BORGWARNER INC
Form 10-K
February 10, 2011

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

Form 10-K

ANNUAL REPORT

(Mark One)

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

For the fiscal year ended December 31, 2010
OR
o 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	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No þ

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

The aggregate market value of the voting common stock of the registrant held by stockholders (not including voting common stock held by directors and executive officers of the registrant) on June 30, 2010 (the last business day of the most recently completed second fiscal quarter) was approximately $4.3 billion.

As of February 4, 2011, the registrant had 111,738,557 shares of voting common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated herein by reference into the Part of the Form 10-K indicated.

Document	**Part of Form 10-K into which incorporated**
Portions of the BorgWarner Inc. Proxy Statement for the 2011 Annual Meeting of Stockholders	Part III

BORGWARNER INC.

Form 10-K

YEAR ENDED DECEMBER 31, 2010

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EX-101 DEFINITION LINKBASE DOCUMENT

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CAUTIONARY STATEMENTS FOR FORWARD-LOOKING INFORMATION

Statements contained in this Form 10-K (including Management s Discussion and Analysis of Financial Condition and Results of Operations) may contain 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, forecasts, goal, initiative, intends, outlook, plans, potential, project, pursue, seek, should, targ variations of such words and similar expressions are intended to identify such forward-looking statements. All statements, other than statements of historical fact contained or incorporated by reference in this Form 10-K, 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 in Item 7 of this Annual Report on Form 10-K, are inherently forward-looking. These 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 in the circumstances.

You should not place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. 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. Such risks and uncertainties include: fluctuations in domestic or foreign vehicle production, the continued use by original equipment manufacturers of outside suppliers, fluctuations in demand for vehicles containing our products, changes in general economic conditions, as well as the other risks noted under Item 1A, Risk Factors and in other reports that we file with the Securities and Exchange Commission. We do not undertake any obligation to update or announce publicly any updates to or revision to any of the forward-looking statements in this Form 10-K 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 in this report, 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 not currently known to us or that we currently believe are immaterial also may impair our business, operations, liquidity, financial condition and prospects.

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PART I

Item 1. Business

BorgWarner Inc. and Consolidated Subsidiaries (the Company) is a Delaware corporation that was incorporated in 1987. We are a leading, global supplier of highly engineered automotive systems and components, primarily for powertrain applications. Our products help improve vehicle performance, fuel efficiency, stability and air quality. These products are manufactured and sold worldwide, primarily to original equipment manufacturers (OEMs) of light-vehicles (passenger cars, sport-utility vehicles, vans and light-trucks). The Company s products are also sold to other OEMs of commercial trucks, buses and agricultural and off-highway vehicles. We also manufacture and sell our products to certain Tier One vehicle systems suppliers and into the aftermarket for light and commercial vehicles. The Company operates manufacturing facilities serving customers in the Americas, Europe and Asia, and is an original equipment supplier to every major automotive OEM in the world.

Financial Information About Reporting Segments

Refer to Note 19, Reporting Segments and Related Information of the Notes to the Consolidated Financial Statements in Item 8 of this report for financial information about business segments.

Narrative Description of Reporting Segments

The Company reports its results under two reporting segments: Engine and Drivetrain. Net revenues by segment for the three years ended December 31, 2010, 2009 and 2008 are as follows :

	Year Ended December 31,		
Net Sales	**2010**	**2009**	**2008**
	(Millions of dollars)		
Engine	$ 4,060.8	$ 2,883.2	$ 3,861.5
Drivetrain	1,611.4	1,093.5	1,426.4
Inter-segment eliminations	(19.4)	(14.9)	(24.0)
Net sales	$ 5,652.8	$ 3,961.8	$ 5,263.9

The sales information presented above excludes the sales by the Company s unconsolidated joint ventures (See Joint Ventures section). Such unconsolidated sales totaled approximately $779 million in 2010, $599 million in 2009 and $792 million in 2008.

Engine

The Engine Group develops and manufactures products to manage engines for fuel efficiency, reduced emissions, and enhanced performance. Concern about fuel prices and availability, and the need to lower CO_2 emissions are driving demand for the Company s products in smaller, more efficient gasoline and diesel engines and alternative powertrains. Engine Group products currently fall into the following major categories: turbochargers, timing devices and chain products, emissions systems, thermal systems, diesel cold start and gasoline ignition technology and cabin heaters.

The Engine Group provides turbochargers for light-vehicle, commercial-vehicle and off-road applications for diesel and gasoline engine manufacturers in Europe, North America, South America and Asia. The Engine Group has greatly benefited from the growth in turbocharger demand in Europe. This growth is linked to increasing demand for diesel engines in light vehicles, which typically use turbochargers, and for turbocharged gasoline engines. Benefits of turbochargers in both light-vehicle and commercial-vehicle applications include increased power for a given engine size, improved fuel economy and significantly reduced emissions.

Sales of turbochargers for light-vehicles represented approximately 26%, 27%, and 24% of the Company s total revenues for 2010, 2009 and 2008, respectively. The Company currently supplies light-

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vehicle turbochargers to many OEMs including Volkswagen, Renault, PSA, Daimler, Hyundai, Fiat, BMW, Ford and General Motors. The Company also supplies commercial-vehicle turbochargers to Caterpillar, John Deere, Daimler, Navistar, Deutz and MAN.

The Company s newest technologies are its regulated two-stage turbocharging system known as R2S®, variable turbine geometry (VTG) turbochargers and turbochargers for gasoline direct injected engines. In 2008, the Company announced the start of production of its award winning R2S technology for Daimler s four-cylinder diesel engine range. The Company also began shipping VTG turbochargers for VW s common-rail engine range and announced the launch of a VTG turbocharger for use with low-pressure exhaust gas recirculation to reduce emissions on VW s Jetta Clean Diesel TDI. In 2010, the Company began shipping turbochargers for Ford s 3.5 liter V6 direct-injected gasoline EcoBoost engine for rear-wheel drive cars and trucks. Ford selected BorgWarner s leading gasoline turbocharger technology for their new four-cylinder EcoBoost engine, which made its global debut in 2010.

The Engine Group also designs and manufactures products to control emissions and improve fuel economy. These products include electric air pumps, turbo actuators that use integrated electronics to precisely control turbocharger speed and pressure ratio, and exhaust gas recirculation coolers, tubes and valves for gasoline and diesel applications.

The Engine Group s chain and chain systems products include timing chain and timing drive systems, variable cam timing (VCT) systems, crankshaft and camshaft sprockets, tensioners, guides and snubbers, HY-VO® front-wheel drive (FWD) transmission chain and four-wheel drive (4WD) chain, and MORSE GEMINI® chain systems for light-vehicle and commercial-vehicle applications.

