in treasury and may subsequently be reissued.

Employee transactions include restricted stock withheld to offset statutory minimum tax withholding that occurs upon vesting of restricted stock. The BorgWarner Inc. 2023 Stock Incentive Plan provides that the withholding obligations be settled by the Company retaining stock that is part of the award. Withheld shares will be deemed common stock held in treasury and may subsequently be reissued for general corporate purposes.

The following table provides information about the Company's purchases of its equity securities that are registered pursuant to Section 12 of the Exchange Act during the quarter ended March 31, 2024:

Issuer Purchases of Equity Securities

Period	Total number of shares purchased	Average price per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under plans or programs (in millions)
January 1, 2024 - January 31, 2024				
Common Stock Repurchase Program	—	\$ —	—	\$ 367
Employee transactions	3,254	\$ 33.79	—	
February 1, 2024 - February 29, 2024				
Common Stock Repurchase Program	—	\$ —	—	\$ 367
Employee transactions	700,681	\$ 32.33	—	
March 1, 2024 - March 31, 2024				
Common Stock Repurchase Program	3,102,693	\$ 32.23	3,102,693	\$ 267
Employee transactions	1,594	\$ 34.74	—	

Item 5. Other Information

During the three months ended March 31, 2024, no director or Section 16 officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit 10.1†	Form of 2024 BorgWarner Inc. 2023 Stock Incentive Plan Restricted Stock Agreement for Employees.*
Exhibit 10.2†	Form of 2024 BorgWarner Inc. 2023 Stock Incentive Plan Stock Units Award Agreement for Non-U.S. Employees.*
Exhibit 10.3†	Form of 2024 BorgWarner Inc. 2023 Stock Incentive Plan Performance Stock Units Award Agreement.*
Exhibit 10.4†	Change of Control Employment Agreement, dated March 1, 2024, between the Company and Craig Aaron*
Exhibit 31.1	Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer.*
Exhibit 31.2	Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer.*
Exhibit 32.1	Section 1350 Certifications.*
Exhibit 101.INS	Inline XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.*
Exhibit 101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
Exhibit 101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.*
Exhibit 101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.*
Exhibit 101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.*
Exhibit 101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.*
Exhibit 104.1	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).*

*Filed herewith.

† Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, and the undersigned also has signed this report in her capacity as the Registrant's Vice President and Chief Accounting Officer (Principal Accounting Officer).

BorgWarner Inc.

(Registrant)

By /s/ Amy B. Kulikowski

(Signature)

Amy B. Kulikowski

Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Date: May 2, 2024

**BORGWARNER INC.
2023 STOCK INCENTIVE PLAN**

Restricted Stock Award Agreement – U.S. Employees

BorgWarner, Inc., a Delaware corporation (the “Company”), hereby awards to the Employee indicated below a Restricted Stock Award (the “Award”) under the BorgWarner Inc. 2023 Stock Incentive Plan (the “Plan”), as specified below, effective as of the Grant Date, contingent on the Employee’s acceptance of the Award within ninety (90) days of the Grant Date, according to the terms and conditions of this Restricted Stock Agreement (this “Agreement”) and the Plan. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. The parties hereto agree as follows:

Grant Information:

Employee Name: [Name]

Grant Date: February 6, 2024

Number of Shares of Restricted Stock Awarded «units» Shares of Restricted Stock

Terms and Conditions:

1. Restriction Period. Except as otherwise provided in this Agreement, the Restriction Period for the Restricted Stock awarded to the Employee under this Agreement shall commence with the Grant Date set forth above and shall end, for the percentage of the Shares indicated below, on the date when the Restricted Stock shall have vested in accordance with the following schedule provided that the Employee remains continuously employed by or in the service of the Company or an Affiliate through the applicable vesting date:

<u>Vesting Date</u>	<u>Vested Percentage</u>
February 28, 2026	50% of the Awarded Shares
February 28, 2027	50% of the Awarded Shares

Notwithstanding the foregoing, if the application of the above vesting schedule would cause a fractional Share to vest, then the number of Shares that vest on such date shall be rounded down to the nearest whole number.

Prior to the date that the Restriction Period applicable to Shares of Restricted Stock lapses, the Employee shall not be permitted to sell, assign, transfer, pledge or otherwise encumber such Shares of Restricted Stock.

2. Book Entry Record. The Company shall, as soon as administratively feasible after execution of this Agreement by the Employee, direct the Company’s transfer agent for the Stock to make a book entry record showing ownership for the Restricted Stock in the name of the Employee or take other action to evidence the issuance of Restricted Stock as determined in the Company’s discretion, subject to the terms and conditions of the

Plan and this Agreement and any other restrictions pursuant to applicable laws, rules or regulations or the requirements of any national securities exchange. The Restricted Stock may be held in an account at the Company's transfer agent pending vesting.

3. Termination of Employment. Except as otherwise provided in this Section 3 or Section 4 or as otherwise determined by the Committee in its sole discretion, the Employee shall forfeit the Shares that are unvested as of the effective date of the Employee's Termination of Employment. Notwithstanding the foregoing, except as otherwise determined by the Committee, in its sole discretion, at the time of the Employee's Termination of Employment, the following provisions shall apply.
 - (a) Death or Disability. If the Employee's Termination of Employment is due to the Employee's death or Disability, then all the unvested Shares shall immediately vest.
 - (b) Retirement. If the Employee's Termination of Employment is due to Retirement, then the Committee may, in its sole discretion, cause all or a portion of the unvested Shares to vest.
 - (c) Effective Date of Termination of Employment. For purposes of this Agreement, any Termination of Employment shall be effective as of the earlier of (1) the date that the Company receives the Employee's notice of resignation of employment, or (2) the date that the Employee ceases to actively provide services. In connection with the foregoing, the applicable termination date shall not be extended by any notice period mandated under local law (e.g., "garden leave" or similar period pursuant to local law), and the Company shall have the exclusive discretion to determine when the Employee is no longer actively providing service for purposes of this Award. Notwithstanding the foregoing, the Employee will be deemed to have experienced a Termination of Employment upon the Employee's "separation from service" within the meaning of Section 409A of the Code to the extent this Award is subject to Section 409A of the Code.
1. Change in Control. In the event of a Change in Control, this Award shall be treated in accordance with Section 15 of the Plan, provided, however, that for purposes of Section 15.1(a)(5), the Employee will be considered to have terminated the Employee's employment or service for "good reason" if the Employee's termination either (a) meets the requirements set forth in Exhibit A attached to this Agreement or (b) constitutes a "good reason" termination under the Employee's employment, retention, change in control, severance or similar agreement with the successor, purchaser, the Company, or any affiliate thereof, if any.
2. Stockholder Rights. Subject to the restrictions imposed by this Agreement and the Plan, the Employee shall have, with respect to the Restricted Stock covered by this Award, all of the rights of a stockholder of the Company holding Stock, including the right to vote the Shares and the right to receive dividends; provided, however, that any cash dividends payable with respect to the Restricted Stock covered by this Award shall be automatically reinvested in additional Shares of Restricted Stock, the number of which shall be determined by multiplying (a) the number of Shares that the Employee has been issued under this Agreement as of the dividend record date that have not vested as of such record date by (b) the dividend paid on each Share, dividing the result by (c) the

Fair Market Value of a Share on the dividend payment date, and (d) rounding the result to the nearest Share. Such additional Shares so awarded shall vest at the same time, and to the same extent, as the Restricted Stock to which it relates and shall be subject to the same restrictions, terms and conditions contained herein. Dividends payable with respect to the Restricted Stock covered by this Award that are payable in Stock shall also be paid in the form of additional Shares of Restricted Stock and shall vest at the same time, and to the same extent, as the Restricted Stock to which it relates and shall be subject to the same restrictions, terms, and conditions contained herein.

3. Tax and Social Security Contributions Withholding. Regardless of any action the Company and/or the affiliate that employs the Employee (the "Employer") take with respect to any or all income tax (including U.S. federal, state and local taxes and/or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), the Employee acknowledges that the ultimate liability for all Tax-Related Items legally due by the Employee is and remains the Employee's responsibility, and the Company and the Employer: (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock, including the grant of the Restricted Stock, the vesting of the Restricted Stock, the subsequent sale of any Stock acquired pursuant to the Restricted Stock and the receipt of any dividends; and (ii) do not commit to structure the terms of the grant or any aspect of the Restricted Stock to reduce or eliminate the Employee's liability for Tax-Related Items.

If any taxing jurisdiction requires withholding of Tax-Related Items, the Company may withhold a sufficient number of whole Shares otherwise subject to this Award that have an aggregate Fair Market Value not to exceed the maximum statutory Tax-Related Items required to be withheld with respect to this Award. The cash equivalent of the Shares withheld will be used to settle the obligation to withhold the Tax-Related Items (determined by reference to the Fair Market Value of the Stock on the applicable vesting date). No fractional Shares will be withheld or issued pursuant to the grant of this Award and the issuance of Stock hereunder. Alternatively, the Company and/or the Employer may, in its discretion, withhold any amount necessary to pay the Tax-Related Items from the Employee's salary/wages or other amounts payable to the Employee, with no withholding in Shares, or may require the Employee to remit to the Company an amount of cash sufficient to satisfy withholding relating to Tax-Related Items.

In the event the withholding requirements are not satisfied through the withholding of Shares or through the withholding from the Employee's salary/wages or other amounts payable to the Employee, no Shares will be released upon vesting of the Restricted Stock unless and until satisfactory arrangements (as determined by the Committee) have been made by the Employee with respect to the payment of any Tax-Related Items which the Company and/or the Employer determine, in its sole discretion, must be withheld or collected with respect to such Restricted Stock. If the Employee is subject to taxation in more than one jurisdiction, the Employee acknowledges that the Company, the Employer or another subsidiary or Affiliate may be required to withhold or account for Tax-Related Items in more than one jurisdiction. By accepting this grant of Restricted Stock, the Employee expressly consents to the withholding of Shares and/or the withholding of amounts from the Employee's salary/wages or other amounts payable to the Employee as provided for hereunder. All other Tax-Related Items related to the

Restricted Stock and any Stock delivered under this Award are the Employee's sole responsibility.

