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Income from discontinued operations relating to the Automotive Aftermarket business component increased in 2003 compared to 2002 despite flat sales. The increase is attributable to a significant reduction in restructuring charges in 2003 when compared to 2002. The Automotive Aftermarket business component returned to profitability in 2002 after a loss in 2001 as it began to benefit from the restructuring actions that were completed during 2001 and 2002 and lower selling, general and administrative expenses. Restructuring expenses plus related amounts charged to cost of sales totaled $63 in 2002 and $61 in 2001. Gross margin for the Automotive Aftermarket business component was 17.7% in 2003, 19.2% in 2002 and 15.8% in 2001. The low gross margin in 2001 was partially due to restructuring related costs charged to cost of sales for impairment charges taken on inventory of discontinued product lines. In addition, the 2001 loss was impacted by a tax provision that was $10 in excess of the statutory rate.

Engine Management's loss in 2002 included a pre-tax charge of $38 ($23 after tax) in connection with the agreement to sell this business component. Excluding this charge, loss from discontinued operations decreased significantly in both 2003 and 2002. The operating improvement in both years is attributable in large measure to the effects of restructuring actions taken to consolidate manufacturing operations and distribution facilities. As a result of these actions, the loss per net sale dollar decreased from 30.4% in 2001 to 4.9% in 2003.

The increase in income from discontinued operations relating to FTE in 2002 compared to 2001 is attributable to the $25 gain on the sale of FTE.

Forward-Looking Information

Forward-looking statements in this report are indicated by words such as "anticipates," "expects," "believes," "intends," "plans," "estimates," "projects" and similar expressions. These statements represent our expectations based on current information and assumptions. Forward-looking statements are inherently subject to risks and uncertainties. Our actual results could differ materially from those which are anticipated or projected due to a number of factors. These factors include national and international economic conditions; adverse effects from terrorism or hostilities; the strength of other currencies relative to the U.S. dollar; the cyclical nature of the global vehicular industry; the performance of the global aftermarket sector; changes in business relationships with our major customers and in the timing, size and continuation of our customers' programs; the ability of our customers and suppliers to achieve their projected sales and production levels; competitive pressures on our sales and pricing; increases in production or material costs (including that of steel) that cannot be recouped in product pricing; our ability to complete the divestiture of substantially all of our Automotive Aftermarket Group as contemplated; our success in completing our restructuring activities; the continued success of our cost reduction and cash management programs and of our long-term transformation strategy for the company; and other factors set out elsewhere in this report, including those discussed under the captions *Financing Activities* and *Contingencies* within Liquidity and Capital Resources.

Item 7A —*Quantitative and Qualitative Disclosures About Market Risk*

You can find market risk information in "Financial Instruments," "Derivative Financial Instruments" and "Cash and Cash Equivalents" under "Note 1. Summary of Significant Accounting Policies" on page 42 in "Note 10. Interest Rate Agreements" on page 55 in "Note 17. Fair Value of Financial Instruments" on page 68 of this annual report on Form 10-K and in "Liquidity and Capital Resources" under "Management's Discussion and Analysis of Financial Condition and Results of Operations"