The Company s timing chain systems are used on Ford s family of engines, including the Duratec, Modular and in-line four-cylinder engines, as well as on a number of Chrysler s engines, including its 3.7 liter and 4.7 liter engines, the four-cylinder World Engine and the new 3.6 liter Pentastar engine. In addition, the Company provides timing systems to a number of Asian OEMs, including Honda, Nissan, and Hyundai, and to several European OEMs. The Company believes that it is the world s leading manufacturer of timing chain systems.

The Engine Group s newest technology is its VCT with mid position lock, which allows a greater range of camshaft positioning thereby enabling greater control over airflow and the opportunity to improve fuel economy, function and efficiency compared with conventional VCT systems. BorgWarner is currently working with five OEMs to implement the technology.

The Company believes it is the world s leading manufacturer of chain for FWD transmissions and 4WD transfer cases. HY-VO chain is used to transfer power from the engine to the drivetrain. The chain in a transfer case distributes power between a vehicle s front and rear output shafts which, in turn, provide torque to the front and rear wheels. The Company s MORSE GEMINI transmission chain system emits significantly less chain pitch frequency noise than conventional transmission chain systems.

The Company also believes it is a leading global provider of engine thermal solutions for truck, agricultural and off-highway applications. The group designs, manufactures and markets viscous fan drives that control fans to sense and respond to multiple cooling requirements. The Engine Group also manufactures and markets polymer fans for engine cooling systems. The Company s thermal products provide improved vehicle fuel economy and reduced engine emissions while minimizing parasitic horsepower loss. The Company has been awarded the standard position (the OEM-designated preferred supplier of component systems available to the end-customer) at the major global heavy truck producers.

In 2005, the Company acquired approximately 69.4% of the outstanding shares of BERU Aktiengesellschaft (BERU), headquartered in Ludwigsburg, Germany. Through a series of transactions and legal actions, the Company became the only shareholder of BERU effective September 30, 2009. That company s corporate form and name was changed to BorgWarner BERU Systems GmbH (BERU Systems) in late 2009.

BERU System s operating results are included within the Company s Engine Group segment. BERU Systems is a leading global automotive supplier of diesel cold start technology (glow plugs and instant starting systems). In 2008, BERU launched its new Pressure Sensor Glow Plug with which the combustion process of a diesel engine is monitored and enhanced, allowing the lowest CO_2 and NO_x emissions possible. It also designs and manufactures gasoline ignition technology (spark plugs and ignition coils); and electronic control units and sensor technology (tire pressure sensors, diesel cabin heaters and selected sensors).

On June 2, 2009, the Company announced the purchase of advanced gasoline ignition technology and related intellectual property from Florida-based Etatech, Inc. The high-frequency ignition technology enables high-performing, lean burning engines to significantly improve fuel economy and reduce emissions compared with conventional combustion technologies.

On April 10, 2010, the Company acquired 100% of Dytech ENSA S.L. (Dytech), headquartered in Vigo, Spain. Dytech is a leading producer of exhaust gas recirculation (EGR) coolers, EGR tubes, and integrated EGR modules including valves for automotive and commercial vehicle applications, both on- and off-road.

In anticipation of market growth expected for its electric cabin heaters, the Company completed the acquisition of BERU-Eichenauer GmbH by acquiring the shares of its former joint venture partner, Eichenauer Heizelemente GmbH & Co. KG. The former 50/50 joint venture was formed in 2000 to develop and manufacture electric cabin heaters. The acquisition formally took effect on May 1, 2010.

Drivetrain

The Drivetrain Group leverages the Company s expertise in clutching and control systems to enable efficient transmission of engine torque through the vehicle drivetrain and management of torque distribution to the driven wheels. The Company s technology can improve fuel efficiency and help reduce emissions in all types of powertrains. The Drivetrain Group s major products are transmission components and systems, and all-wheel drive (AWD) torque management systems.

The Drivetrain Group designs and manufactures automatic transmission components and modules and is a supplier to virtually every major automatic transmission manufacturer in the world for both conventional automatic, new dual-clutch transmissions (DCT) and automated manual transmissions.

Friction and mechanical products include dual clutch modules, friction clutch modules, friction plates, transmission bands, torque converter clutches, one-way clutches and torsional vibration dampers. Controls products feature electro-hydraulic solenoids for standard and high pressure hydraulic systems, transmission solenoid modules and dual clutch control modules.

The Company s 50%-owned joint venture in Japan, NSK-Warner Kabushiki Kaisha (NSK-Warner), is a leading producer of friction plates and one-way clutches in Japan. NSK-Warner is also the joint venture partner with a 40% interest in the Drivetrain Group s Korean subsidiary, BorgWarner Transmission Systems Korea, Inc.

The Company has led the globalization of today s DCT technology for over ten years. Following the development of its DCT technology in the 1990s, the Company established its industry-leading position in Europe in 2003 with the production launch of its award-winning DualTronic® innovations with VW/Audi. In 2007, the Company launched its first dual-clutch technology application in a Japanese transmission with Nissan.

The Company has announced DCT programs with customers that include VW, Audi, SAIC and Nissan, in addition to Getrag DCT programs with BMW, Ford and other global automakers. Also, the Company is working on several other

DCT programs with OEMs around the world. BorgWarner DualTronic technology enables a conventional, manual gearbox to function as a fully automatic transmission by eliminating the interruption in power flow that occurs when a single clutch manual transmission shifts gears. The result is a smooth shifting automatic transmission with the fuel efficiency and great driving experience of a manual gearbox.

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On November 18, 2008, we entered into a joint venture agreement with China Automobile Development United Investment Company, a company owned by leading Chinese automakers, to produce various dual clutch transmission modules. The joint venture s operations will be located in Dalian, China and production is scheduled to begin in 2011. The Company owns 66% of the joint venture.

In conventional automatic transmissions, there has been a global market trend from four and five speeds to six, seven, and even eight speed transmissions. Transmissions with more speeds improve fuel economy and vehicle performance and offer growth opportunities.

The Drivetrain Group s torque management products include rear-wheel drive (RWD)/AWD transfer case systems, FWD/AWD electromagnetic coupling systems and advanced products. The Company s focus is on electronically controlled (active) torque management devices and systems for their vehicle dynamics, fuel economy and stability benefits.

Transfer cases are installed primarily on light-trucks, sport-utility vehicles (SUV s), rear-wheel drive based cross-over utility vehicles (CUV s) and passenger cars. A transfer case attaches to the transmission and distributes torque to the front and rear axles improving vehicle traction and stability in dynamic driving conditions.

The Company is involved in the FWD/AWD market with electromagnetic couplings that use electronically controlled clutches to distribute power to the rear wheels instantly as traction is required. The NexTrac® AWD device is our latest product innovation that produces outstanding stability and traction while promoting better fuel economy. The NexTrac AWD device launched in 2008 on the Hyundai Santa Fe, Tucson and KIA Sportage.