4. Acquisition of Shares for Investment Purposes Only. By accepting this Award, the Employee hereby agrees with the Company as follows:
- (a) The Employee is acquiring the Shares covered by this Award for investment purposes only and not with a view to resale or other distribution thereof to the public in violation of the Securities Act of 1933, as amended (the "1933 Act"), and shall not dispose of any of the Shares in transactions which, in the opinion of counsel to the Company, violate the 1933 Act, or the rules and regulations thereunder, or any applicable state securities or "blue sky" laws;
 - (b) If any of the Shares covered by this Award shall be registered under the 1933 Act, no public offering (otherwise than on a national securities exchange, as defined in the Exchange Act) of any such Shares shall be made by the Employee (or any other person) under such circumstances that he or she (or any other such person) may be deemed an underwriter, as defined in the 1933 Act; and
 - (c) The Company shall have the authority to include stop-transfer orders, legends or other restrictions relating to the Shares referring to the foregoing.
5. Miscellaneous.
- (a) Non-transferability. Neither the Restricted Shares nor this Award may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or as otherwise permitted by the Company, and neither the Restricted Shares nor this Award shall be subject to execution, attachment or similar process. In addition, by accepting this Award, Employee agrees not to sell any shares of Stock acquired under this Award other than as set forth in the Plan and at a time when applicable laws, Company policies or an agreement between the Company and its underwriters do not prohibit a sale.
 - (b) Notices. Any written notice required or permitted under this Agreement shall be deemed given when delivered personally, as appropriate, either to the Employee or to the Executive Compensation Department of the Company, or when deposited in a United States Post Office as registered mail, postage prepaid, addressed, as appropriate, either to the Employee at his or her address in the Company's records or to Attention: Executive Compensation, BorgWarner Inc., at its headquarters office or such other address as the Company may designate in writing to the Employee. Notice also may be given under this Agreement to the Employee by the Company by electronic means, including e-mail or through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

- (c) Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.
- (d) Governing Law. The Award made and actions taken under the Plan and this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without taking into account its conflict of laws provisions.
- (e) Provisions of Plan. This Award is granted pursuant to the Plan, and this Award and this Agreement are in all respects governed by the Plan and subject to all of the terms and provisions thereof, whether such terms and provisions are incorporated in this Agreement solely by reference or expressly cited herein. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Employee. If there is any conflict between the terms of this Agreement and the terms of the Plan, other than with respect to any provisions relating to Termination of Employment or Change in Control, the Plan's terms shall supersede and replace the conflicting terms of this Agreement to the minimum extent necessary to resolve the conflict. Notwithstanding any terms of the Plan to the contrary, the termination provisions of Section 3 or the change in control provision of Section 4 of this Agreement control.
- (f) Section 16 Compliance. To the extent necessary to comply with, or to avoid disgorgement of profits under the short-swing matching rules of, Section 16 of the Exchange Act, the Employee shall not sell or otherwise dispose of the Shares.
- (g) No Right to Continued Employment. Nothing contained in the Plan or this Agreement shall confer upon the Employee any right to continued employment nor shall it interfere in any way with the right of the Company or any subsidiary or Affiliate to terminate the employment of the Employee at any time.
- (h) Discretionary Nature of Plan; No Right to Additional Awards. The Employee acknowledges and agrees that the Plan is discretionary in nature and limited in duration and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time. The grant of an Award under the Plan is a one-time benefit and does not create any contractual or other right to receive an Award or benefits in lieu of an Award. Future awards, if any, will be at the sole discretion of the Company, including, but not limited to, the form and timing of an award, the number of Shares subject to the award, and the vesting provisions.
- (i) Termination Indemnities. The value of this Award is an extraordinary item of compensation outside the scope of the Employee's employment contract, if any. As such, Awards are not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension, or retirement benefits or similar payments.
- (j) Acceptance of Award. By accepting this Award, the Employee agrees to accept all the terms and conditions of the Award, as set forth in this Agreement and in

the Plan. This Agreement shall not be effective as a Restricted Stock Award if a copy of this Agreement is not signed by the Employee and returned to the Company (unless the Employee accepts this award in an alternative means approved by the Company, which may include electronic acceptance) within ninety (90) days of the Grant Date. If the Employee does not sign (or accept using alternative means approved by the Company) this Agreement within ninety (90) days from the Grant Date, the Company may cancel the Award without any requirement to provide notice to the Employee. It is solely the Employee's responsibility to accept the Award.

- (k) Binding Effect. Subject to the limitations stated above, this Agreement shall be binding upon and inure to the benefit of the parties' respective heirs, legal representatives, successors, and assigns.
- (l) Amendment of the Agreement. Except as otherwise provided in the Plan, the Company and the Employee may amend this Agreement only by a written instrument signed by both parties.
- (m) Counterparts. This Agreement may be executed in one or more counterparts, all of which together shall constitute but one Agreement.
- (n) Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to this Award by electronic means. The Employee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
- (o) Entire Agreement; Headings. This Agreement is the entire agreement between the parties hereto, and all prior oral and written representations are merged into this Agreement. The headings in this Agreement are inserted for convenience and identification only and are not intended to describe, interpret, define or limit the scope, extent, or intent of this Agreement or any provision hereof.

* * * * *

IN WITNESS WHEREOF, BORGWARNER INC. and the Employee have executed this Agreement to be effective as of the date first written above.

BORGWARNER INC.

By: _____

Title: Chief Executive Officer

I acknowledge receipt of a copy of the Plan (either as an attachment hereto or that has been previously received by me) and that I have carefully read this Agreement and the Plan. I agree to be bound by all of the provisions set forth in this Agreement and the Plan.

Date [Name]

Exhibit A
To Restricted Stock Agreement for Employees

Definition of "Good Reason"

For purposes of Section 4 of the Agreement, the Employee will be treated as having terminated the Employee's employment for "good reason" if, after a Change in Control, the Employee terminates employment after any of the following events occurs:

- a) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as of the date of the Change in Control or any higher position, authority, duties or responsibilities assigned to the Employee after the date of the Change in Control, or any other diminution in the Employee's position, authority, duties or responsibilities (whether or not occurring solely as a result of the Company's ceasing to be a publicly traded entity), excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Employee; or
- b) any failure by the Company to:
 - 1. pay the Employee an annual base salary at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Employee by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Change in Control occurs; or
 - 2. provide the Employee, for each fiscal year ending during the applicable Restriction Period (or, if earlier, before the second anniversary of the effective date of the Change in Control), an annual bonus (the "Annual Bonus") opportunity at least equal to the Employee's average of the bonuses paid or payable under the Company's Management Incentive Bonus Plan, or any comparable annual bonus under any predecessor or successor plan, in respect of the last three full fiscal years prior to the date of the Change in Control (or, if the Employee was first employed by the Company after the beginning of the earliest of such three fiscal years, the average of the bonuses paid or payable under such plan(s) in respect of the fiscal years ending before the date of the Change in Control during which the Employee was employed by the Company, with such bonus being annualized with respect to any such fiscal year if the Employee was not employed by the Company for the whole of such fiscal year),in either case, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Employee; or
- c) the Company's requiring the Employee, without the Employee's consent, to:
 - 1. be based at any office or location that is more than 35 miles from the location where the Employee was employed immediately preceding the date of the Change in Control; or
 - 2. travel on Company business to a substantially greater extent than required immediately prior to the date of the Change in Control.

For purposes of this Exhibit, any good faith determination of “good reason” made by the Employee shall be conclusive.

4889-5554-6973.2

**BORGWARNER INC.
2023 STOCK INCENTIVE PLAN**

Stock Unit Award Agreement – Non-U.S. Employees

BorgWarner, Inc., a Delaware corporation (the “Company”), hereby awards to the Employee indicated below a Stock Units Award (the “Award”) under the BorgWarner Inc. 2023 Stock Incentive Plan (the “Plan”), as specified below, effective as of the Grant Date, contingent on the Employee’s acceptance of the Award within ninety (90) days of the Grant Date, according to the terms and conditions of this Stock Units Agreement (this “Agreement”) and the Plan. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. The parties hereto agree as follows:

Grant Information:

Employee Name: [Name]

Grant Date: February 6, 2024

Number of Stock Units Awarded [####] Stock Units

Each Stock Unit represents a contingent right to receive one Share (or a cash payment equivalent to the value of one Share) upon satisfaction of the conditions in this Agreement and the Plan.

Terms and Conditions:

1. Vesting of Stock Units. Subject to the terms and conditions of this Agreement and to the provisions of the Plan, the Stock Units shall vest in accordance with the following schedule, provided that the Employee remains continuously employed or in the service of the Company or an Affiliate through the applicable vesting date:

<u>Vesting Date</u>	<u>Vested Percentage</u>
February 28, 2026	50% of the Awarded Stock Units
February 28, 2027	50% of the Awarded Stock Units

Notwithstanding the foregoing, if the application of the above vesting schedule would result in the vesting of a fractional Stock Unit, then the number of Stock Units that vest on such date shall be rounded down to the nearest whole number.

2. Tracking and Settlement of Award.

- (a) Bookkeeping Account. On the Grant Date, the Company shall credit the Employee’s Stock Units to a Stock Units account established and maintained for the Employee on the books of the Company. The account shall constitute the record of the Stock Units awarded to the Employee under this Agreement, is

solely for accounting purposes, and shall not require a segregation of any Company assets.

- (b) Issuance of Shares or Cash Payment. The Company shall deliver Shares to the Employee in settlement of the Stock Units awarded by this Agreement equal to the number of the Employee's vested Stock Units (including any additional Stock Units acquired as a result of dividend equivalents that have vested). Payment shall be made to the Employee as soon as practicable on or after the specified vesting date, but in no event no later than December 31 of the year in which the vesting date occurs. Notwithstanding the foregoing, the Company may, in its sole discretion, settle the Stock Units in the form of: (i) a cash payment to the extent settlement in shares of Stock (A) is prohibited under local law, (B) would require the Employee or the Company to obtain the approval of any governmental and/or regulatory body in the Employee's country of residence (and/or country of employment, if different) or (C) is administratively burdensome; or (ii) Shares, but require the Employee to immediately sell such Shares (in which case, this Agreement shall give the Company the authority to issue sales instructions on behalf of the Employee to the extent consistent with applicable law).
3. Termination of Employment. Except as otherwise provided in this Section 3 or Section 4 or as otherwise determined by the Committee in its sole discretion, the Employee shall forfeit the Stock Units that are unvested as of the effective date of the Employee's Termination of Employment. Notwithstanding the foregoing, except as otherwise determined by the Committee, in its sole discretion, at the time of the Employee's Termination of Employment, the following provisions shall apply.
- (a) Death or Disability. If the Employee's Termination of Employment is due to the Employee's death or Disability, then all the unvested Stock Units shall immediately vest.
 - (b) Retirement. If the Employee's Termination of Employment is due to Retirement, then then Committee may, in its sole discretion, cause all or a portion of the unvested Stock Units to vest.
 - (c) Effective Date of Termination of Employment. For purposes of this Agreement, any Termination of Employment shall be effective as of the earlier of (1) the date that the Company receives the Employee's notice of resignation of employment, or (2) the date that the Employee ceases to actively provide services. In connection with the foregoing, the applicable termination date shall not be extended by any notice period mandated under local law (e.g., "garden leave" or similar period pursuant to local law), and the Company shall have the exclusive discretion to determine when the Employee is no longer actively providing service for purposes of the Stock Units. Notwithstanding the foregoing, the Employee will be deemed to have experienced a Termination of Employment upon the Employee's "separation from service" within the meaning of Section 409A of the Code to the extent this Award is subject to Section 409A of the Code.
1. Change in Control. In the event of a Change in Control, this Award shall be treated in accordance with Section 15 of the Plan, provided, however, that for purposes of Section

15.1(a)(5), an Employee will be considered to have terminated the Employee's employment or service for "good reason" if the Employee's termination either (a) meets the requirements set forth in Exhibit A attached to this Agreement or (b) constitutes a "good reason" termination under the Employee's employment, retention, change in control, severance or similar agreement with the successor, purchaser, the Company, or any affiliate thereof, if any.

2. Stockholder Rights; Dividend Equivalents.

- (a) No Stockholder Rights. Prior to the actual delivery of Shares to the Employee in settlement of the Stock Units awarded and vested hereunder (if any), the Employee shall have no rights as a stockholder with respect to the Stock Units or any underlying Shares, including but not limited to voting or dividend rights.
- (b) Dividend Equivalents. If the Company pays any cash or other dividend or makes any other distribution in respect of the Stock after the Grant Date and before the Stock Units are settled in accordance with Section 2(b) of this Agreement, the Employee's Stock Units account shall be credited with an additional number of Stock Units determined by multiplying (i) the number of Stock Units credited to the Employee on the dividend record date by (ii) the dividend paid on each Share, dividing the result of such multiplication by (iii) the Fair Market Value of a Share on the dividend payment date, and (iv) rounding the result to the nearest Stock Unit. Credits shall be made effective as of the date of the dividend or other distribution in respect of the Stock. Dividend equivalents credited to the Employee's account shall be subject to the same restrictions as the Stock Units in respect of which the dividends or other distribution were credited, including, without limitation, the Award's vesting conditions and distribution provisions.

