

Eaton Corporation plc

2016 Irish Statutory Accounts

Eaton Corporation plc

Directors' Report and Consolidated Financial Statements
For the Year Ended December 31, 2016

EATON CORPORATION plc

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DIRECTORS' REPORT

For the Year Ended December 31, 2016

Amounts are in millions of dollars or shares unless indicated otherwise (per share data assume dilution).

The directors present their report and audited consolidated financial statements of Eaton Corporation plc (Eaton or the Company) for the year ended December 31, 2016.

The directors have elected to prepare the consolidated financial statements in accordance with Section 279 of Part 6 of the Companies Act 2014, which provides that a true and fair view of the state of affairs and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as defined in Section 279 (1) of Part 6 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of that part of the Companies Act 2014.

BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Eaton and its majority-owned subsidiaries or affiliated companies where Eaton has the ability to control the entity through voting or similar rights.

PRINCIPAL ACTIVITIES

Eaton Corporation plc is a power management company with 2016 net sales of \$19.7 billion. The Company provides energy-efficient solutions that help its customers effectively manage electrical, hydraulic and mechanical power more efficiently, safely and sustainably. Eaton has approximately 95,000 employees in over 60 countries and sells products to customers in more than 175 countries.

Business Segment Information

Information by business segment and geographic region regarding principal products, principal markets, methods of distribution, net sales, operating profit and assets is presented in Note 18 of the Notes to the Consolidated Financial Statements. Additional information regarding Eaton's segments and business is presented below.

Electrical Products and Electrical Systems and Services

Principal methods of competition in these segments are performance of products and systems, technology, customer service and support, and price. Eaton has a strong competitive position in these segments and, with respect to many products, is considered among the market leaders. In normal economic cycles, sales of these segments are historically lower in the first quarter and higher in the third and fourth quarters of a year. In 2016, 16% of these segments' sales were made to seven large distributors of electrical products and electrical systems and services.

Hydraulics

Principal methods of competition in this segment are product performance, geographic coverage, service, and price. Eaton has a strong competitive position in this segment and, with respect to many products, is considered among the market leaders. Sales of this segment are historically higher in the first and second quarters and lower in the third and fourth quarters of the year. In 2016, 11% of this segment's sales were made to three large original equipment manufacturers or distributors of agricultural, construction, and industrial equipment and parts.

Aerospace

Principal methods of competition in this segment are total cost of ownership, product and system performance, quality, design engineering capabilities, and timely delivery. Eaton has a strong competitive position in this segment and, with respect to many products and platforms, is considered among the market leaders. In 2016, 29% of this segment's sales were made to three large original equipment manufacturers of aircraft.

Vehicle

Principal methods of competition in this segment are product performance, technology, global service, and price. Eaton has a strong competitive position in this segment and, with respect to many products, is considered among the market leaders. In 2016, 68% of this segment's sales were made to nine large original equipment manufacturers of vehicles and related components.

Information Concerning Eaton's Business in General

Raw Materials

Eaton's major requirements for raw materials include iron, steel, copper, nickel, aluminum, brass, tin, silver, lead, molybdenum, titanium, vanadium, rubber, plastic, electronic components, insulating materials and fluids. Materials are purchased in various forms, such as extrusions, castings, powder metal, metal sheets and strips, forging billets, bar stock, and plastic pellets. Raw materials, as well as parts and other components, are purchased from many suppliers. Under normal circumstances, the Company has no difficulty obtaining its raw materials. In 2016, Eaton maintained appropriate levels of inventory to prevent shortages and did not experience any availability constraints.

Patents and Trademarks

Eaton considers its intellectual property, including without limitation patents, trade names, domain names, trademarks, confidential information, and trade secrets to be of significant value to its business as a whole. The Company's products are manufactured, marketed and sold under a portfolio of patents, trademarks, licenses, and other forms of intellectual property, some of which expire or are allowed to lapse at various dates in the future. Eaton develops and acquires new intellectual property on an ongoing basis and considers all of its intellectual property to be valuable. Based on the broad scope of the Company's product lines, management believes that the loss or expiration of any single intellectual property right would not have a material effect on Eaton's consolidated financial statements or its business segments. The Company's policy is to file applications and obtain patents for the majority of its novel and innovative new products including product modifications and improvements.