With the trend toward vehicle electrification gaining momentum, the Company is also applying its years of expertise to deliver robust and highly efficient single and multiple speed electric gear reduction solutions for hybrids and electric vehicles. Currently, we supply our eGearDrive(tm) single-speed gearbox to the Ford Transit Connect Electric. We are actively engaged with traditional and non-traditional OEMs on a number of other transmission programs for plug-in hybrid and electric vehicles.

On January 31, 2011, the Company acquired the Traction Systems division of Haldex Group, a leading provider of innovative all-wheel drive (AWD) products for the global vehicle industry headquartered in Stockholm, Sweden. The purchase price was approximately $205 million (1.425 billion Swedish Krona). The operating results will be reported within the Company s Drivetrain reporting segment from the date of acquisition.

This acquisition is expected to accelerate BorgWarner s growth in the global AWD market as it continues to shift toward front-wheel drive (FWD) based vehicles. The acquisition will add industry leading FWD/AWD technologies, with a strong European customer base, to BorgWarner s existing portfolio of front and rear-wheel drive based products. This enables BorgWarner to provide global customers a broader range of all-wheel drive solutions to meet their vehicle needs.

Joint Ventures

As of December 31, 2010, the Company had 11 joint ventures in which it had a less-than-100% ownership interest. Results from the eight ventures in which the Company is the majority owner are consolidated as part of the Company s results. Results from the three ventures in which the Company s effective ownership interest is 50% or less, were reported by the Company using the equity method of accounting.

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Management of the unconsolidated joint ventures is shared with the Company s respective joint venture partners. Certain information concerning the Company s joint ventures is set forth below:

Joint Venture	Products	Year Organized	Percentage Owned by the Company (a)	Location of Operation	Joint Venture Partner	Fiscal 2010 Sales (Millions of Dollars) (b)
Unconsolidated:						
NSK-Warner K.K.	Transmission components	1964	50%	Japan/China	NSK Ltd.	$ 634.7
Turbo Energy Limited(c)	Turbochargers	1987	32.6%	India	Sundaram Finance Limited; Brakes India Limited	$ 137.9
BERU Diesel Start Systems Pvt. Ltd.	Glow Plugs	1996	49%	India	Jayant Dave	$ 6.3
Consolidated:						
BorgWarner Transmission Systems Korea, Inc.	Transmission components	1987	60%(d)	Korea	NSK-Warner K.K.	$ 148.1
Divgi-Warner Pvt. Ltd.	Transfer cases and automatic locking hubs	1995	60%	India	Divgi Metalwares, Ltd.	$ 20.8
Borg-Warner Shenglong (Ningbo) Co. Ltd.	Fans and fan drives	1999	70%	China	Ningbo Shenglong Group Co., Ltd.	$ 49.7
BorgWarner TorqTransfer Systems Beijing Co. Ltd.	Transfer cases	2000	80%	China	Beijing Automotive Industry Corporation	$ 63.6
SeohanWarner Turbo Systems Ltd.	Turbochargers	2003	71%	Korea	Korea Flange Company	$ 90.0
BorgWarner United Transmission Systems Co. Ltd.	Transmission components	2009	66%	China	China Automobile Development United Investment Co., Ltd.	$
BERU Korea Co. Ltd.	Ignition coils and pumps	2001	51%	Korea	Mr. K.B. Mo and Mr. D.H. Kim	$ 45.6
BorgWarner-Vikas Emissions Systems India Private Limited	EGR coolers	2007	60%	India	Kenmore Vikas Pvt. Ltd. and Man Mohak Fin. Invest Pvt. Ltd.	$ 5.1

(a) In the second quarter of 2008, the Company and BERU completed a Domination and Profit Transfer Agreement (DPTA), giving BorgWarner full control of BERU. For the joint ventures in which BERU Systems is a party, the percentage of ownership for each joint venture reflects BERU System s ownership percentage.

(b) All sales figures are for the year ended December 31, 2010, except NSK-Warner and Turbo Energy Limited. NSK-Warner s sales are reported for the 12 months ended November 30, 2010. Turbo Energy Limited s sales are reported for the 12 months ended September 30, 2010.

(c) The Company made purchases from Turbo Energy Limited totaling $22.9 million, $24.2 million and $25.4 million for the years ended December 31, 2010, 2009, and 2008, respectively.

(d) BorgWarner Inc. owns 50% of NSK-Warner, which has a 40% interest in BorgWarner Transmission Systems Korea, Inc. This gives the Company an additional indirect effective ownership percentage of 20%. This results in a total effective ownership interest of 80%.

Financial Information About Geographic Areas

Refer to Note 19, Reporting Segments and Related Information of the Notes to the Consolidated Financial Statements in Item 8 of this report for financial information about geographic areas.

Approximately 74% of the Company s consolidated sales for 2010 were outside the United States, including exports. However, a portion of such sales were to OEMs headquartered outside the United States that produce vehicles that are, in turn, exported to the United States.

Customers

Approximately 77% of the Company s total sales in 2010 were for light-vehicle applications; 16% of the Company s sales were to a diversified group of commercial truck, bus, construction and agricultural vehicle manufacturers; and the remaining 7% to distributors of aftermarket replacement parts.

For the most recent three-year period, the Company s worldwide sales to the following customers (including their subsidiaries) were approximately as follows:

Customer	2010	2009	2008
Volkswagen	19%	22%	19%
Ford	11%	12%	9%

No other single customer accounted for more than 10% of our consolidated sales in any year of the periods presented.

The Company s automotive products are generally sold directly to OEMs substantially pursuant to negotiated annual contracts, long-term supply agreements or terms and conditions as may be modified by the parties. Deliveries are subject to periodic authorizations based upon the production schedules of the OEMs. The Company typically ships its products directly from its plants to the OEMs.

Sales and Marketing

Each of the Company s business units within its two reporting segments has its own sales function. Account executives for each of our business units are assigned to serve specific OEM customers for one or more of a business unit s products. Our account executives spend the majority of their time in direct contact with OEM purchasing and engineering employees and are responsible for servicing existing business and for identifying and obtaining new business. Because of their close relationship with OEMs, account executives are able to identify and meet customers needs based upon their knowledge of our products design and manufacturing capabilities. Upon securing a new order, account executives participate in product launch team activities and serve as a key interface with the customers.

In addition, the sales and marketing employees of our Engine segment and Drivetrain segment often work together to explore cross-development opportunities for the business units. The development of DualTronic®, the Company s wet-clutch and control-system technology for a new-concept automated transmission, is an example of a successful collaboration.