3. Tax and Social Insurance Contributions Withholding. Regardless of any action the Company and/or the affiliate that employs the Employee (the "Employer") take with respect to any or all income tax (including U.S. federal, state and local taxes and/or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), the Employee acknowledges that the ultimate liability for all Tax-Related Items legally due by the Employee is and remains the Employee's responsibility, and the Company and the Employer: (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Stock Units, including the grant of the Stock Units, the vesting of the Stock Units, the subsequent sale of any Stock acquired pursuant to the Stock Units and the receipt of any dividends or dividend equivalents; and (ii) do not commit to structure the terms of the grant or any aspect of the Stock Units to reduce or eliminate the Employee's liability for Tax-Related Items.

Prior to the delivery of Shares upon the vesting of the Stock Units, if any taxing jurisdiction requires withholding of Tax-Related Items, the Company may withhold a sufficient number of whole Shares otherwise issuable upon the vesting of the Stock Units that have an aggregate Fair Market Value not to exceed the maximum statutory Tax-Related Items required to be withheld with respect to the Shares. The cash equivalent of the Shares withheld will be used to settle the obligation to withhold the Tax-Related Items (determined by reference to the Fair Market Value of the Stock on the applicable vesting date). No

fractional Shares will be withheld or issued pursuant to the grant of the Stock Units and the issuance of Stock hereunder. Alternatively, the Company and/or the Employer may, in its discretion, withhold any amount necessary to pay the Tax-Related Items from the Employee's salary/wages or other amounts payable to the Employee, with no withholding in Shares, or may require the Employee to remit to the Company an amount of cash sufficient to satisfy withholding relating to Tax-Related Items.

In the event the withholding requirements are not satisfied through the withholding of Shares or through the withholding from the Employee's salary/wages or other amounts payable to the Employee, no Shares will be issued upon vesting of the Stock Units unless and until satisfactory arrangements (as determined by the Committee) have been made by the Employee with respect to the payment of any Tax-Related Items which the Company and/or the Employer determine, in its sole discretion, must be withheld or collected with respect to such Stock Units. If the Employee is subject to taxation in more than one jurisdiction, the Employee acknowledges that the Company, the Employer or another subsidiary or Affiliate may be required to withhold or account for Tax-Related Items in more than one jurisdiction. By accepting this grant of Stock Units, the Employee expressly consents to the withholding of Shares and/or the withholding of amounts from the Employee's salary/wages or other amounts payable to the Employee as provided for hereunder. All other Tax-Related Items related to the Stock Units and any Stock delivered in payment thereof are the Employee's sole responsibility.

4. Acquisition of Shares for Investment Purposes Only. By accepting this Award, the Employee hereby agrees with the Company as follows:

- (a) The Employee is acquiring the Shares covered by this Award for investment purposes only and not with a view to resale or other distribution thereof to the public in violation of the Securities Act of 1933, as amended (the "1933 Act"), and shall not dispose of any of the Shares in transactions which, in the opinion of counsel to the Company, violate the 1933 Act, or the rules and regulations thereunder, or any applicable state securities or "blue sky" laws;
- (b) If any of the Shares covered by this Award shall be registered under the 1933 Act, no public offering (otherwise than on a national securities exchange, as defined in the Exchange Act) of any such Shares shall be made by the Employee (or any other person) under such circumstances that he or she (or any other such person) may be deemed an underwriter, as defined in the 1933 Act; and
- (c) The Company shall have the authority to include stop-transfer orders, legends or other restrictions relating to the Shares covered by this Agreement referring to the foregoing.

5. Miscellaneous.

- (a) Non-transferability. This Award may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or as otherwise permitted by the Company, and shall not be subject to execution, attachment or similar process. In addition, by accepting this Award, Employee agrees not to sell any shares of Stock acquired under this Award other than as set forth in the Plan and at a time when applicable laws, Company policies or an agreement between the Company and its underwriters do not prohibit a sale.
- (b) Notices. Any written notice required or permitted under this Agreement shall be deemed given when delivered personally, as appropriate, either to the Employee or to the Executive Compensation Department of the Company, or when deposited in a United States Post Office as registered mail, postage prepaid, addressed, as appropriate, either to the Employee at his or her address in the Company's records or such other address as he or she may designate in writing to the Company, or to the Attention: Executive Compensation, BorgWarner Inc., at its headquarters office or such other address as the Company may designate in writing to the Employee. Notice also may be given under this Agreement to the Employee by the Company by electronic means, including e-mail or through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
- (c) Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.
- (d) Governing Law. The Award made and actions taken under the Plan and this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without taking into account its conflict of laws provisions.
- (e) Provisions of Plan. This Award is granted pursuant to the Plan, and this Award and this Agreement are in all respects governed by the Plan and subject to all of the terms and provisions thereof, whether such terms and provisions are incorporated in this Agreement solely by reference or expressly cited herein. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Employee. If there is any conflict between the terms of this Agreement and the terms of the Plan, other than with respect to any provisions relating to Termination of Employment or Change in Control, the Plan's terms shall supersede and replace the conflicting terms of this Agreement to the minimum extent necessary to resolve the conflict. Notwithstanding any terms of the Plan to the contrary, the termination provisions of Section 3 and the change in control provisions of Section 4 of this Award control.
- (f) Section 16 Compliance. To the extent necessary to comply with, or to avoid disgorgement of profits under the short-swing matching rules of, Section 16 of the

Exchange Act, the Employee shall not sell or otherwise dispose of the Shares issued as payment for any earned Stock Units.

- (g) 409A Six Month Delay. If the Employee is a “specified employee” within the meaning of Section 409A of the Code at the time of the Employee’s Termination of Employment, then any payment made to the Employee as a result of such Termination of Employment shall be delayed for six months following the Employee’s termination to the extent required by Section 409A of the Code.
- (h) No Right to Continued Employment. Nothing contained in the Plan or this Agreement shall confer upon the Employee any right to continued employment nor shall it interfere in any way with the right of the Employer to terminate the employment of the Employee at any time.
- (i) Discretionary Nature of Plan; No Right to Additional Awards. The Employee acknowledges and agrees that the Plan is discretionary in nature and limited in duration, and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time. The grant of an Award under the Plan is a one-time benefit and does not create any contractual or other right to receive an Award or benefits in lieu of an Award. Future Awards, if any, will be at the sole discretion of the Company, including, but not limited to, the form and timing of an award, the number of Shares subject to the award, and the vesting provisions.
- (j) Termination Indemnities. The value of this Award is an extraordinary item of compensation outside the scope of the Employee’s employment contract, if any. As such, Awards are not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension, or retirement benefits or similar payments.
- (k) Acceptance of Award. By accepting this Award, the Employee agrees to accept all the terms and conditions of the Award, as set forth in this Agreement and in the Plan. This Agreement shall not be effective as a Stock Unit Award if a copy of this Agreement is not signed by the Employee and returned to the Company (unless the Employee accepts this award in an alternative means approved by the Company, which may include electronic acceptance) within ninety (90) days of the Grant Date. If the Employee does not sign (or accept using alternative means approved by the Company) this Agreement within ninety (90) days from the Grant Date, the Company may cancel the Award without any requirement to provide notice to the Employee. It is solely the Employee’s responsibility to accept the Award.
- (l) Binding Effect. Subject to the limitations stated above, this Agreement shall be binding upon and inure to the benefit of the parties’ respective heirs, legal representatives, successors, and assigns.
- (l) Amendment of the Agreement. Except as otherwise provided in the Plan, the Company and the Employee may amend this Agreement only by a written instrument signed by both parties.

- (m) Counterparts. This Agreement may be executed in one or more counterparts, all of which together shall constitute but one agreement.
- (n) Entire Agreement; Headings. This Agreement is the entire agreement between the parties hereto, and all prior oral and written representations are merged into this Agreement. The headings in this Agreement are inserted for convenience and identification only and are not intended to describe, interpret, define or limit the scope, extent, or intent of this Agreement or any provision hereof.
- (o) Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to this Award by electronic means. The Employee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
- (p) Private Placement. The grant of the Stock Units outside of the United States is not intended to be a public offering of securities in the Employee's country of residence (or country of employment, if different) but instead is intended to be a private placement. As a private placement, the Company has not submitted any registration statement, prospectus or other filings with the local securities authorities (unless otherwise required under local law), and the grant of the Stock Units is not subject to the supervision of the local securities authorities.
- (q) Consent to Collection, Processing and Transfer of Personal Data. Pursuant to applicable personal data protection laws, the Company and the Employer hereby notify the Employee of the following in relation to the Employee's personal data and the collection, use, processing and transfer of such data in relation to the Company's grant of this Award and the Employee's participation in the Plan. The collection, use, processing and transfer of the Employee's personal data is necessary for the Company's administration of the Plan and the Employee's participation in the Plan. The Employee's denial and/or objection to the collection, use, processing and transfer of personal data may affect the Employee's participation in the Plan. As such, the Employee voluntarily acknowledges and consents (where required under applicable law) to the collection, use, processing and transfer of personal data as described herein.

The Company and the Employer hold certain personal information about the Employee, including name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Stock Units, or any other entitlement to shares of Stock awarded, canceled, purchased, vested, unvested or outstanding in the Employee's favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by the Employee or collected, where lawful, from third parties, and the Company and the Employer each will process the Data for the exclusive purpose of implementing, administering and managing the Employee's participation in the Plan. The Data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated

to the purposes for which the Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations in the Employee's country of residence (and country of employment, if different). Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. Data will be accessible within the Company's organization only by those persons requiring access for purposes of the implementation, administration and operation of the Plan and for the Employee's participation in the Plan.

The Company and the Employer each will transfer Data internally as necessary for the purpose of implementation, administration and management of the Employee's participation in the Plan, and the Company and the Employer each may further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. The Employee hereby authorizes (where required under applicable law) them to receive, possess, use, retain and transfer the Data, in electronic or other form, for purposes of implementing, administering and managing the Employee's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of Stock on the Employee's behalf by a broker or other third party with whom the Employee may elect to deposit any shares of Stock acquired pursuant to the Plan.

The Employee may, at any time, exercise his or her rights provided under applicable personal data protection laws, which may include the right to (a) obtain confirmation as to the existence of the Data, (b) verify the content, origin and accuracy of the Data, (c) request the integration, update, amendment, deletion, or blockage (for breach of applicable laws) of the Data, and (d) to oppose, for legal reasons, the collection, processing or transfer of the Data which is not necessary or required for the implementation, administration and/or operation of the Plan and the Employee's participation in the Plan. The Employee may seek to exercise these rights by contacting the Employer's local HR manager or the Company's Human Resources Department.

- (r) EU Age Discrimination. For purposes of this Agreement, if the Employee is a local national of and employed in a country that is a member of the European Union, the grant of the Stock Units and the terms and conditions governing the Award are intended to comply with the age discrimination provisions of the EU Equal Treatment Framework Directive, as implemented into local law (the "Age Discrimination Rules"). To the extent a court or tribunal of competent jurisdiction determines that any provision of the Award is invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, the Company, in its sole discretion, shall have the power and authority to revise or strike such provision to the minimum extent necessary to make it valid and enforceable to the full extent permitted under local law.

