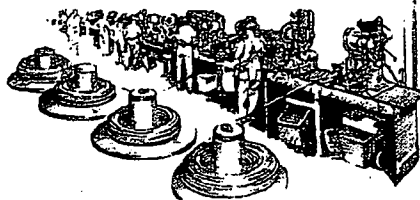
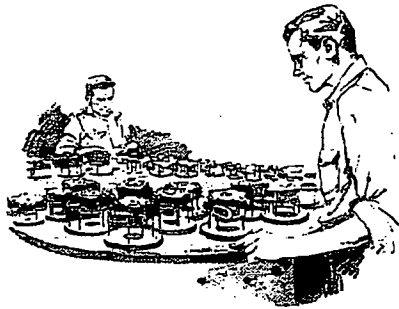


LETTER TO SHAREHOLDERS



Turning steel wire into Spring Washers.



Assembling the precise parts
of Power Steering Pumps.

Laboratory, one of two central research facilities operated by the Company. The work load of the Detroit Research Laboratory has grown rapidly in recent years. It has reached a point where further expansion in its present location is not possible. After completion of the new building, the Laboratory will be able to process considerably more work than present facilities permit.

Diversification

In addition to developing new products within our own organization, we are investigating the feasibility of expanding our product lines through the possible acquisition of American Metal Products Company. This matter is being discussed by certain officers and directors of the two companies. While it is not known what the final terms might provide, the tentative proposal is that Eaton issue three shares of its capital stock for every four outstanding shares of American Metal Products. If an agreement should be reached, approval of Eaton shareholders, after receipt of a proxy statement, would be necessary for the consummation of the transaction.

Executive Change

After 23 years of loyal and faithful service with the Company, Ralph E. Fisher retired on December 31, 1959, as Vice President-Sales under the Company's retirement program. E. M. de Windt, who was appointed assistant director of sales early in 1959, was elected Vice President-Sales to succeed Mr. Fisher. Mr. de Windt has devoted his entire business career to Eaton since joining the Company in 1941.

Outlook

Further gains in Eaton's sales and earnings are anticipated for the current year. This viewpoint is based on a number of factors, among them being the forecasts by industry leaders that truck and passenger car production in 1960 will be substantially ahead of 1959, and the fact that the pendulum is swinging forward in the capital goods market as evidenced by the increasing volume of new orders for many of our industrial products.

On behalf of the Board of Directors and officers of the Company, we want to acknowledge the many fine contributions of our employees, customers and suppliers which helped to make 1959 a successful year, and to express our appreciation to the shareholders for their understanding and support.

Sincerely,

John C. Vidner
Chairman and President