Seasonality

The Company s business is moderately seasonal because the Company s largest North American customers typically halt vehicle production for approximately two weeks in July and one week in December. Customers in Europe and Asia typically shut down vehicle production during portions of July or August and one week in the fourth quarter. Accordingly, the Company s third and fourth quarters may reflect those practices.

Research and Development

The Company conducts advanced engine and drivetrain research at the reporting segment level. This advanced engineering function looks to leverage know-how and expertise across product lines to create new engine and drivetrain systems and modules that can be commercialized. A venture capital fund that was created by the Company as seed money for new innovation and collaboration across businesses is managed by this function.

In addition, each of the Company s business units within its two reporting segments has its own research and development (R&D) organization. The Company has approximately 700 employees, including engineers, mechanics and technicians, engaged in R&D activities at facilities worldwide. The Company also operates testing facilities such as prototype, measurement and calibration, life cycle testing and dynamometer laboratories.

By working closely with the OEMs and anticipating their future product needs, the Company s R&D personnel conceive, design, develop and manufacture new proprietary automotive components and systems. R&D personnel also work to improve current products and production processes. The Company believes its commitment to R&D will allow it to obtain new orders from its OEM customers.

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

	Year Ended December 31,		
	2010	2009	2008
	(Millions of dollars)		
Gross R&D expenditures	$ 233.2	$ 219.0	$ 273.4
Customer reimbursements	(48.2)	(63.8)	(67.7)
Net R&D expenditures	$ 185.0	$ 155.2	$ 205.7

The Company s net R&D expenditures are included in the selling, general, and administrative expenses of the Consolidated Statements of Operations. Net R&D expenditures as a percentage of net sales were 3.3% in 2010 and 3.9% in both 2009 and 2008. Customer reimbursements are netted against gross R&D expenditures upon billing of services performed. The Company has contracts with several customers at the Company s various R&D locations. No such contract exceeded $6.0 million in any of the years presented.

Patents and Licenses

The Company has approximately 4,000 active domestic and foreign patents and patent applications pending or under preparation, and receives royalties from licensing patent rights to others. While it considers its patents on the whole to be important, the Company does not consider any single patent, any group of related patents or any single license essential to its operations in the aggregate or to the operations of any of the Company s business groups individually. The expiration of the patents individually and in the aggregate is not expected to have a material effect on the Company s financial position or future operating results. The Company owns numerous trademarks, some of which are valuable, but none of which are essential to its business in the aggregate.

The Company owns the BorgWarner and Borg-Warner Automotive trade names and housemarks, and variations thereof, which are material to the Company s business.

Competition

The Company s operating segments compete worldwide with a number of other manufacturers and distributors which produce and sell similar products. Many of these competitors are larger and have greater resources than the Company. Technological innovation, application engineering development, quality, price, delivery and program launch support are the primary elements of competition.

The Company s major competitors by product type follow:

Product Type: Engine	Name of Competitor
Turbochargers:	Holset (Cummins Inc.) Honeywell IHI Mitsubishi Heavy Industries (MHI)

Timing devices and chains:	Denso Iwis Schaeffler Group Tsubaki Group
Emissions systems:	Behr Pierburg Valeo
Thermal systems:	Behr Horton/Sachs Usui
Diesel cold start, gasoline ignition technology and cabin heaters:	Bosch NGK

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Product Type: Drivetrain	**Name of Competitor**
Torque transfer:	GKN Driveline JTEKT Magna Powertrain
Transmission:	Bosch Denso Dynax Schaeffler Group

In addition, a number of the Company s major OEM customers manufacture, for their own use and for others, products which compete with the Company s products. Other current OEM customers could elect to manufacture products to meet their own requirements or to compete with the Company. There can be no assurance that the Company s business will not be adversely affected by increased competition in the markets in which it operates.

For many of its products, the Company s competitors include suppliers in parts of the world that enjoy economic advantages such as lower labor costs, lower health care costs and, in some cases, export subsidies and/or raw materials subsidies. Also, see Item 1A. Risk Factors.

Workforce

As of December 31, 2010, the Company and its consolidated subsidiaries had a salaried and hourly workforce of approximately 17,500 (as compared with approximately 12,500 at December 31, 2009), of which approximately 5,000 were in the U.S. Approximately 23% of the Company s U.S. workforce is unionized. The hourly workforces at certain of our international facilities are also unionized. The Company believes its present relations with our workforce to be satisfactory.

Our only domestic collective bargaining agreement is for our Ithaca and Cortland, New York facilities. This agreement expires in September 2012.

Raw Materials

The Company uses a variety of raw materials in the production of its automotive products including steel, aluminum, copper, plastic resins, and certain alloy elements. Manufacturing operations for each of the Company s operating segments are dependent upon natural gas, fuel oil, and electricity.

Due to a global economic recovery in 2010, commodity prices increased after dropping sharply in 2009. The 2009 decline in commodity prices was due to falling global demand and oversupply.

As developed economies continue to recover and auto production accelerates, certain commodities may experience temporary shortages and inflated prices until production volumes again reach equilibrium with market demands. The Company uses a variety of tactics in order to limit the impact of supply shortages and inflationary pressures.

The Company s global procurement organization works to accelerate cost reductions, purchases from lower cost regions, supplier rationalization, risk mitigation efforts, and collaborative buying activities. In addition, the Company uses long-term contracts, cost sharing arrangements, design changes, customer buy programs, and limited financial instruments to help control costs. The Company intends to use similar measures in 2011 and beyond. Refer to Note 10, Financial Instruments of the Notes to the Consolidated Financial Statements in Item 8 of this report for information related to the Company s hedging activities.

For 2011, the Company believes that its supplies of raw materials and energy are adequate and available from multiple sources to support its manufacturing requirements.

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Available Information

Through its Internet website (www.borgwarner.com), the Company makes available, free of charge, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, and other filings with the Securities and Exchange Commission, as soon as reasonably practicable after they are filed or furnished. The Company also makes the following documents available on its Internet website: the Audit Committee Charter; the Compensation Committee Charter; the Corporate Governance Committee Charter; the Company s Corporate Governance Guidelines; the Company s Code of Ethical Conduct; and the Company s Code of Ethics for CEO and Senior Financial Officers. You may also obtain a copy of any of the foregoing documents, free of charge, if you submit a written request to Investor Relations, 3850 Hamlin Road, Auburn Hills, Michigan 48326.

Executive Officers of the Registrant

Set forth below are the names, ages, positions and certain other information concerning the executive officers of the Company as of February 10, 2011.