- (s) Repatriation; Compliance with Laws. The Employee agrees, as a condition of the grant of the Stock Units, to repatriate all payments attributable to the Stock Units and/or cash acquired under the Plan (including, but not limited to, dividends, dividend equivalents, and any proceeds derived from the sale of the Stock acquired pursuant to the Stock Units) in accordance with all foreign exchange rules and regulations applicable to the Employee. In addition, the Employee also agrees to take any and all actions, and consents to any and all actions taken by the Company and its subsidiaries and Affiliates, as may be required to allow the Company and its subsidiaries and Affiliates to comply with all applicable laws, rules and regulations. Finally, the Employee agrees to take any and all actions as may be required to comply with the Employee's personal legal and tax obligations under all applicable laws, rules and regulations.
- (t) English Language. The Employee acknowledges and agrees that it is the Employee's express intent that this Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Stock Units, be drawn up in English. If the Employee has received this Agreement, the Plan or any other documents related to the Stock Units translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version shall control.
- (u) Additional Requirements. The Company reserves the right to impose other requirements on the Stock Units, any Shares acquired pursuant to the Stock Units, and the Employee's participation in the Plan, to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Stock Units and the Plan. Such requirements may include (but are not limited to) requiring the Employee to sign any agreements or undertakings that may be necessary to accomplish the foregoing.
- (v) Addendum. Notwithstanding any provisions herein to the contrary, the Stock Units shall be subject to any special terms and conditions for the Employee's country of residence (and country of employment, if different), as may be set forth in an addendum to this Agreement (the "Addendum"). Further, if the Employee transfers the Employee's residence and/or employment to another country reflected in an Addendum, the special terms and conditions for such country will apply to the Employee to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Stock Units and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Employee's transfer). In all circumstances, any applicable Addendum shall constitute part of this Agreement.
- (w) Clawback. Notwithstanding any provision to the contrary, any "clawback" or "recoupment" policy required under applicable law or provided for under Company policy shall automatically apply to this Award.

* * * * *

IN WITNESS WHEREOF, BORGWARNER INC. and the Employee have executed this Agreement to be effective as of the date first written above.

BORGWARNER INC.

By: _____
Title: Chief Executive Officer

I acknowledge receipt of a copy of the Plan (either as an attachment hereto or that has been previously received by me) and that I have carefully read this Agreement, the Addendum and the Plan. I agree to be bound by all of the provisions set forth in this Agreement, the Addendum and the Plan.

Date EMPLOYEE

Exhibit A
To Stock Units Award Agreement - Non-U.S. Employees

Definition of "Good Reason"

For purposes of Section 5(c) of the Agreement, the Employee will be treated as having terminated the Employee's employment for good reason if, after a Change in Control, the Employee terminates employment after any of the following events occurs:

- a) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as of the date of the Change in Control or any higher position, authority, duties or responsibilities assigned to the Employee after the date of the Change in Control, or any other diminution in the Employee's position, authority, duties or responsibilities (whether or not occurring solely as a result of the Company's ceasing to be a publicly traded entity), excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Employee; or
- b) any failure by the Company to:
 - 1. pay the Employee an annual base salary at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Employee by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Change in Control occurs; or
 - 2. provide the Employee, for each fiscal year ending prior to the second anniversary of the effective date of the Change in Control, an annual bonus (the "Annual Bonus") opportunity at least equal to the Employee's average of the bonuses paid or payable under the Company's Management Incentive Bonus Plan, or any comparable annual bonus under any predecessor or successor plan, in respect of the last three full fiscal years prior to the date of the Change in Control (or, if the Employee was first employed by the Company after the beginning of the earliest of such three fiscal years, the average of the bonuses paid or payable under such plan(s) in respect of the fiscal years ending before the date of the Change in Control during which the Employee was employed by the Company, with such bonus being annualized with respect to any such fiscal year if the Employee was not employed by the Company for the whole of such fiscal year),

in either case, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Employee; or
- c) the Company's requiring the Employee, without the Employee's consent, to:
 - 1. be based at any office or location that is more than 35 miles from the location where the Employee was employed immediately preceding the date of the Change in Control; or
 - 2. travel on Company business to a substantially greater extent than required immediately prior to the date of the Change in Control.

For purposes of this Agreement, any good faith determination of “good reason” made by the Employee shall be conclusive.

**BORGWARNER INC.
2023 STOCK INCENTIVE PLAN**

Performance Stock Units Award Agreement

BorgWarner Inc., a Delaware corporation (the “Company”) hereby awards to the Employee indicated below a Performance Stock Units Award (the “Award”) under the BorgWarner Inc. 2023 Stock Incentive Plan (the “Plan”), as specified below, effective as of the Grant Date, contingent on the Employee’s acceptance of the Award within ninety (90) days of the Grant Date, according to the terms and conditions of this Performance Stock Units Award Agreement (this “Agreement”) and the Plan. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. The parties hereto agree as follows:

Grant Information:

Employee Name: [Name]

Grant Date: February 6, 2024

Target Number of Performance Stock Units:

- (a) [XXX] TSR Performance Stock Units
- (b) [XXX] eProduct Revenue Performance Stock Units
- (c) [XXX] eProduct Adjusted Operating Margin Performance Stock Units
- (d) [XXX] Foundational Adjusted Operating Margin Performance Stock Units

Performance Period: January 1, 2024 to December 31, 2026

Performance Measures:

- (a) Company’s Total Stockholder Return (TSR) Percentile Rank Among Total Stockholder Return of the Peer Group Companies (Weighted at 25%)
- (b) eProduct Revenue (Weighted at 25%)
- (c) eProduct Adjusted Operating Margin (AOM%) (Weighted at 25%)
- (d) Foundational Adjusted Operating Margin (AOM%) (Weighted at 25%)

Terms and Conditions**1. Performance Goals.**

- (a) The number of Performance Stock Units specified in clause (a) under "Grant Information – Target Number of Performance Stock Units" to be earned under this Agreement shall be based upon the Company's Total Stockholder Return as compared to the Total Stockholder Return of companies in the Peer Group (identified in Exhibit A) for the Performance Period.

"Total Stockholder Return (TSR)" with respect to a company as of a given date means the percentage change in the value of the company's stock from the Beginning Stock Price to the Ending Stock Price calculated as the quotient of (i) the applicable Ending Stock Price minus the applicable Beginning Stock Price, divided by (ii) the applicable Beginning Stock Price as shown below.

$$\text{Total Stockholder Return ("TSR")} = \frac{\text{Ending Stock Price} - \text{Beginning Stock Price}}{\text{Beginning Stock Price}}$$

"Beginning Stock Price" with respect to any company means the average Split Adjusted closing price of such stock as reported on the New York Stock Exchange (or main listed exchange if not traded on the NYSE) during the month of December immediately prior to the first day of the Performance Period.

"Ending Stock Price" with respect to any company means the average Split Adjusted closing price of such stock as reported on the New York Stock Exchange (or main listed exchange if not traded on the NYSE) during the month of December immediately prior to the end of the Performance Period.

Finally, "Split Adjusted" closing prices will be adjusted for corporate actions including ordinary dividends, special dividends, stock dividends and stock splits.

Following the TSR determination, the Company's Percentile Rank shall be determined as follows:

$$\text{Percentile Rank} = \frac{\text{Company Rank minus one}}{\text{Total Number of Companies in the Peer Group}}$$

Company Rank shall be determined by listing, from highest TSR to lowest TSR, each company in the Peer Group plus the Company and counting up from the company with the lowest TSR.

The percent of the Target Number of Performance Stock Units specified in clause (a) under "Grant Information – Target Number of Performance Stock Units" earned under the Total Stockholder Return Performance Measure shall then be determined based on the following chart:

Company's Percentile Rank	Percent of Target Number of Performance Stock Units Earned
75 th and above	200%
65 th	160%
50 th	100%
35 th	55%
25 th	25%
Below 25 th	0%

Interpolation shall be used to determine the percent of Target Number of Performance Stock Units earned in the event the Company's Percentile Rank does not fall directly on one of the ranks listed in the above chart.

- (b) The number of Performance Stock Units specified in clause (b) under "Grant Information – Target Number of Performance Stock Units" to be earned under this Agreement shall be based upon the Company's eProduct Revenue. For this purpose, eProduct Revenue is defined as the absolute amount of the Company's total pro-forma revenue in 2026 derived from eProducts.

For this purpose, actual 2026 Company revenue derived from eProducts will be subject to the following adjustments for any acquisitions completed during calendar year 2026:

For any such acquisitions the full amount of 2026 eProduct revenue from the acquired company will be included (on a pro-forma basis), as though the acquisition had been completed on 1/1/2026.

The percent of the Target Number of Performance Stock Units specified in (b) earned under the eProduct Revenue in 2026 Performance Measure shall then be determined based on the following chart:

eProduct Revenue in 2026¹	Percent of Target Number of Performance Stock Units Earned
\$8.5B and above	200%
\$7.5B	100%
\$6.5B	50%
Less than \$6.5B	0%

¹ eProduct revenue target based on assumption of 25.2 million global light vehicle EV units and 29.1 million global Hybrid units produced in 2026. Target to be adjusted proportionately, at Compensation Committee's discretion, for actual global light vehicle EV and Hybrid production in 2026.

Interpolation shall be used to determine the percent of Target Number of Performance Stock Units earned in the event the Company's eProduct Revenue in 2026 does not fall directly into one of the values listed in the above chart.

- (c) The number of Performance Stock Units specified in clause (c) under "Grant Information – Target Number of Performance Stock Units" to be earned under this Agreement shall be based upon the Company's eProduct Adjusted Operating Margin (AOM%).

eProduct AOM% in 2026 ²	Percent of Target Number of Performance Stock Units Earned
>6.50%	200%
4.25%	100%
2.00%	50%
<2.00%	0%

Interpolation shall be used to determine the percent of Target Number of Performance Stock Units earned in the event the Company's eProduct AOM% in 2026 does not fall directly into one of the values listed in the above chart.

eProduct AOM% is defined as (a) U.S. GAAP Operating Income derived from eProducts adjusted to eliminate the impact of restructuring expense; merger, acquisition and divestiture expense; intangible asset amortization expense; other net expenses; discontinued operations; and other gains and losses not reflective of the Company's ongoing operations; in each case attributable to eProducts, divided by (b) externally reported sales derived from eProducts.

For purposes of measuring eProduct AOM% for long-term incentive purposes, "other gains and losses not reflective of the Company's ongoing operations" can potentially include (at the Compensation Committee's sole discretion) the unforeseen impact of the following:

- Litigations, legal proceedings, or other settlements
- Unusual warranty items
- Non-recurring pension- or OPEB-related expenses, including the impact of revaluations, settlements, and plan terminations
- Tariffs, duties, or other governmental or regulatory changes
- Gains or losses on disposal of assets
- Non-cash impairments of long-lived or fixed assets
- Unusual, one-time compensation expense for retired/separated executives
- New accounting pronouncements
- Significant changes in foreign exchange rates or commodity prices

² eProduct AOM% target based on assumption of 25.2 million global light vehicle EV units and 29.1 million global Hybrid units produced in 2026. Target to be adjusted proportionately, at Compensation Committee's discretion, for actual global light vehicle EV and Hybrid production in 2026.

- Other macroeconomic events

- (d) The number of Performance Stock Units specified in clause (d) under “Grant Information – Target Number of Performance Stock Units” to be earned under this Agreement shall be based upon the Company’s Foundational Adjusted Operating Margin (AOM%).

Foundational AOM% in 2026	Percent of Target Number of Performance Stock Units Earned
>16.0%	200%
15.0%	100%
14.0%	50%
<14.0%	0%

Interpolation shall be used to determine the percent of Target Number of Performance Stock Units earned in the event the Company’s Foundational AOM% in 2026 does not fall directly into one of the values listed in the above chart.

Foundational AOM% is defined as (a) U.S. GAAP Operating Income derived from Foundational products adjusted to eliminate the impact of restructuring expense; merger, acquisition and divestiture expense; intangible asset amortization expense; other net expenses; discontinued operations; and other gains and losses not reflective of the Company’s ongoing operations; in each case attributable to Foundational Products, divided by (b) externally reported sales on Foundational Products.

