The Company has facilities in Puerto Rico that manufacture products for both domestic and foreign markets. These facilities operate under tax relief and other incentives that expire at various dates beginning in 2004 through 2013.

The parent company has not provided income taxes on undistributed earnings of consolidated subsidiaries outside the United States of $353 million at December 31, 1994, since the earnings retained have been reinvested by the subsidiaries. If distributed, such remitted earnings would be subject to withholding taxes but substantially free of United States income taxes.

Worldwide income tax payments, including Federal and state income taxes in the United States, in 1994, 1993 and 1992 (in millions) were $109, $156 and $71, respectively.

QUARTERLY DATA

(Unaudited)

	Quarter ended			
	Dec. 31	*Sept. 30*	*June 30*	*Mar. 31*
(Millions except for per share data)				
1994				
Net sales	$1,605	$1,531	$1,545	$1,371
Gross margin	442	411	429	373
Percent of sales	28%	27%	28%	27%
Net income	89	84	86	74
Per Common Share				
Net income	$ 1.15	$ 1.10	$ 1.13	$ 1.01
Cash dividends paid	.30	.30	.30	.30
Market price				
High	54¼	54⅜	58¼	62⅜
Low	43⅜	45¼	49¼	50⅜
1993				
Net sales	$1,115	$1,053	$1,147	$1,086
Gross margin	297	266	279	275
Percent of sales	27%	25%	24%	25%
Income before extraordinary item	30	44	53	53
Extraordinary item	(4)			(3)
Net income	26	44	53	50
Per Common Share				
Income before extraordinary item	$ .41	$ .63	$ .77	$ .76
Extraordinary item	(.05)			(.05)
Net income	.36	.63	.77	.71
Cash dividends paid	.30	.30	.275	.275
Market price				
High	55⅜	51¼	47⅛	43¼
Low	48	43	41⅛	38¼

Results for 1994 reflect the acquisition of DCBU on January 31, 1994.

Results for the fourth quarter of 1993 were reduced by a $55 million acquisition integration charge related to the purchase of DCBU ($34 million after income tax credits, or $.49 per Common Share).

The redemption of debentures in 1993 resulted in extraordinary losses of $5 million and $6 million in the first and fourth quarters, respectively ($3 million and $4 million after income tax credits, or $.05 per Common Share in each quarter).

Gross margin for the second quarter of 1993 was reduced by a $9 million charge for streamlining certain Vehicle Components operations in Europe.

BUSINESS SEGMENT AND GEOGRAPHIC REGION INFORMATION

Operations are classified among three business segments: Vehicle Components, Electrical and Electronic Controls and Defense Systems. The major classes of products included in each segment and other information follows.

Vehicle Components

Truck Components – Heavy and medium duty mechanical and automatic transmissions; power take-offs; drive, trailer and steering axles; brakes; anti-lock brake systems; locking differentials; engine valves; valve lifters; leaf springs; viscous fan drives; fans and fan shrouds; power steering pumps; tire pressure control systems; tire valves.

Passenger Car Components – Engine valves; hydraulic valve lifters; viscous fan drives; fans and fan shrouds; locking differentials; spring fluid dampers; superchargers; tire valves.

Off-Highway Vehicle Components – Mechanical and automatic transmissions; drive and steering axles; specialty axle products; brakes; engine valves; hydraulic valve lifters; gear and piston pumps and motors; transaxles and steering systems; geroters; control valves and cylinders; forgings; central tire inflation systems; tire valves.

The principal market for these products is original equipment manufacturers of trucks, passenger cars and off-highway vehicles. Most sales of these products are made directly from the Company's plants to such manufacturers.

Electrical and Electronic Controls

Industrial and Commercial Controls – Electromechanical and electronic controls including motor starters, contactors, overloads and electric drives; programmable controllers, counters, man/machine interface panels and pushbuttons; photoelectric, proximity, temperature and pressure sensors; residential, molded case, air and medium voltage circuit breakers; loadcenters; safety switches; panelboards; switchboards; switchgear components; switchgear dry type transformers; busway; meter centers; portable tool switches; commercial switches; relays; vacuum interrupters; illuminated pushbuttons and panels; annunciator panels; electrically actuated valves and actuators; pressure transducers and switches.

Automotive and Appliance Controls – Electromechanical and electronic controls including convenience, stalk and concealed switches; knock sensors; climate control components; speed controls; timers; pressure switches; water valves; range controls; thermostats; gas valves; infinite switches; temperature and humidity sensors; transmission valves; speed sensitive steering systems; tone generators and chimes; lighting controls; emission control valves; remote keyless entry systems and remote actuated solenoids.

Specialty Controls – Ion implanters; engineered fasteners; golf grips; industrial clutches and brakes; automated material handling systems; automated guided vehicles and stacker cranes.

The principal markets for these products are industrial, construction, commercial, automotive, appliance, aerospace and government customers. Sales are made directly by the Company or indirectly through distributors and manufacturers' representatives.