



*In 1997,
our **actions**
reflected
our
strategic
priorities.*

The second point is that many of these industrial components are being made "smart" through the application of embedded software electronics and new materials, and this is heightening demand as these components are able to sense and communicate with other components. We are capitalizing on opportunities to increase the value of the products and services we provide to our customers.

We continue to use acquisitions to develop winning strategies in those businesses which we think will be our principal growth platforms. The addition of the Spicer Clutch business to Eaton's truck transmission franchise is an outstanding example of this strategic focus. Another very important move was the acquisition of Fusion Systems Corporation. This company is a leading supplier of equipment to the semiconductor equipment industry with strong positions in photoresist stabilization and post-ash resist strip technologies. Fusion will add about \$100 million of sales to our existing Semiconductor Equipment Operations (SEO). It is a major action step in our strategy of becoming a leader in the field of transistor formation. With last year's acquisition of High Temperature Engineering, and the acquisition of Fusion, we are building upon the strengths of our ion implantation equipment business in order to offer our customers a more complete process solution.

Semiconductor Equipment, which is already a major Eaton business, has the clear potential to at least double its 1997 sales of \$459 million in the next five years. As a result, we've announced