For purposes of measuring Foundational AOM% for long-term incentive purposes, “other gains and losses not reflective of the Company’s ongoing operations” can potentially include (at the Compensation Committee’s sole discretion) the unforeseen impact of the following:

- Litigations, legal proceedings, or other settlements
- Unusual warranty items
- Non-recurring pension- or OPEB-related expenses, including the impact of revaluations, settlements, and plan terminations
- Tariffs, duties, or other governmental or regulatory changes
- Gains or losses on disposal of assets
- Non-cash impairments of long-lived or fixed assets
- Unusual, one-time compensation expense for retired/separated executives
- New accounting pronouncements
- Significant changes in foreign exchange rates or commodity prices
- Other macroeconomic events

2. Form and Timing of Payment of Performance Stock Units The Company shall deliver to the Employee one Share in settlement of each earned Performance Stock Unit. At the end of the Performance Period, the Committee shall determine, in its sole discretion, the number of Performance Stock Units that have been earned based on the achievement of the Performance

Goals described in Section 1 of this Agreement. Except as otherwise provided in Section 4, payment shall be made as soon as administratively practicable in the year after the year in which the Performance Period ends, but in any event, no later than March 15 of the year following the year in which the Performance Period ends. Until settlement, the Performance Stock Units shall represent a mere unfunded promise to pay and shall not require the segregation of any Company assets.

3. Termination of Employment. Except as otherwise provided in this Section 3 or Section 4 or as otherwise determined by the Committee in its sole discretion, the Employee shall be eligible for payment of earned Performance Stock Units, as specified in Section 2, only if the Employee's employment with the Company continues through the end of the Performance Period and the Employee does not give notice of the Employee's voluntary Termination of Employment on or before the end of the Performance Period. Notwithstanding the foregoing, unless otherwise determined by the Committee, in its sole discretion, at the time of the Employee's Termination of Employment, the following provisions shall apply.
 - (a) Termination for Cause. If the Employee experiences a Termination of Employment for Cause at any time prior to the payment of Shares in settlement of this Award, then the Employee shall forfeit any rights under this Award, including, for the avoidance of doubt, rights with respect to any earned Performance Stock Units.
 - (b) Death, Disability, Retirement, or Involuntary Termination without Cause. If the Employee experiences a Termination of Employment prior to the end of the Performance Period due to the Employee's death, Disability, Retirement or involuntary termination without Cause, the Committee at its sole discretion, may waive the requirement that the participant must be employed by the Company through the end of the Performance Period. In such case, the Employee shall be eligible for all or a proportion of the Performance Stock Units earned (determined at the end of the Performance Period and based on actual results). Such proportion shall be calculated as follows, rounded down to the nearest whole number: (i) the total number of Performance Stock Units that the Employee would have earned absent the Employee's Termination of Employment, calculated according to Section 1 of this Agreement multiplied by (ii) a fraction, the numerator of which equals the total number of full months that the Employee was employed during the Performance Period, and the denominator of which equals the total number of full months during the Performance Period.
 - (c) Effective Date of Termination of Employment. For purposes of this Agreement, any Termination of Employment shall be effective as of the earlier of (1) the date that the Company receives the Employee's notice of resignation of employment, or (2) the date that the Employee ceases to actively provide services. In connection with the foregoing, the applicable termination date shall not be extended by any notice period mandated under local law (e.g., "garden leave" or similar period pursuant to local law), and the Company shall have the exclusive discretion to determine when the Employee is no longer actively providing services for purposes of this Award. Notwithstanding the foregoing, the Employee will be deemed to have experienced a Termination of Employment upon the Employee's "separation from service" within the meaning of Section 409A of the Code to the extent this Award is subject to Section 409A of the Code.

4. Change in Control. In the event of a Change in Control, this Award shall be treated in accordance with Section 15 of the Plan, provided, however, that for purposes of Section 15.1(a)(5), an Employee will be considered to have terminated the Employee's employment or service for "good reason" if the Employee's termination either (a) meets the requirements set forth in Exhibit B attached to this Agreement or (b) constitutes a "good reason" termination under the Employee's employment, retention, change in control, severance or similar agreement with the successor, purchaser, the Company, or any affiliate thereof, if any.
5. Stockholder Rights; Dividend Equivalents.
 - a. No Stockholder Rights. Prior to the actual delivery of Performance Stock Units to the Employee in settlement of the Performance Stock Units awarded and vested hereunder (if any), the Employee shall have no rights as a stockholder with respect to the Stock Units or any underlying Shares, including but not limited to voting or dividend rights.
 - b. Dividend Equivalents. If the Company pays any cash or other dividend or makes any other distribution in respect of the Stock before the Performance Stock Units are settled in accordance with Section 2 of this Agreement, the Employee's Performance Stock Units account shall be credited with an additional number of Performance Stock Units determined by multiplying (i) the number of Performance Stock Units credited to the Employee on the dividend record date by (ii) the dividend paid on each Share, dividing the result of such multiplication by (iii) the Fair Market Value of a Share on the dividend payment date, and (iv) rounding the result to the nearest Performance Stock Unit. Credits shall be made effective as of the date of the dividend or other distribution in respect of the Stock. Dividend equivalents credited to the Employee's account shall be subject to the same restrictions as the Performance Stock Units in respect of which the dividends or other distribution were credited, including, without limitation, the Award's vesting conditions, performance goals and distribution and forfeiture provisions.
6. Tax and Social Insurance Contributions Withholding. Regardless of any action the Company and/or the affiliate that employs the Employee (the "Employer") take with respect to any or all income tax (including U.S. federal, state and local taxes and/or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), the Employee acknowledges that the ultimate liability for all Tax-Related Items legally due by the Employee is and remains the Employee's responsibility, and the Company and the Employer: (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance Stock Units, including the grant of the Performance Stock Units, the vesting or earning of the Performance Stock Units, the subsequent sale of any Stock acquired pursuant to the Performance Stock Units and the receipt of any dividends or dividend equivalents; and (ii) do not commit to structure the terms of the grant or any aspect of the Performance Stock Units to reduce or eliminate the Employee's liability for Tax-Related Items.

Prior to the delivery of Shares upon the vesting of the Performance Stock Units, if any taxing jurisdiction requires withholding of Tax-Related Items, the Company may withhold a sufficient number of whole Shares otherwise issuable upon the vesting or earning of the Performance Stock Units that have an aggregate Fair Market Value not to exceed the maximum statutory Tax-Related Items required to be withheld with respect to the Shares. The cash equivalent of the Shares withheld will be used to settle the obligation to withhold the Tax-Related Items

(determined by reference to the Fair Market Value of the Stock on the applicable vesting date). No fractional Shares will be withheld or issued pursuant to the grant of the Performance Stock Units and the issuance of Stock hereunder. Alternatively, the Company and/or the Employer may, in its discretion, withhold any amount necessary to pay the Tax-Related Items from the Employee's salary/wages or other amounts payable to the Employee, with no withholding in Shares, or may require the Employee to remit to the Company an amount of cash sufficient to satisfy withholding relating to Tax-Related Items.

In the event the withholding requirements are not satisfied through the withholding of Shares or through the withholding from the Employee's salary/wages or other amounts payable to the Employee, no Shares will be issued upon vesting of the Performance Stock Units unless and until satisfactory arrangements (as determined by the Committee) have been made by the Employee with respect to the payment of any Tax-Related Items which the Company and/or the Employer determine, in its sole discretion, must be withheld or collected with respect to such Performance Stock Units. If the Employee is subject to taxation in more than one jurisdiction, the Employee acknowledges that the Company, the Employer or another subsidiary or Affiliate may be required to withhold or account for Tax-Related Items in more than one jurisdiction. By accepting this grant of Performance Stock Units, the Employee expressly consents to the withholding of Shares and/or the withholding of amounts from the Employee's salary/wages or other amounts payable to the Employee as provided for hereunder. All other Tax-Related Items related to the Performance Stock Units and any Stock delivered in payment thereof are the Employee's sole responsibility.

7. Acquisition of Shares for Investment Purposes Only. By accepting this Award, the Employee hereby agrees with the Company as follows:
 - (a) The Employee shall acquire the Shares issuable with respect to the Performance Stock Units granted hereunder for investment purposes only and not with a view to resale or other distribution thereof to the public in violation of the Securities Act of 1933, as amended (the "1933 Act"), and shall not dispose of any such Shares in transactions which, in the opinion of counsel to the Company, violate the 1933 Act, or the rules and regulations thereunder, or any applicable state securities or "blue sky" laws.
 - (b) If any Shares acquired with respect to the Performance Stock Units shall be registered under the 1933 Act, no public offering (otherwise than on a national securities exchange, as defined in the Exchange Act) of any such Shares shall be made by the Employee under such circumstances that he or she (or such other person) may be deemed an underwriter, as defined in the 1933 Act; and
 - (c) The Company shall have the authority to include stop-transfer orders, legends or other restrictions relating to the Shares acquired hereunder referring to the foregoing.
8. Miscellaneous.
 - (a) Non-transferability. Performance Stock Units may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or as otherwise permitted by the Company, and shall not be subject to execution, attachment or similar process. In addition, by accepting this Award, Employee agrees not to sell any shares of Stock acquired under this Award other than

as set forth in the Plan and at a time when applicable laws, Company policies or an agreement between the Company and its underwriters do not prohibit a sale.

- (b) Notices. Any written notice required or permitted under this Agreement shall be deemed given when delivered personally, as appropriate, either to the Employee or to the Executive Compensation Department of the Company, or when deposited in a United States Post Office as registered mail, postage prepaid, addressed, as appropriate, either to the Employee at his or her address in the Company's records or such other address as he or she may designate in writing to the Company, or to the Attention: Executive Compensation, BorgWarner Inc., at its headquarters office or such other address as the Company may designate in writing to the Employee. Notice also may be given under this Agreement to the Employee by the Company by electronic means, including e-mail or through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
- (c) Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.
- (d) Governing Law. This grant of Performance Stock Units and actions taken under the Plan and this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without taking into account its conflict of laws provisions.
- (e) Provisions of Plan. The Performance Stock Units provided for herein are granted pursuant to the Plan, and said Performance Stock Units and this Agreement are in all respects governed by the Plan and subject to all of the terms and provisions thereof, whether such terms and provisions are incorporated in this Agreement solely by reference or expressly cited herein. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Employee. If there is any conflict between the terms of this Agreement and the terms of the Plan, other than with respect to any provisions relating to Termination of Employment or Change in Control, the Plan's terms shall supersede and replace the conflicting terms of this Agreement to the minimum extent necessary to resolve the conflict. Notwithstanding any terms of the Plan to the contrary, the termination provisions of Section 3 and the change in control provisions of Section 4 of this Award control.
- (f) Section 16 Compliance. To the extent necessary to comply with, or to avoid disgorgement of profits under the short-swing matching rules of, Section 16 of the Exchange Act, the Employee shall not sell or otherwise dispose of the Shares issued as payment for any earned Performance Stock Units.
- (g) 409A Six Month Delay. If the Employee is a "specified employee" within the meaning of Section 409A of the Code at the time of the Employee's Termination of Employment, then any payment made to the Employee as a result of such Termination of Employment shall be delayed for six months following the Employee's termination to the extent required by Section 409A of the Code.