Order Backlog

A significant portion of open orders placed with Eaton are by original equipment manufacturers or distributors. These open orders are not considered firm as they have been historically subject to month-to-month releases by customers. In measuring backlog orders, only the amount of orders to which customers are firmly committed are included. Using this criterion, total backlog at December 31, 2016 and 2015 was approximately \$4.0 billion and \$4.1 billion, respectively. Backlog should not be relied upon as being indicative of results of operations for future periods.

Research and Development

Research and development expenses for new products and improvement of existing products in 2016 and 2015 were \$589 and \$625, respectively. Over the past five years, the Company has invested approximately \$2.9 billion in research and development.

Environmental Contingencies

Operations of the Company involve the use and disposal of certain substances regulated under environmental protection laws. Eaton continues to modify processes on an ongoing, regular basis in order to reduce the impact on the environment, including the reduction or elimination of certain chemicals used in, and wastes generated from, operations. Compliance with laws that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, are not expected to have a material adverse effect upon earnings or the competitive position of the Company. Eaton's estimated capital expenditures for environmental control facilities are not expected to be material for 2017 and 2018. Information regarding the Company's liabilities related to environmental matters is presented in Note 11 of the Notes to the Consolidated Financial Statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Among the risks that could materially adversely affect Eaton's businesses, financial condition or results of operations are the following:

Volatility of end markets that Eaton serves.

Eaton's segment revenues, operating results, and profitability have varied in the past and may vary from quarter to quarter in the future. Profitability can be negatively impacted by volatility in the end markets that Eaton serves. The Company has undertaken measures to reduce the impact of this volatility through diversification of the markets it serves and expansion of the geographic regions in which it operates. Future downturns in any of the markets could adversely affect revenues, operating results, and profitability.

Eaton's operating results depend in part on continued successful research, development, and marketing of new and/or improved products and services, and there can be no assurance that Eaton will continue to successfully introduce new products and services.

The success of new and improved products and services depends on their initial and continued acceptance by Eaton's customers. The Company's businesses are affected, to varying degrees, by technological change and corresponding shifts in customer demand, which could result in unpredictable product transitions or shortened life cycles. Eaton may experience difficulties or delays in the research, development, production, or marketing of new products and services which may prevent Eaton from recouping or realizing a return on the investments required to bring new products and services to market.

Eaton's ability to attract, develop and retain executives and other qualified employees is crucial to the Company's results of operations and future growth.

Eaton depends on the continued services and performance of key executives, senior management, and skilled personnel, particularly professionals with experience in its industry and business. Eaton cannot be certain that any of these individuals will continue his or her employment with the Company. A lengthy period of time is required to hire and develop replacement personnel when skilled personnel depart. An inability to hire, develop, and retain a sufficient number of qualified employees could materially hinder the business by, for example, delaying Eaton's ability to bring new products to market or impairing the success of the Company's operations.

Eaton's operations depend on production facilities throughout the world, which subjects them to varying degrees of risk of disrupted production.

Eaton manages businesses with manufacturing facilities worldwide. The Company's manufacturing facilities and operations could be disrupted by a natural disaster, labor strike, war, political unrest, terrorist activity, economic upheaval, or public health concerns. Some of these conditions are more likely in certain geographic regions in which Eaton operates. Any such disruption could cause delays in shipments of products and the loss of sales and customers, and insurance proceeds may not adequately compensate for losses.

If Eaton is unable to protect its information technology infrastructure against service interruptions, data corruption, cyber-based attacks or network security breaches, operations could be disrupted or data confidentiality lost.

Eaton relies on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including procurement, manufacturing, distribution, invoicing and collection. These technology networks and systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components; power outages; hardware failures; or computer viruses. In addition, security breaches could result in unauthorized disclosure of confidential information. If these information technology systems suffer severe damage, disruption, or shutdown, and business continuity plans do not effectively resolve the issues in a timely manner, there could be a negative impact on operating results or the Company may suffer financial or reputational damage.

Eaton's global operations subject it to economic risk as Eaton's results of operations may be adversely affected by changes in government regulations and policies and currency fluctuations.

Operating globally subjects Eaton to changes in government regulations and policies in a large number of jurisdictions around the world, including those related to tariffs and trade barriers, investments, property ownership rights, taxation, exchange controls, and repatriation of earnings. Changes in the relative values of currencies occur from time to time and could affect Eaton's operating results. While the Company monitors exchange rate exposures and attempts to reduce these exposures through hedging activities, these risks could adversely affect operating results.