Name	Age	Position With Company
Timothy M. Manganello	60	Chairman and Chief Executive Officer
Robin J. Adams	57	Executive Vice President, Chief Financial Officer and Chief Administrative Officer
John Sanderson	58	Executive Vice President
Roger J. Wood	48	Executive Vice President
Jan Bertsch	54	Vice President and Treasurer
Daniel CasaSanta	56	Vice President
John J. Gasparovic	53	Vice President, General Counsel & Secretary
Ronald T. Hundzinski	52	Vice President and Controller
Janice K. McAdams	52	Vice President, Human Resources
James R. Verrier	48	Vice President
Thomas Waldhier	48	Vice President

Mr. Manganello has been Chairman of the Board since June 2003 and Chief Executive Officer of the Company since February 2003. Mr. Manganello is also a director of Bemis Company, Inc. and Zep Inc. and he serves as the Board Chairman of Federal Reserve Bank of Chicago, Detroit branch.

Mr. Adams has been Executive Vice President, Chief Financial Officer and Chief Administrative Officer since April 2004. Mr. Adams serves as a member of BorgWarner s Board of Directors. Mr. Adams also is a director of Carlisle Companies Inc.

Mr. Sanderson has been Executive Vice President of the Company and Group President and General Manager of the Drivetrain Group since January 2010. From February 2009 until December 2009 he was Vice President of the Company and President and General Manager of BorgWarner Transmission Systems Inc. From October 1999 until June 2008 he was Chief Executive Officer, Americas of Siemens VDO.

Mr. Wood has been Executive Vice President of the Company since May 2009 and Group President of the Engine Group since January 2010. He was President of BorgWarner Turbo Systems Inc. and BorgWarner Emissions Systems Inc. from August 2005 through December 2009.

Ms. Bertsch has been Vice President and Treasurer of the Company since November 30, 2009. From July 2008 through November 2009 she was Senior Vice President, Treasurer, and Chief Information Officer for Chrysler Group, LLC and Chrysler LLC. From May 2006 through June 2008 she was Vice President and Chief Information Officer of Daimler Chrysler s Chrysler Group and Mercedes Benz NAFTA organizations and Chrysler LLC. From July 2001 through April 2006 she was Vice President, Global Sales and Marketing Finance for Chrysler LLC.

Mr. CasaSanta has been Vice President of the Company and President and General Manager of BorgWarner Thermal Systems Inc. (Thermal Systems) since January 2010. He was General Manager of Thermal Systems from June 2009 through December 2009. He was President and General Manager of

BorgWarner TorqTransfer Systems Inc. (TTS) from June 2008 until June 2009. He was Vice President and General Manager of Thermal Systems from January 2003 until June 2008.

Mr. Gasparovic has been Vice President, General Counsel and Secretary of the Company since January 2007. He was Senior Vice President and General Counsel of Federal-Mogul Corporation from February 2005 until December 2006.

Mr. Hundzinski has been Vice President and Controller of the Company since April 2010. He was Vice President of Finance of BorgWarner Turbo Systems from June 2005 to April 2010.

Ms. McAdams has been Vice President, Human Resources since March 2010. She was Director of Compensation and Benefits from May 2005 to March 2010. She was Vice President of Human Resources at Metaldyne from January 2004 until December 2004.

Mr. Verrier has been Vice President of the Company and President and General Manager of BorgWarner Morse TEC Inc. (Morse TEC) since January 2010. He was Vice President and General Manager, Passenger Car of BorgWarner Turbo Systems Inc. from January 2006 through December 2009. He was Vice President and General Manager of BorgWarner Turbo Europe from November 2004 until January 2006.

Mr. Waldhier has been Vice President of the Company since November 2008 and President and General Manager of BorgWarner BERU and Emissions Systems since January 2010. He was Chief Executive Officer of BERU from October 2007 through December 2009 when it ceased to be a publicly held German company. He was Executive Vice President and Chief Operating Officer of SAS Automotive from April 2004 until October 2007.

Item 1A. Risk Factors

The following risk factors and other information included in this Annual Report on Form 10-K should be considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impact our business operations. If any of the following risks occur, our business including its financial performance, financial condition, operating results and cash flows could be materially adversely affected.

Our industry is cyclical and our results of operations will be adversely affected by industry downturns.

Automotive and truck production and sales are cyclical and sensitive to general economic conditions and other factors including interest rates, consumer credit, and consumer spending and preferences. Economic declines that result in significant reduction in automotive or truck production would have a material adverse effect on our sales to original equipment manufacturers.

We continue to take steps to realign and resize our production capacity and cost structure to meet current and projected operational and market requirements. Significant declines in the automotive industry and financial declines and restructurings by our significant customers may make it necessary to take restructuring actions and charges.

We are dependent on market segments that use our key products. Decreased demand in those segments could adversely affect our business.

Some of our products, in particular turbochargers, are currently used primarily in diesel passenger cars and commercial vehicles. Any significant reduction in production in these market segments or loss of business in these market segments could have a material adverse effect on our sales to original equipment manufacturers.

We face strong competition.

We compete worldwide with a number of other manufacturers and distributors that produce and sell products similar to ours. Price, quality, delivery, technological innovation, application engineering development and program launch support are the primary elements of competition. Our competitors include vertically

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integrated units of our major original equipment manufacturer customers, as well as a large number of independent domestic and international suppliers. We are not as large as a number of these companies and do not have as many financial or other resources. The competitive environment has changed dramatically over the past few years as our traditional U.S. original equipment manufacturer customers, faced with intense international competition, have expanded their worldwide sourcing of components. As a result, we have experienced competition from suppliers in other parts of the world that enjoy economic advantages, such as lower labor costs, lower health care costs and, in some cases, export or raw materials subsidies. Increased competition could adversely affect our businesses.

We are under substantial pressure from original equipment manufacturers to reduce the prices of our products.

There is substantial and continuing pressure on original equipment manufacturers to reduce costs, including costs of products we supply. Although original equipment manufacturers have indicated that they will continue to rely on outside suppliers, a number of our major original equipment manufacturer customers manufacture products for their own uses that directly compete with our products. These original equipment manufacturers could elect to manufacture such products for their own uses in place of the products we currently supply. We believe that our ability to develop proprietary new products and to control our costs will allow us to remain competitive. However, we cannot assure you that we will be able to improve or maintain our gross margins on product sales to original equipment manufacturers or that the trend by original equipment manufacturers towards outsourcing will continue.

Annual price reductions to original equipment manufacturer customers appear to have become a permanent feature of our business environment. To maintain our profit margins, we seek price reductions from our suppliers, improve production processes to increase manufacturing efficiency, update product designs to reduce costs and develop new products, the benefits of which support stable or increased prices. Our ability to pass through increased raw material costs to our original equipment manufacturer customers is limited, with cost recovery often less than 100% and often on a delayed basis. We cannot assure you that we will be able to reduce costs in an amount equal to annual price reductions, increases in raw material costs, and increases in employee wages and benefits.

We are sensitive to the effects of our major customers labor relations.