- (h) No Right to Continued Employment Nothing contained in the Plan or this Agreement shall confer upon the Employee any right to continued employment nor shall it interfere in any way with the right of the Employer to terminate the employment of the Employee at any time.
- (i) Discretionary Nature of Plan; No Right to Additional Awards The Employee acknowledges and agrees that the Plan is discretionary in nature and limited in duration, and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time. The grant of an Award under the Plan is a one-time benefit and does not create any contractual or other right to receive an Award or benefits in lieu of an Award. Future Awards, if any, will be at the sole discretion of the Company, including, but not limited to, the form and timing of an award, the number of Shares subject to the award, and the vesting provisions.
- (j) Termination Indemnities. The value of this Award is an extraordinary item of compensation outside the scope of the Employee's employment contract, if any. As such, Awards are not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension, or retirement benefits or similar payments.
- (k) Acceptance of Award. By accepting this Award, the Employee agrees to accept all the terms and conditions of the Award, as set forth in this Agreement and in the Plan. This Agreement shall not be effective as a Performance Stock Units Award if a copy of this Agreement is not signed by the Employee and returned to the Company (unless the Employee accepts this award in an alternative means approved by the Company, which may include electronic acceptance) within ninety (90) days of the Grant Date. If the Employee does not sign (or accept using alternative means approved by the Company) this Agreement within ninety (90) days from the Grant Date, the Company will cancel the Award without any requirement to provide notice to the Employee. It is solely the Employee's responsibility to accept the Award.
- (l) Binding Effect. Subject to the limitations stated above, this Agreement shall be binding upon and inure to the benefit of the parties' respective heirs, legal representatives' successors and assigns.
- (m) Amendment of the Agreement. Except as otherwise provided in the Plan, the Company and the Employee may amend this Agreement only by a written instrument signed by both parties.
- (n) Counterparts. This Agreement may be executed in one or more counterparts, all of which together shall constitute but one Agreement.
- (o) Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to the Performance Stock Units by electronic means. The Employee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

- (p) Entire Agreement; Headings. This Agreement is the entire agreement between the parties hereto, and all prior oral and written representations are merged into this Agreement. The headings in this Agreement are inserted for convenience and identification only and are not intended to describe, interpret, define or limit the scope, extent, or intent of this Agreement or any provision hereof.
- (q) Year. All references to “year” in this Agreement refer to the calendar year, unless otherwise stated.
- (r) Clawback Policy. This Award and any Shares or other amounts received under this Award are subject to the Company’s Compensation Recovery Policy and any other recovery, recoupment, clawback or similar policy or arrangement adopted or maintained by, or otherwise applicable to, the Company and its affiliates from time to time.

IN WITNESS WHEREOF, BORGWARNER INC. and the Employee have executed this Agreement to be effective as of the date first written above.

BORGWARNER INC.

By:

Title: Chief Executive Officer

I acknowledge receipt of a copy of the Plan (either as an attachment hereto or that has been previously received by me) and that I have carefully read this Agreement, the Addendum and the Plan. I agree to be bound by all of the provisions set forth in this Agreement, the Addendum and the Plan.

Date Employee

Exhibit A

**BorgWarner Inc.
2023 Stock Incentive Plan
Performance Stock Units Award Agreement**

The following companies represent the Peer Group:

Allison Transmission Holdings, Inc.	Fox Factory Holding Corp.	Modine Manufacturing Company
American Axle & Manufacturing Holdings, Inc.	Gentex Corporation	Standard Motor Products, Inc.
Aptiv PLC	Gentherm, Inc.	Stoneridge, Inc.
Autoliv, Inc.	Honeywell International, Inc.	Strattec Security Corporation
Commercial Vehicle Group, Inc.	Illinois Tool Works, Inc.	Superior Industries International, Inc.
Cooper-Standard Holdings, Inc.	Lear Corporation	Visteon Corporation
Dana, Inc.	LCI Industries	
Dorman Products, Inc.	Magna International, Inc.	

Exhibit B
To Performance Stock Units Agreement

Definition of "Good Reason"

For purposes of Section 4 of the Agreement, the Employee will be treated as having terminated the Employee's employment for "good reason" if, after a Change in Control, the Employee terminates employment after any of the following events occurs:

- a) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as of the date of the Change in Control or any higher position, authority, duties or responsibilities assigned to the Employee after the date of the Change in Control, or any other diminution in the Employee's position, authority, duties or responsibilities (whether or not occurring solely as a result of the Company's ceasing to be a publicly traded entity), excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Employee; or
- b) any failure by the Company to:
 - 1. pay the Employee an annual base salary at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Employee by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Change in Control occurs; or
 - 2. provide the Employee, for each fiscal year ending prior to the second anniversary of the effective date of the Change in Control, an annual bonus (the "Annual Bonus") opportunity at least equal to the Employee's average of the bonuses paid or payable under the Company's Management Incentive Bonus Plan, or any comparable annual bonus under any predecessor or successor plan, in respect of the last three full fiscal years prior to the date of the Change in Control (or, if the Employee was first employed by the Company after the beginning of the earliest of such three fiscal years, the average of the bonuses paid or payable under such plan(s) in respect of the fiscal years ending before the date of the Change in Control during which the Employee was employed by the Company, with such bonus being annualized with respect to any such fiscal year if the Employee was not employed by the Company for the whole of such fiscal year),in either case, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Employee; or
- c) the Company's requiring the Employee, without the Employee's consent, to:
 - 1. be based at any office or location that is more than 35 miles from the location where the Employee was employed immediately preceding the date of the Change in Control; or
 - 2. travel on Company business to a substantially greater extent than required immediately prior to the date of the Change in Control.

For purposes of this Exhibit, any good faith determination of "good reason" made by the Employee shall be conclusive.

*Privileged & Confidential***CHANGE OF CONTROL EMPLOYMENT AGREEMENT**

AGREEMENT by and between BorgWarner Inc., a Delaware corporation (the "Company") and Craig Aaron (the "Executive") dated as of the 1st of March 2024.

WHEREAS, the Board of Directors of the Company (the "Board"), has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat, or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the distraction from the Executive's personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company, and to provide the Executive with satisfactory and competitive compensation and benefits arrangements upon a Change of Control.

WHEREAS, because the Executive will obtain intimate and valuable knowledge and experience concerning the Company, as well as technical, financial, customer and other confidential information, as a condition to the Company's willingness to enter into this Agreement, the Company has required that the Executive execute and deliver a non-compete agreement in a form determined by the Company (the "Employee Agreement"), pursuant to which Executive has agreed not to compete with the Company or solicit the Company's employees and customers during Executive's employment with the Company and during a specified period following Executive's termination of employment with the Company.

WHEREAS, the Company would not have entered into this Agreement but for Executive's execution of the Employee Agreement and, accordingly, contemporaneous with the execution of this Agreement, the Executive and the Company have entered into the Employee Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. **Certain Definitions.** (a) The "Effective Date" shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if (i) the Executive's employment with the Company is terminated by the Company, (ii) the Date of Termination is before the date on which a Change of Control occurs, and (iii) it is reasonably demonstrated by the Executive that such termination of employment (A) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (B) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement, the "Effective Date" shall mean the date immediately prior to such Date of Termination.

(a) The "Change of Control Period" shall mean the period commencing on the date hereof and ending on the third anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate three years from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

2. Change of Control. Under this Agreement, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either

(i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or

(ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities");

provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control:

W. any acquisition directly from the Company,

X. any acquisition by the Company,

Y. any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company, or

Z. any acquisition pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation by the Company of a reorganization, statutory share exchange, merger or consolidation or similar transaction involving the Company or any of its subsidiaries or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each of the foregoing, a “Business Combination”), in each case, unless, following such Business Combination,

(i) all or substantially all of the individuals and entities that were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be,

(ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) of the entity resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such entity except to the extent that such ownership existed prior to the Business Combination and

(iii) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

3. Effect of Change of Control on Outstanding Awards. If the Executive holds any outstanding awards (“Awards”) under the Company’s 2018 Stock Incentive Plan or any successor incentive plan thereto (any “Plan”) at the Effective Date, then, unless the applicable award agreement provides a more favorable result for the Executive, the following will apply:

(a) The successor or purchaser in the Change of Control transaction may assume such Awards or provide replacement awards with terms and conditions at

least as favorable as the terms and conditions in effect prior to the Change of Control, provided that any such assumed Award or replacement award shall:

(i) have substantially equivalent economic value to the Award (as determined by the Compensation Committee of the Board as constituted immediately prior to the Change of Control (the "Committee"));

(ii) relate to a class of equity that is (or will be within five (5) business days following the Change of Control) listed to trade on a recognized securities market;

(iii) provide the Executive with rights and entitlements substantially equivalent to or better than the rights and entitlements applicable under such Award, including, but not limited to, an identical or better exercise or vesting schedule and identical or better timing and methods of payment (to the extent consistent with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), if applicable), including all provisions applicable in respect of such Award that provide for accelerated vesting;

(iv) with respect to Awards that vest upon the attainment of one or more performance goals, if the Change of Control occurs during the course of a performance period applicable to the Award, then (A) the performance goals shall be deemed to have been satisfied at the target level specified in the Executive's award agreement or, if greater, as otherwise specified by the Committee at or after grant, and (ii) any assumed or substituted award shall not include a performance objective, unless otherwise determined by the Committee; and

(v) have terms and conditions providing that, if within two (2) years following a Change of Control either (x) the successor or purchaser in the Change of Control transaction (or any affiliate thereof) terminates the Executive's employment or service without Cause or (y) the Executive terminates the Executive's employment for Good Reason, then the following provisions shall apply to any assumed Awards or replacement awards described herein:

(A) Effective upon the date of the Executive's termination of employment or service, all of the Executive's outstanding Awards or replacement awards automatically shall vest (assuming, for any Award the vesting of which is subject to performance goals for which the performance period had not been completed as of the date of such termination, that such goals had been met at the target level); and

(B) If the assumed Award or replacement award relates to a class of equity that is not then listed to trade on a recognized securities market, then, at the election of the Executive, at the time of exercise or settlement of such Awards or replacement awards, the Executive may elect to receive, in lieu of the issuance of such equity, a cash payment equal to the fair market value of the equity otherwise issuable thereunder (such payment calculated using the definition of "Fair Market Value" (or similar definition) under the Plan as applied to the

equity otherwise issuable under the assumed Award or replacement award).

(b) If the successor or purchaser in the Change of Control does not assume the Awards or issue replacement awards as provided in Section 3(a), then immediately prior to the date of the Change of Control:

(i) Any stock options and stock appreciation rights outstanding as of the date such Change of Control is determined to have occurred and not then exercisable and vested shall become fully exercisable and vested to the full extent of the original grant.

(ii) The restrictions applicable to any outstanding restricted stock shall lapse as of the date such Change of Control is determined to have occurred, and such restricted stock shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant.

(iii) The restrictions applicable to any outstanding stock units shall lapse as of the date such Change of Control is determined to have occurred, and such stock units shall become free of all restrictions and become fully vested. Payment for stock units that have vested as a result of this Section 3(b)(iii) shall occur on the time(s) or event(s) otherwise specified in the applicable award agreement.

(iv) The restrictions applicable to any outstanding performance units and performance shares shall lapse as of the date such Change of Control is determined to have occurred, the performance goals of all such outstanding performance units and performance shares shall be deemed to have been achieved at target levels, the relevant performance period shall be deemed to have ended on the effective date of the Change of Control, and all other terms and conditions thereto shall be deemed to have been satisfied. If, due to a Change of Control, a performance period is shortened, then the target performance award initially established for such performance period shall be prorated by multiplying the initial target performance award by a fraction, the numerator of which is the actual number of whole months in the shortened performance period and the denominator of which is the number of whole months in the original performance period. Payment for such performance units and performance shares that vest as a result of the Change of Control shall be made in cash or shares of the Company's common stock (as determined by the Committee) as promptly as is practicable upon such vesting, but in no event later than March 15 of the year following the year in which the performance units and performance shares shall have vested pursuant to this Section 3(b)(iv). Payment for performance units and performance shares that have vested prior to the Change of Control as a result of the Committee's waiver of payment limitations prior to the date of the Change of Control shall be made in cash or shares of the Company's common stock (as determined by the Committee):

(A) in the year following the year in which the performance period would have otherwise ended absent a Change of Control, or

(B) if earlier, as soon as practicable in the year in which the Executive has a separation from service; provided, however, that if the Executive is a "specified employee" (within the meaning of Code Section 409A) at the time of the Executive's separation from service and the Executive becomes entitled to payment of performance units or performance shares under this Section 3(b)(iv) by reason of such separation from service, payment shall be made on the first day of the seventh month following the month in which such separation from service occurs, or, if earlier, the date of the Executive's death.

