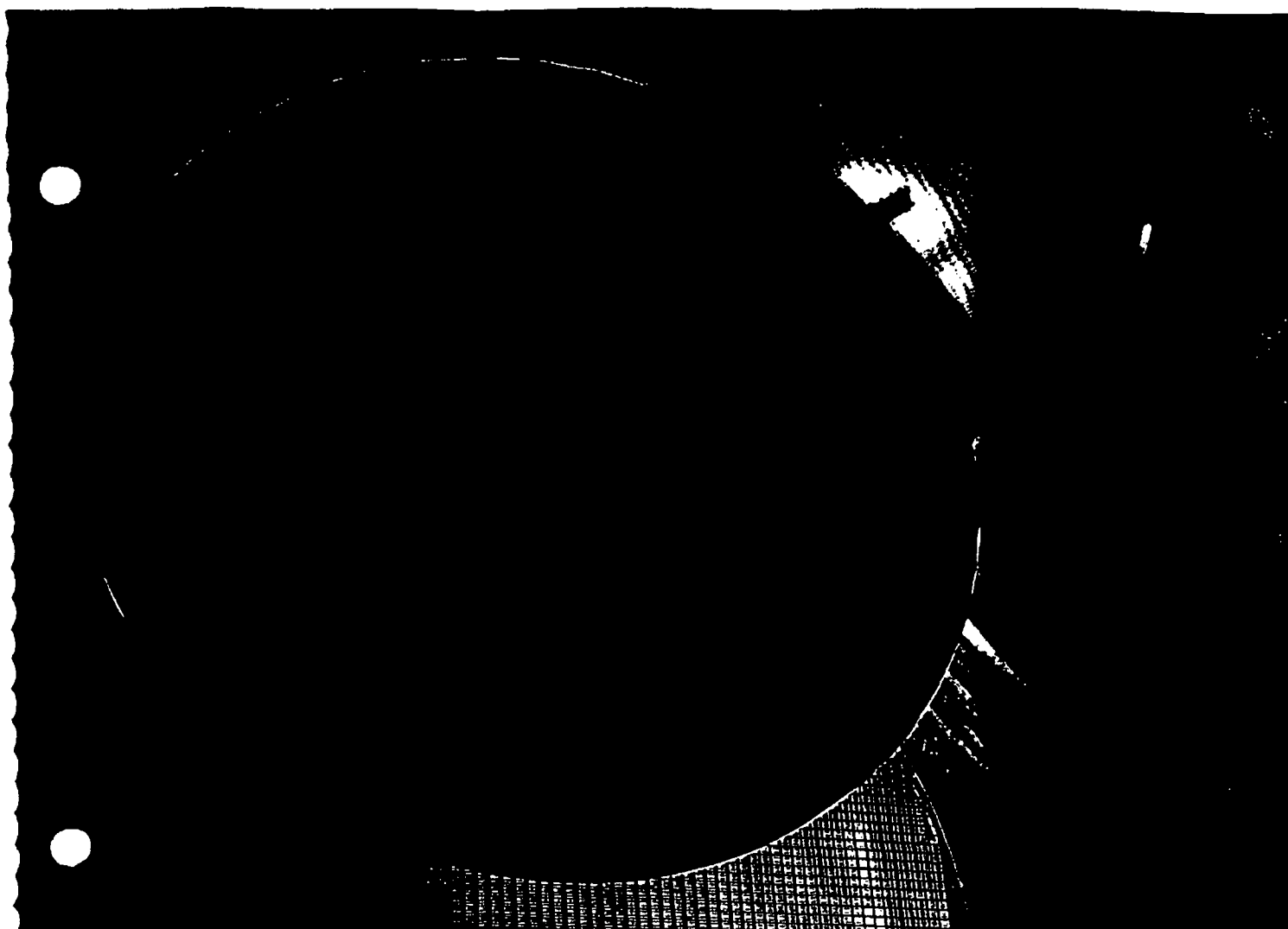




We *know* that we have *agile, more* responsive

The major programs undertaken by country in the past year were:

Brazil 1. Began construction of a new manufacturing plant for automotive transmissions for GM's Corsa. 2. Announced plans to begin manufacturing viscous fan drives in 1998. 3. Formed a joint venture with Artec to machine and assemble cylinder heads for automotive engines.

China 1. Formed a holding company headquartered in Shanghai, called Eaton (China) Investments Co., Ltd., with a commitment to invest capital of \$30 million. 2. Gained Chinese government approval to construct a new 100,000-square-foot facility in Shanghai for a wholly owned subsidiary to manufacture heavy-duty

truck transmissions for Chinese and other Asia/Pacific markets.

3. Obtained a license to manufacture hydraulic components in Shanghai, beginning in 1998. 4. Wrapped up a three-way joint venture, with Eaton having the controlling interest, to manufacture engine valves in Shanghai.

Korea 1. Completed a new 45,000-square-foot semiconductor equipment facility to manufacture ion implanters for the South Korean market. 2. Began building limited slip differentials for automakers Hyundai and Kia in a new plant near Seoul. 3. Formed a joint venture with JC Corporation to manufacture automotive controls with Eaton owning 51 percent of the joint venture.