All three of our primary North American customers, Ford, Chrysler and General Motors, have major union contracts with the United Automobile, Aerospace and Agricultural Implement Workers of America. Because of domestic original equipment manufacturers dependence on a single union, we are affected by labor difficulties and work stoppages at original equipment manufacturers facilities. Similarly, a majority of our global customers operations outside of North America are also represented by various unions. Any extended work stoppage could have an adverse effect on our business.

Part of our labor force is unionized which could subject us to work stoppages.

As of December 31, 2010, approximately 23% of our U.S. workforce was unionized. Our only domestic collective bargaining agreement is for our Ithaca and Cortland, New York facilities. This agreement expires in September 2012. The hourly employees at certain of our international facilities are also unionized. While we believe that our relations with our employees are satisfactory, a prolonged dispute with our employees could have an adverse effect on our business.

We are subject to extensive environmental regulations.

Our operations are subject to laws governing, among other things, emissions to air, discharges to waters and the generation, handling, storage, transportation, treatment and disposal of waste and other materials. We believe that our business, operations and activities have been and are being operated in compliance in all material respects with applicable environmental, health and safety laws. However, the operation of automotive parts manufacturing plants entails risks in these areas, and we cannot assure you that we will not incur material costs or liabilities as a result. Furthermore, through various acquisitions over the years, we have acquired a number of manufacturing facilities, and we cannot assure you that we will not incur material costs and liabilities relating to activities that predate our ownership. In addition, potentially significant expenditures could be required in order to comply with evolving environmental, health and safety laws that may be adopted in the future.

We have contingent liabilities related to environmental, product warranties, regulatory matters, litigation and other claims.

We and certain of our 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 at various hazardous waste disposal sites under the Comprehensive Environmental Response, Compensation and Liability Act and equivalent state laws. As a result, as of December 31, 2010, we may be liable for the cost of clean-up and other remedial activities at 38 of these sites.

We work with outside experts to determine a range of potential liability for environmental sites. The ranges for each individual site are then aggregated into a loss range for the total accrued liability. Management s estimate of the loss range for environmental liability, including conditional asset retirement obligations, for 2010 is between approximately $27 million and $42 million. We record an accrual at the most probable amount within the range unless one cannot be determined; in which case we record the accrual at the low end of the range. Based on information available to us, we have established an accrual in our financial statements for indicated environmental liabilities of $29.2 million, which includes our conditional asset retirement obligation under ASC Topic 410 of $1.2 million at December 31, 2010. We currently expect the substantial portion of this amount to be expended over the next three to five years.

We provide warranties to our customers for some of our products. Under these warranties, we may be required to bear costs and expenses for the repair or replacement of these products. We cannot assure you that costs and expenses associated with these product warranties will not be material, or that those costs will not exceed any amounts accrued for such warranties in our financial statement. Based upon information available to us, we have established an accrual in our financial statements for product warranties of $66.8 million at December 31, 2010.

We are also party to, or have an obligation to defend a party to, various legal proceedings, including those described in Note 14 to the Notes to the Consolidated Financial Statements in the Company s Annual Report on Form 10-K.

We are currently, and may in the future become, subject to legal proceedings and commercial or contractual disputes. These claims typically arise in the normal course of business and may include, but not be limited to, commercial or contractual disputes with our suppliers, intellectual property matters and employment claims. There is a possibility that such claims may have an adverse impact on our business that is greater than we anticipate.

Our growth strategy may prove unsuccessful.

We have a stated goal of increasing revenues and operating income at a rate greater than global vehicle production by increasing content per vehicle with innovative new components and through select acquisitions. We may not meet our goal because of any of the following: (a) the failure to develop new products which will be purchased by our customers; (b) technology changes rendering our products obsolete; (c) a reversal of the trend of supplying systems (which allows us to increase content per vehicle) instead of components; and (d) the failure to find suitable acquisition targets or the failure to integrate operations of acquired businesses quickly and cost effectively.

We are subject to risks related to our international operations.

We have manufacturing and technical facilities in many regions and countries, including North America, Europe, China, India, South Korea, Japan, and Brazil and sell our products worldwide. For 2010, approximately 74% of our sales were outside North America. Consequently, our results could be affected by changes in trade, monetary and fiscal policies, trade restrictions or prohibitions, import or other charges or taxes, and fluctuations in foreign currency exchange rates, limitations on the repatriation of funds, changing economic conditions, social unrest, political instability and disputes, and international terrorism. Compliance with multiple and potentially conflicting laws and regulations of various countries is burdensome and expensive. See Note 19, Reporting Segments and Related Information to Consolidated Financial Statements in the Company s Annual Report on Form 10-K, regarding the size of our international operations.

We may not realize sales represented by awarded business.

We base our growth projections, in part, on commitments made by our customers. These commitments generally renew yearly during a program life cycle. If actual production orders from our customers do not approximate such commitments, it could adversely affect our business.

We are impacted by the rising cost of providing pension and other post employment benefits.

The automotive industry, like other industries, continues to be impacted by the rising cost of providing pension and other post employment benefits. To partially address this impact, we continue to make adjustments to certain retiree medical and pension plans. See Note 11, Retirement Benefit Plans to the Consolidated Financial Statements in the Company s Annual Report on Form 10-K.

Certain defined benefit pension plans we sponsor are currently underfunded.

We sponsor certain defined benefit pension plans worldwide that are underfunded and will require cash payments. Additionally, if the performance of the assets in our pension plans does not meet our expectations, or if other actuarial assumptions are modified, our required contributions may be higher than we expect. See Note 11, Retirement Benefit Plans to the Consolidated Financial Statements in the Company s Annual Report on Form 10-K.

Negative or unexpected tax consequences could adversely affect our business.

Adverse changes in the underlying profitability and financial outlook of our operations in several jurisdictions could lead to changes in our valuation allowances against deferred tax assets and other tax accruals that could adversely affect our financial performance.

Additionally, we are subject to tax audits by governmental authorities in the U.S. and numerous non-U.S. jurisdictions. Because the results of tax audits are inherently uncertain, negative or unexpected results from one or more such tax audits could adversely affect our business.

We rely on sales to major customers.

We rely on sales to original equipment manufacturers around the world. Supply to several of these customers requires significant investment by the Company in working capital, plant and equipment. Some of our customers are rated by the credit rating agencies as below investment grade. The loss of sales to a major customer, due to any of a variety of factors including non-renewal of purchase orders, the customer s financial hardship or other unforeseen reasons, could adversely affect our business.

Furthermore, some of our sales are concentrated. Our worldwide sales in 2010 to Volkswagen and Ford constituted approximately 19% and 11%, respectively, of our 2010 consolidated sales.

Suppliers economic distress could result in the disruption of our operations and could adversely affect our business.