Notwithstanding anything to the contrary in this Agreement, if an Award is considered deferred compensation subject to the provisions of Section 409A of the Code, and if a payment under such Award would otherwise be triggered upon a Change of Control, then the definition of Change of Control shall be deemed amended to the extent necessary to comply with Section 409A of the Code.

4. Employment Period. The Company agrees to continue the Executive in its employ, and the Executive agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, from the Effective Date and ending on the second anniversary of such date (the "Employment Period"). The Employment Period shall terminate upon the Executive's termination of employment for any reason.

5. Terms of Employment. (a) Position and Duties. (i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned to the Executive at any time during the 120-day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(i) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic, or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements, or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) after the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(a) Compensation. (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at an annual rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. The Annual Base Salary shall be paid at such intervals as the Company pays executive salaries generally. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. During the Employment Period, Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(i) Annual Bonus. The Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the average of the bonuses paid or payable to the Executive under the Company's Management Incentive Bonus Plan, or any comparable annual bonus under any predecessor or successor plan, in respect of the last three full fiscal years prior to the Effective Date (or, if the Executive was first employed by the Company after the beginning of the earliest of such three fiscal years, the average of the bonuses paid or payable under such plan(s) in respect of the fiscal years ending before the Effective Date during which the Executive was employed by the Company, with such bonus being annualized with respect to any such fiscal year if the Executive was not employed by the Company for the whole of such fiscal year) (the "Recent Average Bonus"). If the Executive has not been eligible to earn such a bonus for any period prior to the Effective Date, the "Recent Average Bonus" shall mean the Executive's target annual bonus for the year in which the Effective Date occurs. Each such Annual Bonus shall be paid no later than two and a half months after the end of the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus pursuant to an arrangement that meets the requirements of Section 409A of the Code.

(ii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable and, with respect to regular incentive opportunities, taking into account annual bonuses pursuant to Section 5(b)(ii)), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or

if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iii) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) ("Company Welfare Benefit Plans") to the extent applicable generally to other peer executives of the Company and its affiliated companies, but if the Company Welfare Benefit Plans provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date (the "Former Company Welfare Benefit Plans"), the Company shall provide the Executive with supplemental arrangements (such as individual insurance coverage purchased by the Company for the Executive) such that the Company Welfare Benefit Plans together with such supplemental arrangements provide the Executive with benefits which are at least as favorable, in the aggregate, as those provided by the Former Company Welfare Benefit Plans.

(iv) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(v) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies; provided, that such fringe benefits may be provided in cash or in kind, so long as the after-tax benefits to the Executive of such fringe benefits are not diminished in the aggregate.

(vi) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation as well as paid days off for the period between Christmas and January 1, in each case in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 365-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

6. Termination of Employment. (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 13(b) of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. Under this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days (or for 180 business days in any consecutive 365 days) as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(a) Cause. The Company may terminate the Executive's employment during the Employment Period with or without Cause. Under this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness or following the Executive's delivery of a Notice of Termination for Good Reason), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer of the Company believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board, or if the Company is not the ultimate parent entity and is not publicly-traded, the board of directors (or, for a non-corporate entity, equivalent governing body) of

the ultimate parent of the Company (the "Applicable Board") or upon the instructions of the Chief Executive Officer of the Company or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Applicable Board (excluding the Executive if the Executive is a member of the Applicable Board) at a meeting of the Applicable Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel for the Executive, to be heard before the Applicable Board), finding that, in the good faith opinion of the Applicable Board, the Executive is guilty of the conduct described in subsection (i) or (ii), and specifying the particulars thereof in detail.

(b) Good Reason. The Executive's employment may be terminated by the Executive for Good Reason or by the Executive voluntarily without Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 5(a), or any other diminution in such position, authority, duties or responsibilities (whether or not occurring solely as a result of the Company's ceasing to be a publicly traded entity), excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 5(b), other than an isolated, insubstantial, and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 5(a)(i)(B) or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 12(c).

For purposes of this Section 6(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive.

(c) Incapacity. The Executive's mental or physical incapacity following the occurrence of an event described in clauses (i) through (v) of Section 6(c) shall not affect the Executive's ability to terminate employment for Good Reason and the Executive's death following delivery of a Notice of Termination for Good Reason shall not affect the entitlement of the estate of the Executive to severance payments or benefits provided hereunder upon a termination of employment for Good Reason.

(d) Notice of Termination. Any termination of employment by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13(b). For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the Date of Termination (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the date on which the Company notifies the Executive of such termination, (iii) if the Executive resigns without Good Reason, the date on which the Executive notifies the Company of such termination and (iv) if the Executive's employment is terminated by reason of death or Disability, the date of death of the Executive or the Disability Effective Date, as the case may be. Notwithstanding the foregoing, in no event shall the Date of Termination occur until the Executive experiences a "separation from service" within the meaning of Section 409A of the Code, and notwithstanding anything contained herein to the contrary, the date on which such separation from service takes place shall be the "Date of Termination."

7. Obligations of the Company upon Termination. (a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause, Death or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

(A) the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the Executive's business expenses that are reimbursable pursuant to Section

5(b)(v) but have not been reimbursed by the Company as of the Date of Termination; (3) the Executive's Annual Bonus for the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs, if such bonus has been determined but not paid as of the Date of Termination; (4) any accrued vacation pay to the extent not theretofore paid (the sum of the amounts described in subclauses (1), (2), (3) and (4), the "Accrued Obligations") and (5) an amount equal to the product of (x) the Recent Average Bonus and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 (the "Pro Rata Bonus"); provided, that notwithstanding the foregoing, if the Executive has made an irrevocable election under any deferred compensation arrangement subject to Section 409A of the Code to defer any portion of the Annual Base Salary or the Annual Bonus described in clauses (1) or (3), then for all purposes of this Section 7 (including, without limitation, Sections 7(b) through 7(e)), such deferral election, and the terms of the applicable arrangement shall apply to the same portion of the amount described in such clause (1) or clause (3), and such portion shall not be considered as part of the "Accrued Obligations" but shall instead be an "Other Benefit" (as defined below); and

(B) the amount equal to the product of (1) three and (2) the sum of (x) the Executive's Annual Base Salary and (y) the Recent Average Bonus; and

(C) an amount equal to the product of (1) three and (2) the sum of (a) the Company Retirement Contributions (as defined in the BorgWarner Inc. Retirement Savings Plan ("RSP")) that would have been made under the RSP for the first Plan Year (as defined in the RSP) ending after the Date of Termination if there had been no Limitations (as defined below) on such Company Retirement Contributions and (b) an amount equal to the Company Matching Contributions (as defined in the RSP) that would have been made under the RSP in the first Plan Year after the Date of Termination if there had been no Limitations on such Company Matching Contributions, and assuming for these purposes that the Executive had elected to defer the maximum amount of Compensation (as defined in the RSP) permitted by the RSP (without regard to any Limitations on such deferral), and assuming for purposes of calculating the amounts in clauses (a) and (b) that the Executive had remained employed by the Company through the end of such Plan Year with compensation equal to that required by Section 5(b)(i) and Section 5(b)(ii) ("Limitations" meaning limitations contained in the RSP, the Employee Retirement Income Security Act ("ERISA") or the Code);

(ii) for eighteen months following the Date of Termination (the "Benefits Period"), the Company shall provide the Executive and his eligible dependents with medical and dental insurance coverage (the "Health Care Benefits") and life insurance benefits no less favorable to those which the Executive and his spouse and eligible dependents were receiving immediately

prior to the Date of Termination or, if more favorable to such persons, as in effect generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies; provided, however, that the Health Care Benefits shall be provided during the Benefits Period in such a manner that such benefits are excluded from the Executive's income for federal income tax purposes; provided, further, however, that if the Executive becomes re-employed with another employer and is eligible to receive health care benefits under another employer-provided plan, the health care benefits provided hereunder shall be secondary to those provided under such other plan during such applicable period of eligibility. The receipt of the Health Care Benefits shall be conditioned upon the Executive continuing to pay the Applicable COBRA Premium with respect to the level of coverage that the Executive has elected for the Executive and the Executive's spouse and eligible dependents (e.g., single, single plus one, or family). During the portion of the Benefits Period in which the Executive and his eligible dependents continue to receive coverage under the Company's Health Care Benefits plans, the Company shall pay to the Executive a monthly amount equal to the Applicable COBRA Premium in respect of the maximum level of coverage that the Executive could have elected to receive for the Executive and the Executive's spouse and eligible dependents if the Executive were still an employee of the Company during the Benefits Period (e.g., single, single plus one, or family) regardless of what level of coverage is actually elected, which payment shall be paid in advance on the first payroll day of each month, commencing with the month immediately following the Executive's Date of Termination. The Company shall use its reasonable best efforts to ensure that, following the end of the Benefit Period, the Executive and the Executive's spouse and eligible dependents shall be eligible to elect continued health coverage pursuant to Section 4980B of the Code or other applicable law ("COBRA Coverage"), as if the Executive's employment with the Company had terminated as of the end of such period. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree welfare benefits pursuant to the Company's retiree welfare benefit plans, if any, the Executive shall be considered to have remained employed until the end of the Benefit Period and to have retired on the last day of such period. For purposes of this Provision, "Applicable COBRA Premium" means the monthly premium in effect from time to time for coverage provided to former employees under Section 4980B of the Code and the regulations thereunder with respect to a particular level of coverage (e.g., single, single plus one, or family).

(iii) the Company shall, at its sole expense as incurred, provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive in the Executive's sole discretion, but the cost thereof shall not exceed \$40,000; provided, further, that such outplacement benefits shall end not later than the last day of the second calendar year that begins after the Date of Termination; and

(iv) except as otherwise set forth in the last sentence of Section 8, to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to

be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits") in accordance with the terms of the underlying plans or agreements.

Notwithstanding the foregoing provisions of Section 7(a)(i) and Section 7(a)(ii), in the event that the Executive is a "specified employee" within the meaning of Section 409A of the Code (as determined in accordance with the methodology established by the Company as in effect on the Date of Termination) (a "Specified Employee"), amounts that constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code that would otherwise be payable and benefits that would otherwise be provided under Section 7(a)(i) or Section 7(a)(ii) during the six-month period immediately following the Date of Termination (other than the Accrued Obligations) shall instead be paid, with interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code ("Interest") determined as of the Date of Termination, or provided on the first business day after the date that is six months following the Executive's Date of Termination (the "Delayed Payment Date");

(a) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, the Company shall provide the Executive's estate or beneficiaries with the Accrued Obligations and the Pro Rata Bonus and the timely payment or delivery of the Other Benefits, and shall have no other severance obligations under this Agreement. The Accrued Obligations (subject to the proviso set forth in Section 7(a)(1)(A) to the extent applicable) and the Pro Rata Bonus shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of the Other Benefits, the term "Other Benefits" as utilized in this Section 7(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits (either pursuant to a plan, program, practice or policy or an individual arrangement) at least equal to the most favorable benefits provided by the Company and the affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

(b) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, the Company shall provide the Executive with the Accrued Obligations and Pro Rata Bonus and the timely payment or delivery of the Other Benefits in accordance with the terms of the underlying plans or agreements, and shall have no other severance obligations under this Agreement. The Accrued Obligations (subject to the proviso set forth in Section 7(a)(1)(A) to the extent applicable) and the Pro Rata Bonus shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination, provided, that in the event that the Executive is a Specified Employee, the Pro Rata Bonus shall be paid, with Interest, to the

Executive on the Delayed Payment Date. With respect to the provision of the Other Benefits, the term "Other Benefits" as utilized in this Section 7(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits (either pursuant to a plan, program, practice or policy or an individual arrangement) at least equal to the most favorable of those generally provided by the Company and the affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and the affiliated companies and their families.

