

Approximately 13% of total sales of chemicals, fibers, plastics and advanced materials were exports of U.S. manufactured products. Exports were principally made to Asia, Europe, Latin America and Canada. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Asia and Canada. Foreign manufactured products comprised 19% of total sales of chemicals, fibers, plastics and advanced materials.

RAW MATERIALS

The principal raw materials used to produce the Company's products include: aerospace products -- carbon fiber; electronic, optical and mechanical component parts and assemblies; electronic and electromechanical devices and metallic products; automotive products -- castings, forgings, steel and bar stock, copper, aluminum, platinum and titanium and chemicals, fibers, plastics and advanced materials -- cumene, natural gas, sulfur, terephthalic acid, ethylene and ethylene glycol, fluorspar, HF, carbon tetrachloride, chloroform, nylon resins, fiberglass, copper foil, platinum, rhodium, polyester chips, lubricating oil by-products and butylrubber. The Company is producing virtually all of its HF and nylon resin requirements. The principal raw materials used in the Company's operations are generally readily available. Major requirements for key raw materials and fuels are typically purchased pursuant to multi-year contracts. The Company is not dependent on any one supplier for a material amount of its raw material or fuel requirements. However, the Company is highly dependent on its suppliers and subcontractors in order to meet commitments to its customers. In addition, many major components and product equipment items are procured or subcontracted on a sole-source basis with a number of domestic and foreign companies. The Company maintains a qualification and performance surveillance process to control risk associated with such reliance on third parties. The Company believes that sources of supply for raw materials and components are generally adequate, although, temporary shortages may occur from time to time.

PATENTS AND TRADEMARKS

The Company owns approximately 9,000 patents or patent applications and is licensed under other patents covering certain of its products and processes. It believes that, in the aggregate, the rights under such patents and licenses are generally important to its operations, but does not consider

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that any patent or patent license agreement or group of them related to a specific process or product is of material importance in relation to the Company's total business.

The Company also has registered trademarks for a number of its products. Some of the more significant trademarks include: AiResearch, Anso, Autolite, Bendix, Bendix/King, Capron, Fram, Garrett, Genetron, Holts, Prestone and Redex.

RESEARCH AND DEVELOPMENT

The Company's research activities are directed toward the discovery and development of new products and processes, improvements in existing products and processes, and the development of new uses of existing products.

Research and development expense totaled \$394, \$349 and \$345 million in 1998, 1997 and 1996, respectively. Customer-sponsored (principally the U.S. Government) research and development activities amounted to an additional \$418, \$527 and \$536 million in 1998, 1997 and 1996, respectively.

ENVIRONMENT