

**Tom Tan, President, BorgWarner China**

**As noted in your annual report, environmental regulation is a serious concern for your company. Have recent policies or even environmental news itself had an impact on BorgWarner's plans in China?**

**Tan:** Around the world, governments are setting higher fuel economy standards and more stringent emissions regulations. At the same time, drivers are demanding more powerful performance, improved traction and better handling. BorgWarner delivers innovative powertrain solutions specifically designed to improve fuel economy, reduce emissions and enhance performance. As a result, we are uniquely positioned to satisfy the needs of our customers as well as the expectations of the drivers behind the wheel of the vehicles our customers produce.

**Account Executives are touted as being closer to the customer and able to more knowledgably deliver, so with that said, how are demands differing in China's market?**

**Tan:** As a global company, BorgWarner strategically locates its production and technical facilities close to our customers. We provide localized production supported by local engineering and technical services in the markets our customers serve. Understanding our customers' needs and being able to respond quickly helps BorgWarner develop and validate innovative, customized solutions and deliver smooth product launches. This is especially true in China, where we have had a local presence for over 20 years.

**Some heavy machinery manufacturers have brought greater focus to a somewhat healthier parts market here, has that been your experience? Have you found an advantage in being a focused parts maker to start with?**

**Tan:** We have always focused on powertrain solutions - engine, transmission and driveline systems. Rather than concentrating on products, BorgWarner solves technical challenges for our customers. Today, the main challenges are improving fuel economy to lower operating expenses, reducing emissions to meet government standards, and enhancing performance to satisfy consumer expectations. But there are also many others. We provide systems solutions aimed at optimizing efficiency, reducing package size, lowering weight, improving durability, reducing friction, decreasing noise and vibration—solutions to any of the challenges vehicle makers face today.

**Looking up your expansion here is complicated since you definitely have more than one project. I tried referencing a recently publicized expansion that was due to begin in Dalian in early 2013, but there was more than one choice in the search. So what is your status of breaking ground, in-progress and up-and-online?**

**Tan:** BorgWarner entered China in 1993 with a joint venture in Beijing. Over the past 20 years, the company has added and expanded manufacturing and engineering facilities. Most recently, BorgWarner opened the China Tech Center in Shanghai in 2010, completed an Engineering Center at its wholly owned foreign entity (WOFE) campus in Ningbo and expanded production in Beijing in 2011, and established a manufacturing facility in Dalian in 2012. Today, BorgWarner produces a wide range of technologies in China, including dual-clutch transmission

modules, transmission components, turbochargers, fans and fan drives, exhaust gas recirculation (EGR) systems, all-wheel drive transfer cases and couplings, variable cam timing technologies and engine timing systems.

**How does BorgWarner judge China’s shifting demands for vehicles—passenger versus commercial?**

**Tan:** Because BorgWarner’s technologies support efficient gasoline, clean diesel, hybrid and pure electric vehicles as well as commercial and on/off-highway applications, we supply the entire industry, not just one segment of it. We view China as a growth market, no matter what the application may be.

**In terms of industrial use, more energy appears to be moving toward agriculture, is this a trend that reaches to your section of the market?**

**Tan:** BorgWarner already has a presence in the agricultural vehicle market, and it is growing. Agricultural vehicles operate in the harshest environments, performing in dirty conditions, under tremendous loads, over uneven terrain and in extreme temperatures. BorgWarner has developed a variety of reliable technologies for agricultural vehicles, including transmission components, fans and fan drives, diesel cold-start technology, emissions systems and turbochargers.