facility will be built in Austin, Texas in 1995. A new high energy ion implantation system was introduced in mid-year 1994, and market response, particularly in the Far East, exceeded expectations.

Several factors raise expectations for continuing growth in the Electrical and Electronic Controls product lines, including broad demand for technologically advanced controls for industrial and commercial markets, ongoing strength of the United States economy, high level of capacity utilization across many industries, recovering markets in Europe and new market initiatives in the Far East.

Operating Results

Income from operations increased 77% to $560 million in 1994 over $317 million in 1993, which was reduced by a $55 million acquisition integration charge before income tax credits related to the purchase of DCBU. This increase reflects the higher level of sales described above, including the contributions of acquired businesses, results of continuous improvement initiatives and inventory controls, efforts to maintain and improve efficiency and productivity in the face of greatly increased marketplace demand, and benefits of recent capacity and workforce rationalizations.

Operating profit for the Vehicle Components segment was strong, rising 43% to $354 million (13% of sales) in 1994 over $247 million (10% of sales) in 1993. Increased profits were attributable largely to improved sales levels and also were a reflection of continuing stringent cost containment efforts as well as economies achieved through organizational rationalizations of certain businesses which better positioned operations to benefit from further growth and market opportunities in global vehicle markets. In 1993, operating profit was reduced by $9 million as a result of streamlining certain Vehicle Components operations in Europe.

Operating profit for the Electrical and Electronic Controls segment significantly improved, rising 73% to $239 million (8% of sales) from $138 million (7% of sales) in 1993, before the effect of the $55 million acquisition integration charge. The improvement in profits resulted from higher sales volumes, including contributions from acquired businesses, emphasis placed on containing and controlling costs and realization of benefits of earlier resizings.

Interest expense of $91 million in 1994 increased from $75 million in 1993. This increase was primarily caused by a higher average borrowing level due to the issuance of $716 million of debt in 1994 to partially finance the acquisition of DCBU.

An analysis of changes in income taxes and the effective income tax rate is presented under "Income Taxes" in the Financial Review.

CHANGES IN FINANCIAL CONDITION

The Company's financial condition remained strong during 1994. Net working capital increased to $744 million at year-end 1994 from $679 million at year-end 1993, with a slight decrement in the current ratio to 1.7 from 1.9 at those dates, respectively.

The reduction of $245 million in short-term investments at December 31, 1994 from the end of 1993 was primarily the result of the liquidation of $170 million to partially fund the acquisition of DCBU. Additionally, the Company redeemed $89 million of 8.5% debentures through the issuance of 1.3 million Common Shares in December 1993 for aggregate net proceeds of $62 million and 800,000 Common Shares in January 1994 for aggregate net proceeds of $38 million.

Accounts receivable increased by $339 million at December 31, 1994 from the end of 1993 largely due to the acquisition of DCBU and increased sales levels. The acquisition of DCBU was also the principal cause of the substantial increases in inventories, deferred income taxes, property, plant and equipment, excess of cost over net assets of businesses acquired, other assets, and current and long-term liabilities at December 31, 1994 compared to the end of 1993.

Total debt, consisting of short-term, long-term and current portion of long-term debt, increased to $1.1 billion at December 31, 1994 from the end of 1993, primarily due to debt issued to finance the acquisition of DCBU. The increase in total debt in 1994 was net of the redemption in January 1994 of $89 million of 8.5% debentures. Throughout the year, cash provided by operating activities was partially used to repay debt related to business acquisitions.

As previously discussed, through a private placement, the Company sold 800,000 Common Shares in January 1994 for $38 million. Beginning in April 1995, the holder of these shares has the right to require the Company to register the shares for public sale under the Federal securities law. The Company sold 3.8 million Common Shares to the public in March 1994 for aggregate net proceeds of $214 million. In November 1994, the Company issued 1.6 million Common Shares, which are being registered under the Federal securities laws, in the pooling-of-interests with Lectron Products, Inc.

Capital expenditures for 1994 were a record $267 million compared with $227 million in 1993, reflecting the Company's ongoing investment program under long-range goals to achieve improvements in product quality, manufacturing productivity and business growth. Capital spending in 1995 is anticipated to be another all-time record in order to enable the Company to enhance product quality through technology improvements, to keep pace with the strength of orders in virtually all product lines, and to achieve long-term growth prospects.

Net cash provided by operating activities reached a record $522 million in 1994 compared with $435 million in 1993 and $381 million in 1992. The improvement in cash flow from increased net income and other items exceeded cash requirements to satisfy increased working capital demands, primarily the substantial increase in accounts receivable. Net