Rapidly changing industry conditions such as volatile production volumes; credit tightness; changes in foreign currencies; raw material, commodity, transportation, and energy price escalation; drastic changes in consumer preferences; and others could adversely affect our supply chain, and sometimes with little advanced notice. These conditions could also result in increased commercial disputes and supply

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interruption risks. In certain instances, it would be difficult and expensive for us to change suppliers that are critical to our business. On occasion, we must provide financial support to distressed suppliers or take other measures to protect our supply lines. While we have taken definite actions to mitigate these factors, we cannot predict with certainty the potential adverse effects these costs might have on our business.

We continue to face highly volatile commodity costs used in the production of our products.

The Company uses a variety of commodities (including steel, nickel, copper, aluminum, plastic resins, other raw materials and energy) and materials purchased in various forms such as castings, powder metal, forgings, stampings, and bar stock. Increasing commodity costs will have an impact on our results. We have sought to alleviate the impact of increasing costs by including a material pass-through provision in our customer contracts wherever possible or by selectively hedging certain commodity exposures. Customers frequently challenge these contractual provisions and rarely pay the full cost of any materials increases. The discontinuation of ability to pass-through or hedge increasing commodity costs would adversely affect our business.

From time to time, commodity prices may also fall rapidly. When this happens, suppliers may withdraw capacity from the market until prices improve which may cause periodic supply interruptions. The same may be true of our transportation carriers and energy providers.

We could be adversely affected by supply shortages of components from our suppliers.

In an effort to manage and reduce the cost of purchased goods and services, we have been rationalizing our supply base. As a result, we are dependent on fewer sources of supply for certain components used in the manufacture of our products. The Company selects suppliers based on total value (including total landed price, quality, delivery, and technology), taking into consideration their production capacities and financial condition. We expect that they will deliver to our stated written expectations.

However, there can be no assurance that capacity limitations, labor unrest, weather emergencies, commercial disputes, government actions, riots, wars, sabotage, non-conforming parts, acts of terrorism, Acts of God , or other problems experienced by our suppliers will not result in occasional shortages or delays in their supply of components to us. If we were to experience a significant or prolonged shortage of critical components from any of our suppliers and could not procure the components from other sources, we would be unable to meet the production schedules for some of our key products and could miss customer delivery expectations. This would adversely affect our customer relations and business.

A downgrade in the ratings of our debt could restrict our ability to access the debt capital markets.

Changes in the ratings that rating agencies assign to our debt may ultimately impact our access to the debt capital markets and the costs we incur to borrow funds. If ratings for our debt fall below investment grade, our access to the debt capital markets could become restricted.

Additionally, our revolving credit agreement includes an increase in interest rates if the ratings for our debt are downgraded. The interest costs on our revolving credit agreement are based on a rating grid agreed to in our credit agreement. Further, an increase in the level of our indebtedness and related interest costs may increase our vulnerability to adverse general economic and industry conditions and may affect our ability to obtain additional financing.

Conditions in the automotive industry may adversely affect our business.

Our financial performance depends on conditions in the global automotive industry. Original equipment manufacturers have experienced difficulties from a weakened economy and tightened credit markets. If our customers reduce their orders to us, it would adversely affect our results of operations. A prolonged downturn in the automotive industry or a significant product mix shift due to consumer demand could require us to shut down plants or incur impairment charges. Continued uncertainty relating to the financial condition of automakers may adversely affect our business.

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We are subject to possible insolvency of financial counterparties.

The Company engages in numerous financial transactions and contracts including insurance policies, letters of credit, credit line agreements, financial derivatives, and investment management agreements involving various counterparties. The Company is subject to the risk that one or more of these counterparties may become insolvent and therefore be unable to discharge its obligations under such contracts.

We are subject to possible insolvency of outsourced service providers.

The Company relies on third party service providers for administration of workers compensation claims, health care benefits, pension benefits, stockholder and bondholder registration and similar services. These service providers contribute to the efficient conduct of the Company s business. Insolvency of one or more of these service providers could adversely affect our business.

Our business success depends on attracting and retaining qualified personnel.

Our ability to sustain and grow our business requires us to hire, retain and develop a highly skilled and diverse management team and workforce worldwide. Any unplanned turnover or inability to attract and retain key employees in numbers sufficient for our needs could adversely affect our business.

We are subject to business continuity risks associated with increasing centralization of our information technology systems.

To improve efficiency and reduce costs, we have regionally centralized the information systems that support our business processes such as invoicing, payroll and general management operations. If the centralized systems are disrupted or disabled, key business processes could be interrupted, which could adversely affect our business.

A variety of other factors could adversely affect our business.

Any of the following could materially and adversely affect our business: the loss of or changes in supply contracts or sourcing strategies of our major customers or suppliers; start up expenses associated with new vehicle programs or delays or cancellation of such programs, underutilization of our manufacturing facilities, which can be dependent on a single product line or customer; inability to recover engineering and tooling costs; market and financial consequences of recalls that may be required on products we supplied; delays or difficulties in new product development; the possible introduction of similar or superior technologies by others; and global excess capacity and vehicle platform proliferation.

Item 1B. Unresolved Staff Comments

The Company has received no written comments regarding its periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of its 2010 fiscal year that remain unresolved.

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Item 2. Properties

As of December 31, 2010, the Company had 57 manufacturing, assembly, and technical locations worldwide. In addition to its 14 U.S. locations, the Company has nine locations in Germany; six locations in Korea; five locations in India; four locations in China; three locations in Japan and Mexico; two locations in United Kingdom, France and Spain and one location in each of Brazil, Hungary, Ireland, Italy, Monaco, Poland and Portugal. The Company also has several sales offices, warehouses and technical centers. The Company s worldwide headquarters are located in a leased facility in Auburn Hills, Michigan. In general, the Company believes its facilities to be suitable and adequate to meet its current and reasonably anticipated needs.