(c) Cause. If the Executive's employment is terminated for Cause during the Employment Period, the Company shall provide the Executive with the Executive's Annual Base Salary (subject to the proviso set forth in Section 7(a)(1)(A) to the extent applicable) through the Date of Termination, and the timely payment or delivery of the Other Benefits, and shall have no other severance obligations under this Agreement.

(d) Other than for Good Reason. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, the Company shall provide to the Executive the Accrued Obligations and the Pro Rata Bonus and the timely payment or delivery of the Other Benefits and shall have no other severance obligations under this Agreement. In such case, all the Accrued Obligations (subject to the proviso set forth in Section 7(a)(1)(A) to the extent applicable) and the Pro Rata Bonus shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination, provided, that in the event that the Executive is a Specified Employee, the Pro Rata Bonus shall be paid, with Interest, to the Executive on the Delayed Payment Date.

8. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy, or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 13(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice, or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement. Without limiting the generality of the foregoing, the Executive's resignation under this Agreement with or without Good Reason, shall in no way affect the Executive's ability to terminate employment by reason of the Executive's "retirement" under any compensation and benefits plans, programs or arrangements of the affiliated companies, including without limitation any retirement or pension plans or arrangements or to be eligible to receive benefits under any compensation or benefit plans, programs or arrangements of the Company or any of its affiliated companies, including without limitation any retirement or pension plan or

arrangement of the Company or any of its affiliated companies or substitute plans adopted by the Company or its successors, and any termination which otherwise qualifies as Good Reason shall be treated as such even if it is also a "retirement" for purposes of any such plan. Notwithstanding the foregoing, if the Executive receives payments and benefits pursuant to Section 7(a), the Executive shall not be entitled to any severance pay or benefits under any severance plan, program or policy of the Company and the affiliated companies, unless otherwise specifically provided therein in a specific reference to this Agreement.

9. Full Settlement; Legal Fees. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as specifically provided in Section 7(a)(ii), such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred (within 10 days following the Company's receipt of an invoice from the Executive), at any time from the Effective Date through the Executive's remaining lifetime (or, if longer, through the 20th anniversary of the Effective Date) to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof whether such contest is between the Company and the Executive or between either of them and any third party, and (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case Interest determined as of the date such legal fees and expenses were incurred. In order to comply with Section 409A of the Code, in no event shall the payments by the Company under this Section 9 be made later than the end of the calendar year next following the calendar year in which such fees and expenses were incurred, provided that the Executive or the Executive's estate shall have submitted an invoice for such fees and expenses at least 10 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred. The amount of such legal fees and expenses that the Company is obligated to pay in any given calendar year shall not affect the legal fees and expenses that the Company is obligated to pay in any other calendar year, and the Executive's right to have the Company pay such legal fees and expenses may not be liquidated or exchanged for any other benefit.

10. Certain Reduction of Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event the independent accounting firm then used by the Company or such other nationally recognized certified public accounting firm as may be designated by the Executive (the "Accounting Firm") shall determine that receipt of all payments, distributions or benefits provided by the Company or the affiliated companies in the nature of compensation to or for the Executive's benefit, whether paid or payable pursuant to this Agreement or otherwise (a "Payment"), would subject the Executive to the excise tax under Section 4999 of the Code, the Accounting Firm shall determine

whether to reduce any of the Payments paid or payable pursuant to this Agreement (the "Agreement Payments") to the Reduced Amount (as defined below). The Agreement Payments shall be reduced to the Reduced Amount only if the Accounting Firm determines that the Executive would have a greater Net After-Tax Receipt (as defined below) of aggregate Payments if the Executive's Agreement Payments were reduced to the Reduced Amount. If the Accounting Firm determines that the Executive would not have a greater Net After-Tax Receipt of aggregate Payments if the Executive's Agreement Payments were so reduced, the Executive shall receive all Agreement Payments to which the Executive is entitled under this Agreement.

(b) If the Accounting Firm determines that aggregate Agreement Payments should be reduced to the Reduced Amount, the Company shall promptly give the Executive notice to that effect and a copy of the detailed calculation thereof. All determinations made by the Accounting Firm under this Section 10 shall be binding upon the Company and the Executive and shall be made as soon as reasonably practicable and in no event later than fifteen (15) days following the Date of Termination. For purposes of reducing the Agreement Payments to the Reduced Amount, only amounts payable under this Agreement (and no other Payments) shall be reduced. The reduction hereunder of the amounts payable, if applicable, shall be made by reducing the Payments in the following order to the extent such Payments have not already been made at the time the reductions hereunder have become applicable: (i) the Payment with the higher ratio of the parachute payment value (as determined for purposes of Code Section 280G) to present economic value (determined using reasonable actuarial assumptions) shall be reduced or eliminated before a Payment with a lower ratio; (ii) the Payment with the later possible payment date shall be reduced or eliminated before a Payment with an earlier payment date; and (iii) cash Payments shall be reduced prior to non-cash benefits; provided that if the foregoing order of reduction or elimination would violate Section 409A of the Code, then the reduction shall be made pro rata among the Payments on the basis of the relative present value of the Payments. All fees and expenses of the Accounting Firm shall be borne solely by the Company.

(c) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Company to or for the benefit of the Executive pursuant to this Agreement which should not have been so paid or distributed ("Overpayment") or that additional amounts which will have not been paid or distributed by the Company to or for the benefit of the Executive pursuant to this Agreement could have been so paid or distributed ("Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or the Executive which the Accounting Firm believes has a high probability of success determines that an Overpayment has been made, the Executive shall pay any such Overpayment to the Company together with Interest; provided, however, that no amount shall be payable by the Executive to the Company if and to the extent such payment would not either reduce the amount on which the Executive is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be paid promptly (and in no event later than 60 days following

the date on which the Underpayment is determined) by the Company to or for the benefit of the Executive together with Interest.

(d) For purposes hereof, the following terms have the meanings set forth below:

(i) "Reduced Amount" shall mean the greatest amount of Agreement Payments that can be paid that would not result in the imposition of the excise tax under Section 4999 of the Code if the Accounting Firm determines to reduce Agreement Payments pursuant to Section 10(a).

(ii) "Net After-Tax Receipt" shall mean the present value (as determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code) of a Payment net of all taxes imposed on the Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to the Executive's taxable income for the immediately preceding taxable year, or such other rate(s) as the Accounting Firm determined to be likely to apply to the Executive in the relevant tax year(s).

(e) To the extent requested by the Executive, the Company shall cooperate with the Executive in good faith in valuing, and the Accounting Firm shall take into account the value of, services provided or to be provided by the Executive (including without limitation, the Executive agreeing to refrain from performing services pursuant to a covenant not to compete or similar covenant) before, on or after the date of a change in ownership or control of the Company (within the meaning of Q&A-2(b) of Section 280G of the Code), such that payments in respect of such services (or refraining from performing such services) may be considered reasonable compensation within the meaning of Q&A-9 and Q&A-40 to Q&A-44 of Section 280G of the Code and/or exempt from the definition of the term "parachute payment" within the meaning of Q&A-2(a) of Section 280G of the Code in accordance with Q&A-5(a) of Section 280G of the Code.

11. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate, or divulge any such information, knowledge, or data to anyone other than the Company and those persons designated by it. In no event shall an asserted violation of the provisions of this Section 11 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement, but the Company otherwise shall be entitled to all other remedies that may be available to it at law or equity.

12. Successors. (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the

Executive other than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(a) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. Except as provided in Section 12(c), without the prior written consent of the Executive this Agreement shall not be assignable by the Company.

(b) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

13. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. Subject to the last sentence of Section 13(g), this Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(a) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

At the most recent address on file with the Company

If to the Company:

BorgWarner Inc.
3850 Hamlin Road
Auburn Hills, Michigan 48326
Attention: **General Counsel**

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(b) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(c) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(d) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 6(c)(i)-(v), shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(e) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1(a), prior to the Effective Date, the Executive's employment may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

(f) The Agreement is intended to comply with the requirements of Section 409A of the Code or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A of the Code, shall in all respects be administered in accordance with Section 409A of the Code. Each payment under this Agreement shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may the Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement. If the Executive dies following the Date of Termination and prior to the payment of the any amounts delayed on account of Section 409A of the Code, such amounts shall be paid to the personal representative of the Executive's estate within 30 days after the date of the Executive's death. All reimbursements and in-kind benefits provided under this Agreement that constitute deferred compensation within the meaning of Section 409A of the Code shall be made or provided in accordance with the requirements of Section 409A of the Code, including, without limitation, that (i) in no event shall reimbursements by the Company under this Agreement be made later than the end of the calendar year next following the calendar year in which the applicable fees and expenses were incurred, provided, that the Executive shall have submitted an invoice for such fees and expenses at least 10 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred; (ii) the amount of in-kind benefits that the Company is obligated to pay or provide in any given calendar year shall not affect the in-kind benefits that the Company is obligated to pay or provide in any other calendar year; (iii) the Executive's right to have the Company pay or provide such reimbursements and in-kind benefits may not be liquidated or exchanged for any other benefit; and (iv) in no event shall the Company's obligations to make such reimbursements or to provide such in-kind benefits apply later than the Executive's remaining lifetime (or if longer, through the 20th anniversary of the Effective Date). Prior to the Effective Date but within the time period permitted by the applicable Treasury Regulations, the Company may, in consultation with the Executive, modify the Agreement, in the least restrictive manner necessary and without any diminution in the value of the payments to the Executive, in order to cause

the provisions of the Agreement to comply with the requirements of Section 409A of the Code, so as to avoid the imposition of taxes and penalties on the Executive pursuant to Section 409A of the Code.

14. Survivorship. Upon the expiration or other termination of this Agreement or the Executive's employment, the respective rights and obligations of the parties hereto shall survive to the extent necessary to carry out the intentions of the parties under this Agreement.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused this Agreement to be executed in its name on its behalf, all as of the day and year first above written.

EXECUTIVE

Craig Aaron /s/ Craig D. Aaron

BORGWARNER INC.

By: /s/ Tonit Calaway
 Tonit Calaway
 Executive Vice President, Chief Administration Officer, General Counsel and Secretary

**Certification of the Principal Executive Officer
Pursuant to 15 U.S.C. 78m(a) or 78o(d)
(Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Frederic B. Lissalde, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BorgWarner Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024

/s/ Frederic B. Lissalde

Frederic B. Lissalde

President and Chief Executive Officer

**Certification of the Principal Financial Officer
Pursuant to 15 U.S.C. 78m(a) or 78o(d)
(Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Craig D. Aaron, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BorgWarner Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024

/s/ Craig D. Aaron

Craig D. Aaron

Executive Vice President, Chief Financial Officer

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of BorgWarner Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024 (the "Report"), each of the undersigned officers of the Company certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of such officer's knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 2, 2024

/s/ Frederic B. Lissalde

Frederic B. Lissalde

President and Chief Executive Officer

/s/ Craig D. Aaron

Craig D. Aaron

Executive Vice President, Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to BorgWarner Inc. and will be retained by BorgWarner Inc. and furnished to the Securities and Exchange Commission or its staff upon request.