Eaton may be subject to risks relating to changes in its tax rates or exposure to additional income tax liabilities.

Eaton is subject to income taxes in many jurisdictions around the world. Income tax liabilities are subject to the allocation of income among various tax jurisdictions. The Company's effective tax rate could be affected by changes in the mix among earnings in countries with differing statutory tax rates, changes in the valuation allowance of deferred tax assets, or changes in tax laws. With the Administration change in the United States, tax reform is anticipated. It is uncertain what, if any, impact this reform may have to Eaton since proposals have not been reduced to legislative language at this time. The amount of income taxes paid is subject to ongoing audits by tax authorities in the countries in which Eaton operates. If these audits result in assessments different from amounts reserved, future financial results may include unfavorable adjustments to the Company's tax liabilities.

Eaton uses a variety of raw materials and components in its businesses, and significant shortages, price increases, or supplier insolvencies could increase operating costs and adversely impact the competitive positions of Eaton's products.

Eaton's major requirements for raw materials are described above in Principal Activities "Raw Materials". Significant shortages could affect the prices Eaton's businesses are charged and the competitive position of their products and services, all of which could adversely affect operating results.

Further, Eaton's suppliers of component parts may increase their prices in response to increases in costs of raw materials that they use to manufacture component parts. The Company may not be able to increase its prices commensurately with its increased costs, adversely affecting operating results.

Eaton may be unable to adequately protect its intellectual property rights, which could affect the Company's ability to compete.

Protecting Eaton's intellectual property rights is critical to its ability to compete and succeed. The Company owns a large number of patents and patent applications worldwide, as well as trademark and copyright registrations that are necessary, and contribute significantly, to the preservation of Eaton's competitive position in various markets. Although management believes that the loss or expiration of any single intellectual property right would not have a material effect on the results of operations or financial position of Eaton or its business segments, there can be no assurance that any one, or more, of these patents and other intellectual property will not be challenged, invalidated, or circumvented by third parties. Eaton enters into confidentiality and invention assignment agreements with the Company's employees, and into non-disclosure agreements with suppliers and appropriate customers, so as to limit access to and disclosure of proprietary information. These measures may not suffice to deter misappropriation or independent third party development of similar technologies.

Eaton is subject to litigation and environmental regulations that could adversely impact Eaton's businesses.

At any given time, Eaton may be subject to litigation, the disposition of which may have a material adverse effect on the Company's businesses, financial condition or results of operations. Information regarding current legal proceedings is presented in Note 11 of the Notes to the Consolidated Financial Statements.

Legislative and regulatory action could materially adversely affect Eaton.

Legislative and regulatory action may be taken in the U.S. which, if ultimately enacted, could override tax treaties upon which Eaton relies or broaden the circumstances under which the Company would be considered a U.S. resident, each of which could materially and adversely affect its effective tax rate. Eaton cannot predict the outcome of any specific legislative or regulatory proposals. However, if proposals were enacted that had the effect of disregarding the incorporation in Ireland or limiting Eaton's ability as an Irish company to take advantage of tax treaties with the U.S., the Company could be subject to increased taxation and/or potentially significant expense.

Additionally, existing free trade laws and regulations, such as the North American Free Trade Agreement, provide certain beneficial duties and tariffs for qualifying imports and exports, subject to compliance with the applicable classification and other requirements. Changes in laws or policies governing the terms of foreign trade, and in particular increased trade restrictions, tariffs or taxes on imports from countries where we manufacture products could have an impact on our business and financial results.

RESULTS OF OPERATIONS

Summary of Results of Operations

During 2016 and 2015, the Company's results of operations were impacted by decline in several of the Company's end markets. Further, the results of operations were negatively impacted by the strengthening in the value of the U.S. dollar. Despite the declining market conditions and unfavorable impact of currency translation, the Company generated solid operating margins and net income per share - diluted.

During 2015, Eaton announced a multi-year restructuring initiative to reduce its cost structure and gain efficiencies in all business segments and at corporate in order to respond to declining market conditions. Restructuring charges in 2016 and 2015 were \$211 and \$129, respectively. These charges were primarily comprised of severance costs. Restructuring charges are anticipated to be \$100 in 2017. The projected annualized savings from these restructuring actions are expected to be \$518, when fully realized in 2018.