The following is additional information concerning the principal manufacturing, assembly, and technical facilities operated by the Company, its subsidiaries, and affiliates.(a)

ENGINE

Americas:	Europe:	Asia:
Asheville, North Carolina	Arcore, Italy	Aoyama, Japan
Auburn Hills, Michigan	Bradford, England	Changwon, South Korea(b)
Cadillac, Michigan	Bretten, Germany	Chennai, India
Campinas, Brazil	Chazelles, France	Chungju-City, South Korea
Cortland, New York	Diss, England	Faridabad, India
Dixon, Illinois	Kirchheimbolanden, Germany	Kakkalur, India
El Salto Jalisco, Mexico	Ludwigsburg, Germany	Nabari City, Japan
Fletcher, North Carolina	Markdorf, Germany	Ningbo, China(b)
Ithaca, New York	Muggendorf, Germany	Pyongtaek, South Korea(b)
Juitepec Morelos, Mexico(b)	Neuhaus, Germany	
Marshall, Michigan	Oroszlany, Hungary	
Ramos, Mexico	Rzeszow, Poland	
	Tralee, Ireland	
	Valenca, Portugal (b)	
	Vigo, Spain	
	Vitoria, Spain	

DRIVETRAIN

Americas:	Europe:	Asia:
Addison, Illinois(b)	Arnstadt, Germany	Beijing, China(b)
Auburn Hills, Michigan	Heidelberg, Germany	Eumsung, South Korea
Bellwood, Illinois	Ketsch, Germany	Fukuroi City, Japan
Frankfort, Illinois	Monte Carlo, Monaco	Ochang, South Korea(b)
Livonia, Michigan	Tulle, France	Pune, India
Longview, Texas(b)		Shanghai, China(b)
Ramos, Mexico		Sirsi, India
Seneca, South Carolina		
Water Valley, Mississippi		

(a) The table excludes joint ventures owned less than 50% and administrative offices.

(b) Indicates leased land rights or a leased facility.

Item 3. 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 14, Contingencies of the Notes to the Consolidated Financial Statements in Item 8 of this report for a discussion of environmental, asbestos and other litigation.

In January 2006, BorgWarner Diversified Transmission Products Inc (DTP), a subsidiary of the Company, filed a declaratory judgment action in United States District Court, Southern District of Indiana (Indianapolis Division) against the United Automobile, Aerospace, and Agricultural Implements Workers of America (UAW) Local No. 287 and Gerald Poor, individually and as the representative of a defendant class. DTP sought the Court s affirmation that DTP did not violate the Labor-Management Relations Act or the Employee Retirement Income Security Act (ERISA) by unilaterally amending certain medical plans effective April 1, 2006 and October 1, 2006, prior to the expiration of the then-current collective bargaining agreements. On September 10, 2008, the Court found that DTP s reservation of the right to make such amendments reducing the level of benefits provided to retirees was limited by its collectively bargained health insurance agreement with the UAW, which did not expire until April 24, 2009. Thus, the amendments were considered untimely. In 2008 the Company recorded a charge of $4.0 million as a result of the Court s decision.

DTP filed a declaratory judgment action in the United States District Court, Southern District of Indiana (Indianapolis Division) against the UAW Local No. 287 and Jim Barrett and others, individually and as representatives of a defendant class, on February 26, 2009 again seeking the Court s affirmation that DTP will not violate the Labor Management Relations Act or ERISA by modifying the level of benefits provided retirees to make them comparable to other Company retiree benefit plans after April 24, 2009. Certain retirees, on behalf of themselves and others, filed a mirror-image action in the United States District Court, Eastern District of Michigan (Southern Division) on March 11, 2009, for which a class has been certified. During the last quarter of 2009 the action pending in Indiana was dismissed, while the action in Michigan is continuing and in the discovery phase. The Company is vigorously defending against the suit. This contingency is subject to many uncertainties, therefore based on the information available to date, the Company cannot estimate the amount or the range of potential loss, if any.

Environmental, Conditional Asset Retirement Obligations and Product Liability

Refer to Note 14, Contingencies in the Notes to the Consolidated Financial Statements in the Company s Annual Report on Form 10-K.

Item 4. (Removed and Reserved by the SEC)

PART II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company s Common Stock is listed for trading on the New York Stock Exchange under the symbol BWA. As of February 4, 2011, there were 2,511 holders of record of Common Stock.

Cash dividends declared and paid per share, adjusted for stock splits in 2007, were as follows:

	2010	2009	2008	2007	2006	2005

Dividend Amount	$ 0.12	$ 0.44	$ 0.34	$ 0.32	$ 0.28

On March 5, 2009, the Company announced the suspension of the Company s quarterly dividend of $0.12 per share until global economic conditions improve. The dividend policy is subject to review and change at the discretion of the Board of Directors.

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High and low sales prices (as reported on the New York Stock Exchange composite tape) for the Common Stock for each quarter in 2009 and 2010 were:

Quarter Ended	**High**	**Low**
March 31, 2009	$ 25.65	$ 14.62
June 30, 2009	$ 36.78	$ 19.40
September 30, 2009	$ 36.07	$ 28.42
December 31, 2009	$ 34.73	$ 27.62
March 31, 2010	$ 39.21	$ 33.43
June 30, 2010	$ 44.55	$ 33.93
September 30, 2010	$ 53.42	$ 35.68
December 31, 2010	$ 73.43	$ 51.06

The line graph below compares the cumulative total shareholder return on our Common Stock with the cumulative total return of companies on the Standard & Poor s (S&P s) 500 Stock Index, companies within BorgWarner s peer group, and companies within Standard Industrial Code (SIC) 3714 Motor Vehicle Parts.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among BorgWarner Inc., the S&P 500 Index,
SIC 3714 Motor Vehicle Parts and a Peer Group

*$100 invested on 12/31/05 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

BWA, S&P 500 and Peer Group data gleaned from Capital IQ; SIC Code Index gleaned from Research Data Group

	2005	**2006**	**2007**	**2008**	**2009**	**2010**
BorgWarner Inc.(1)	100.00	98.41	162.78	74.12	113.86	248.00
S&P 500(2)	100.00	115.80	122.16	76.96	97.33	111.99
SIC Code Index(3)	100.00	117.13	145.32	72.35	108.22	169.08
Peer Group(4)	100.00	114.27	121.81	49.96	91.74	154.87

(1) BorgWarner Inc.

(2) S&P 500 Standard & Poor s 500 Total Return Index

(3) Standard Industrial Code (SIC) 3714-Motor Vehicle Parts

(4) Peer Group Companies Consists of the following companies: American Axle & Manufacturing Holdings, Inc., Arvin Meritor Inc., Autoliv Inc., Gentex Corp., Johnson Controls Inc., Lear Corporation (pre-2009 bankruptcy), Magna International, Inc., Modine Manufacturing Co., Tenneco Automotive, Inc., TRW Automotive Holdings

Corp. and Visteon Corporation (pre-2009 bankruptcy)

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Repurchase of Equity Securities

The Company s Board of Directors authorized the purchase of up to 14.8 million shares of the Company s common stock. As of December 31, 2010, the Company had repurchased 12,563,528 shares.

All shares purchased under this authorization have been and will continue to 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 plans to facilitate share repurchase. Repurchased shares will be deemed treasury shares and may subsequently be reissued for general corporate purposes.

The following table provides information about Company purchases of its equity securities that are registered pursuant to Section 12 of the Exchange Act during the quarter ended December 31, 2010, at a total cost of $132.2 million:

ISSUER REPURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased
Month Ended October 31, 2010	214,300	53.85	214,300	4,143,872&nb