

Other Activities in 1959

Following are some of the additional activities initiated or completed in the past year:

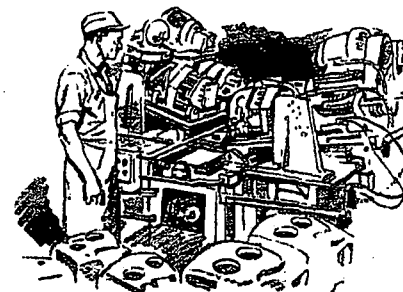
1. Our Canadian subsidiary acquired William Howe Industries Limited of Windsor, Ontario, a producer of automotive components, and the corporate title of the subsidiary was changed from Eaton Automotive Products Limited to Eaton Automotive Canada Limited. The William Howe operations were moved to the London, Ontario, plant of Eaton Automotive.
2. A new plant to produce truck transmissions for customers in Brazil has been completed by our subsidiary, Fuller do Brasil. Another Brazilian subsidiary, Eaton S.A., which makes engine valves, is preparing to expand operations to the manufacture of engine valve tappets.
3. An adaptation of our magnetic particle clutch is now offered as optional equipment in an automatic transmission on the Hillman Minx, an English car, under license agreement from Eaton. Here in America, evaluation tests of our clutch in automatic transmissions have been initiated by a number of automobile manufacturers.
4. Also, during 1959, upon the introduction of the three new compact cars, we became one of the leading independent suppliers of parts for these models, furnishing many of the components in which the Company specializes.
5. The Cleveland Worm & Gear Company (acquired on January 31, 1959), and its subsidiary, The Farval Corporation, were dissolved as of December 31, 1959. They are now operating as Cleveland Worm & Gear Division and Farval Division of your Company.
6. We made the final shipments of jet blades in October, thus terminating the manufacture of this item. The decision to withdraw from this field was reached last April after long and careful investigation. Jet blade production accounted for about \$9,000,000 of sales in 1959 on which we sustained a substantial but non-recurring loss.

Research and Development

Increased emphasis was placed on research and development during 1959 and our efforts have produced several new products. Among them are a power steering pump which is driven by the crankshaft of a car; a controlled slip differential for cars and trucks designed to minimize wheel slippage on ice or in mud; a truck transmission with special ratios designed to work well with 2-speed axles (this evolved from the coordinated efforts of our axle and transmission engineers); a line of special transmissions for off-highway construction vehicles; worm gear speed reducers capable of transmitting up to 80% more horsepower than conventional units; and a line of centralized lubricating systems especially adaptable to small machine tools.

In a further expansion of our research and development activities, the Board of Directors last October authorized the construction of a new building to house our Detroit Research

LETTER TO SHAREHOLDERS



Machining parts for Truck Transmissions.



Welding rotor assemblies for Eddy-Current Couplings.