Additional information related to business acquisitions and sales, restructuring activities and the litigation settlements is presented in Note 2, Note 3, Note 4 and Note 11, respectively, of the Notes to the Consolidated Financial Statements.

A summary of Eaton's Net sales, Net income attributable to Eaton ordinary shareholders, and Net income per share attributable to Eaton ordinary shareholders - diluted follows:

	2016	2015
Net sales	\$ 19,747	\$ 20,855
Net income attributable to Eaton ordinary shareholders	1,916	1,972
Net income per share attributable to Eaton ordinary shareholders - diluted	\$ 4.20	\$ 4.22

Non-GAAP Financial Measures

The following discussion of Consolidated Financial Results and Business Segment Results of Operations includes certain non-GAAP financial measures. These financial measures include operating earnings, operating earnings per ordinary share, and operating profit before acquisition integration charges for each business segment as well as corporate, each of which differs from the most directly comparable measure calculated in accordance with generally accepted accounting principles (GAAP). A reconciliation of operating earnings and operating earnings per ordinary share to the most directly comparable GAAP measure is included in the table below. Operating profit before acquisition integration charges is reconciled in the discussion of the operating results of each business segment, and excludes acquisition integration expense related to integration of Ephesus Lighting, Inc. and Oxalis Group Ltd. in 2016 and primarily Cooper Industries plc in 2015. Management believes that these financial measures are useful to investors because they exclude certain transactions, allowing investors to more easily compare Eaton's financial performance period to period. Management uses this information in monitoring and evaluating the on-going performance of Eaton and each business segment. For additional information on acquisition integration charges, see Note 3 to the Consolidated Financial Statements.

Consolidated Financial Results

	2016	Change from 2015	2015
Net sales	\$ 19,747	(5)%	\$ 20,855
Gross profit	6,338	(3)%	6,551
Percent of net sales	32.1%		31.4%
Income before income taxes	2,118	(1)%	2,133
Net income	1,919	(3)%	1,974
Less net income for minority interests.....	(3)		(2)
Net income attributable to Eaton ordinary shareholders.....	1,916	(3)%	1,972
Excluding acquisition integration charges, after-tax (Note 3).....	3		31
Operating earnings	\$ 1,919	(4)%	\$ 2,003
Net income per share attributable to Eaton ordinary shareholders - diluted...	\$ 4.20	— %	\$ 4.22
Excluding per share impact of acquisition integration charges, after-tax (Note 3)	0.01		0.07
Operating earnings per ordinary share	\$ 4.21	(2)%	\$ 4.29

Net Sales

Net sales in 2016 decreased by 5% compared to 2015 due to a decrease of 4% in organic sales and decrease of 1% from the impact of negative currency translation. The decrease in organic sales in 2016 was primarily due to weakening demand in several of the Company's end markets.

Gross Profit

Gross profit margin increased from 31.4% in 2015 to 32.1% in 2016. The increase in gross profit margin in 2016 was primarily due to savings from restructuring actions and other cost control measures, partially offset by lower sales volumes, unfavorable product mix, and higher restructuring charges.

Income Taxes

During 2016, income tax expense of \$199 was recognized (an effective tax rate of 9.4%) compared to income tax expense of \$159 for 2015 (an effective tax rate of 7.5%). The 2016 effective tax rate increased from 2015 primarily due to greater levels of income earned in higher tax jurisdictions, partially offset by net decreases in worldwide tax liabilities.

Net Income

Net income attributable to Eaton ordinary shareholders of \$1,916 in 2016 decreased (3)% compared to \$1,972 in 2015. The decrease in 2016 was primarily due to lower sales volumes, unfavorable product mix, and higher restructuring charges, partially offset by savings from restructuring actions, other cost control measures, a decrease in pension and other postretirement benefits expense, and income from several insurance matters of \$68 during the fourth quarter of 2016.

Operating Earnings

Operating earnings of \$1,919 in 2016 decreased (4)% compared to Operating earnings of \$2,003 in 2015. The decrease was due to lower Net income attributable to Eaton ordinary shareholders and lower acquisition integration charges.

Operating earnings per ordinary share decreased to \$4.21 in 2016 compared to \$4.29 in 2015. The decrease in Operating earnings per ordinary share in 2016 was due to lower Operating earnings, partially offset by the impact of the Company's share repurchases in 2016.

