

“Our strategic focus proves beneficial as market shares among the global automakers shift in favor of our faster growing customers.”

GLOBAL



Our collaboration has led to better, more cost-efficient product launches, a successful move of our corporate headquarters to Auburn Hills, Michigan, an effective acquisition process and unprecedented quality and workplace safety results. In addition, we are leveraging our infrastructure within the Engine and Drivetrain groups on two Korean campuses and a single manufacturing campus in China.

Over the past few years, we have been building a robust and disciplined cost reduction process. This process touches all aspects of our business and was the reason we could manage through a situation as daunting as steep increases

powertrains of the future. BorgWarner knows more about powertrains than any other supplier, but we need to make sure we are leveraging that expertise where it counts. Our acquisition of Beru shares will help us advance in this area.

Structuring for Future Growth

We are also focused on structuring ourselves for global growth. There is a difference between operating in multiple countries and being a truly global company. We realize that we must operate differently than we have in the past. Good examples are our expansions in China and Korea. At our

processes, including information technology and supply chain management.

This report looks at those qualities that bring us together as BorgWarner people and that differentiate us from others in the industry: our continuing ability to supply innovative technology; our diversity – both in terms of our customer base and our geographic presence; our manufacturing excellence; and our financial discipline.

The auto industry expects to face another challenging year in 2005, with uncertainty about production, high commodity

“I have challenged our people to broaden the competitive gap between us and other suppliers in three key areas. These are quality and cost improvement, the use of electronic controls strategies, and harnessing the power of collaboration and teamwork – all with a focus on our vision of Product Leadership.”

in steel and other raw materials costs in 2004. We operate in a very cost-competitive environment and must continually adjust our cost structure to the realities of our marketplace.

We have made progress in harnessing our expertise in mechanical functioning of engines and torque management through software controls strategies. This expertise is a major differentiator between BorgWarner and our competitors for most of our product lines. Computer control is the “brainpower” of the powertrain, and is the critical element of

new engine and drivetrain campuses in Korea, and in China, at our recently opened office in Shanghai and expanding Ningbo manufacturing compound, we are sharing space and support services. In the past, we would have established individual operations by product line.

Our new business model is reaching beyond emerging market opportunities to the rest of our business. We want to preserve the best of our entrepreneurial heritage while taking advantage of the benefits of common systems and

prices and shifting market shares among our customers. At BorgWarner, we will continue to manage through these issues with a focus on delivering the results our stockholders have come to expect.

Timothy M. Manganello
Chairman and CEO



VISION & BELIEFS

BorgWarner Vision

BorgWarner is the recognized world leader in advanced products and technologies that satisfy customer needs in powertrain components and systems solutions.

BorgWarner Beliefs

- **Respect for Each Other**
- **The Power of Collaboration**
- **Passion for Excellence**
- **Personal Integrity**
- **Responsibility to Our Communities**