Business Segment Results of Operations

The following is a discussion of Net sales, operating profit and operating profit margin by business segment, which includes a discussion of operating profit and operating profit margin before acquisition integration charges. For additional information related to acquisition integration charges, see Note 3 to the Consolidated Financial Statements.

Electrical Products

	2016	Change from 2015	2015
Net sales	\$ 6,957	— %	\$ 6,976
Operating profit	1,240	7 %	1,156
Operating margin	17.8%		16.6%
Acquisition integration charges.....	\$ 3		\$ 25
Before acquisition integration charges			
Operating profit	\$ 1,243	5 %	\$ 1,181
Operating margin	17.9%		16.9%

Net sales were broadly flat in 2016 compared to 2015 due to an increase of 1% in organic sales, offset by a decrease of 1% from the impact of negative currency translation. By region, organic sales grew in 2016 in the Americas and Europe, while organic sales declined in Asia Pacific.

Operating margin increased from 16.6% in 2015 to 17.8% in 2016. The increase in operating margin in 2016 was primarily due to savings from restructuring actions, other cost control measures, and lower acquisition integration charges, partially offset by higher restructuring charges and unfavorable product mix.

Operating margin before acquisition integration charges increased from 16.9% in 2015 to 17.9% in 2016. The increase in operating margin before acquisition integration charges in 2016 was primarily due to an increase in operating margin, partially offset by lower acquisition integration charges.

Electrical Systems and Services

	2016	Change from 2015	2015
Net sales	\$ 5,662	(5)%	\$ 5,931
Operating profit	711	(8)%	776
Operating margin	12.6%		13.1%
Acquisition integration charges.....	\$ 1		\$ 15
Before acquisition integration charges			
Operating profit	\$ 712	(10)%	\$ 791
Operating margin	12.6%		13.3%

Net sales decreased 5% in 2016 compared to 2015 due to a decrease of 3% in organic sales and a decrease of 2% from the impact of negative currency translation. The organic sales decline in 2016 was primarily due to continued weakness in oil and gas markets and large industrial projects, partially offset by growth in data centers and commercial construction markets.

Operating margin decreased from 13.1% in 2015 to 12.6% in 2016. Operating margin decreased in 2016 primarily due to lower sales volumes, unfavorable product mix, and higher restructuring charges, partially offset by savings from restructuring actions and other cost control measures.

Operating margin before acquisition integration charges decreased from 13.3% in 2015 to 12.6% in 2016. The decrease in operating margin was primarily due to lower operating margins and lower acquisition integration charges.

Hydraulics

	2016	Change from 2015	2015
Net sales	\$ 2,222	(10)%	\$ 2,459
Operating profit	198	(20)%	246
Operating margin	8.9%		10.0%
Acquisition integration charges.....	\$ —		\$ 2
Before acquisition integration charges			
Operating profit	\$ 198	(20)%	\$ 248
Operating margin	8.9%		10.1%

Net sales in 2016 decreased 10% compared to 2015 due to a decrease in organic sales of 9% and a decrease of 1% from the impact of negative currency translation. The decrease in organic sales was due to continued weakness in both the mobile and industrial markets.

Operating margin decreased from 10.0% in 2015 to 8.9% in 2016. The decrease in operating margin in 2016 was primarily due to lower sales volumes and higher restructuring costs, partially offset by savings from restructuring actions and other cost control measures.

Operating margin before acquisition integration charges decreased from 10.1% in 2015 to 8.9% in 2016. The decrease in operating margin before acquisition integration charges was primarily due to lower operating margins.

Aerospace

	2016	Change from 2015	2015
Net sales	\$ 1,753	(3)%	\$ 1,807
Operating profit.....	335	8 %	310
Operating margin	19.1%		17.2%

Net sales in 2016 decreased 3% compared to 2015 due to a decrease of 2% from the impact of negative currency translation and a decrease in organic sales of 1%. The decrease in organic sales during 2016 was primarily due to a decrease in military OEM markets and lower cost reimbursements on certain engineering programs, partially offset by growth in commercial markets.

Operating margin increased from 17.2% in 2015 to 19.1% in 2016. The increase was primarily due to savings from restructuring actions, other cost control measures and reduced program development spending.

Vehicle

	2016	Change from 2015	2015
Net sales	\$ 3,153	(14)%	\$ 3,682
Operating profit.....	474	(27)%	645
Operating margin	15.0%		17.5%

Net sales decreased 14% in 2016 compared to 2015 due to a decrease in organic sales of 13% and a decrease of 1% from the impact of negative currency translation. The decrease in organic sales in 2016 was primarily due to the lower North American Class 8 truck market.

Operating margin decreased from 17.5% in 2015 to 15.0% in 2016. The decrease in operating margin in 2016 was primarily due to lower sales volumes and unfavorable product mix, partially offset by savings from restructuring actions and other cost control measures.

Corporate Expense

	2016	Change from 2015	2015
Amortization of intangible assets.....	\$ 392	(3)%	\$ 406
Interest expense.....	247	1 %	245
Interest income	(14)	8 %	(13)
Pension and other postretirement benefits expense	60	(54)%	130
Other corporate expense.....	155	(33)%	232
Total corporate expense.....	<u>\$ 840</u>	<u>(16)%</u>	<u>\$ 1,000</u>

Total corporate expense decreased 16% in 2016 to \$840 from \$1,000 in 2015 primarily due to a decrease in pension and other postretirement benefits expense, and income from several insurance matters of \$64 during the fourth quarter of 2016. The decrease in pension and other postretirement benefits expense is resulting from a change to the spot rate approach for measuring service and interest costs, higher discount rates and updated mortality tables.

LIQUIDITY, CAPITAL RESOURCES AND CHANGES IN FINANCIAL CONDITION

Financial Condition and Liquidity

Eaton's objective is to finance its business through operating cash flow and an appropriate mix of equity and long-term and short-term debt. By diversifying its debt maturity structure, Eaton reduces liquidity risk. The Company maintains access to the commercial paper markets through a \$2,000 commercial paper program. On October 14, 2016, Eaton refinanced a \$750, five-year revolving credit facility with a \$750, five-year revolving credit facility that will expire October 14, 2021. Eaton also maintains a \$500, four-year revolving credit facility that will expire on October 3, 2018 and a \$750, five-year credit facility that will expire October 3, 2019. This refinancing maintains long-term revolving credit facilities at a total of \$2,000. The revolving credit facilities are used to support commercial paper borrowings and are fully and unconditionally guaranteed by Eaton and certain of its direct and indirect subsidiaries on an unsubordinated, unsecured basis. There were no borrowings outstanding under Eaton's revolving credit facilities at December 31, 2016 or 2015. The Company had available lines of credit of \$823 from various banks primarily for the issuance of letters of credit, of which there was \$285 outstanding at December 31, 2016. Over the course of a year, cash, short-term investments and short-term debt may fluctuate in order to manage global liquidity. Eaton believes it has the operating flexibility, cash flow, cash and short-term investment balances, and access to capital markets in excess of the liquidity necessary to meet future operating needs of the business as well as scheduled payments of long-term debt.

On September 20, 2016, a subsidiary of Eaton issued Euro denominated notes (Euro Notes) with a face value of €550 (\$615 based on the September 20, 2016 spot rate), in accordance with Regulation S promulgated under the Securities Act of 1933, as amended. The Euro Notes mature in 2024 with interest payable annually at a rate of 0.75%. After financing costs and discounts, the issuer received proceeds totaling €544 (\$609 based on the September 20, 2016 spot rate) from the issuance.

For additional information on financing transactions and debt, see Note 9 to the Consolidated Financial Statements.

Eaton's credit facilities and indentures governing certain long-term debt contain various covenants, the violation of which would limit or preclude the use of the credit facilities for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the indentures. At Eaton's present credit rating level, the most restrictive financial covenant provides that the ratio of secured debt (or lease payments due under a sale and leaseback transaction) to adjusted consolidated net worth (or consolidated net tangible assets, in each case as defined in the relevant credit agreement or indenture) may not exceed 10%. Eaton's actual ratios are substantially below the required threshold. In addition, Eaton is in compliance with each of its debt covenants for all periods presented.

Sources and Uses of Cash

Operating Cash Flow

Net cash provided by operating activities was \$2,552 in 2016, an increase of \$181 compared to \$2,371 in 2015. The increase was driven by lower pension contributions and lower working capital balances compared to 2015.

Investing Cash Flow

Net cash used in investing activities was \$529 in 2016, a decrease in the use of cash of \$46 compared to \$575 in 2015. The decrease in 2016 was primarily driven by no business acquisitions completed in 2016 and lower capital expenditures in 2016 compared to 2015, partially offset by purchases of short-term investments of \$40 in 2016 compared to sales of \$37 in 2015. Capital expenditures were \$497 in 2016 compared to \$506 in 2015. Eaton expects approximately \$525 in capital expenditures in 2017.

Financing Cash Flow

Net cash used in financing activities was \$1,720 in 2016, a decrease in the use of cash of \$547 compared to \$2,267 in 2015. The decrease in the use of cash was primarily due to lower payments on borrowings of \$653 in 2016 compared to \$1,027 in 2015 and higher proceeds from borrowings of \$631 in 2016 compared to \$425 in 2015, partially offset by higher share repurchases of \$730 in 2016 compared to \$682 in 2015.

Credit Ratings

Eaton's debt has been assigned the following credit ratings:

Credit Rating Agency (long- /short-term rating)	Rating	Outlook
Standard & Poor's	A-/A-2	Negative outlook
Moody's	Baa1/P-2	Stable outlook
Fitch	BBB+/F2	Stable outlook

Defined Benefits Plans

Pension Plans

During 2016, the fair value of plan assets in the Company's employee pension plans increased \$41 to \$4,447 at December 31, 2016. The increase in plan assets was primarily due to better than expected return on plan assets and the Company's contributions to the pension plans, partially offset by the impact of negative currency translation. At December 31, 2016, the net unfunded position of \$1,638 in pension liabilities consisted of \$665 in the U.S. qualified pension plans, \$850 in plans that have no minimum funding requirements, and \$190 in all other plans that require minimum funding, partially offset by \$67 in plans that are overfunded.

Funding requirements are a major consideration in making contributions to Eaton's pension plans. With respect to the Company's pension plans worldwide, the Company intends to contribute annually not less than the minimum required by applicable law and regulations. In 2016, \$262 was contributed to the pension plans. The Company contributed \$100 to U.S. qualified pension plans in early 2017 and anticipates making an additional \$115 of contributions to certain pension plans during 2017. The funded status of the Company's pension plans at the end of 2017, and future contributions, will depend primarily on the actual return on assets during the year and the discount rate used to calculate certain benefits at the end of the year. Depending on these factors, and the resulting funded status of the pension plans, the level of future contributions could be materially higher or lower than in 2016.

Off-Balance Sheet Arrangements

Eaton does not have off-balance sheet arrangements or financings with unconsolidated entities or other persons. In the ordinary course of business, the Company leases certain real properties and equipment, as described in Note 11 to the Consolidated Financial Statements.

MARKET RISK DISCLOSURE

On a regular basis, Eaton monitors third-party depository institutions that hold its cash and short-term investments, primarily for safety of principal and secondarily for maximizing yield on those funds. The Company diversifies its cash and short-term investments among counterparties to minimize exposure to any one of these entities. Eaton also monitors the creditworthiness of its customers and suppliers to mitigate any adverse impact.

Eaton uses derivative instruments to manage exposure to volatility in raw material costs, currency, and interest rates on certain debt instruments. Derivative financial instruments used by the Company are straightforward and non-leveraged. The counterparties to these instruments are financial institutions with strong credit ratings. Eaton maintains control over the size of positions entered into with any one counterparty and regularly monitors the credit rating of these institutions. See Note 16 to the Consolidated Financial Statements for additional information about hedges and derivative financial instruments.

Eaton's ability to access the commercial paper market, and the related cost of these borrowings, is based on the strength of its credit rating and overall market conditions. The Company has not experienced any material limitations in its ability to access these sources of liquidity. At December 31, 2016, Eaton had \$2,000 of long-term revolving credit facilities with banks in support of its commercial paper program. It has no borrowings outstanding under these credit facilities.

Interest rate risk can be measured by calculating the short-term earnings impact that would result from adverse changes in interest rates. This exposure results from short-term debt, which includes commercial paper at a floating interest rate, long-term debt that has been swapped to floating rates, and money market investments that have not been swapped to fixed rates. Based upon the balances of investments and floating rate debt at year end 2016, a 100 basis-point increase in short-term interest rates would have increased the Company's net, pretax interest expense by \$36.

Eaton also measures interest rate risk by estimating the net amount by which the fair value of the Company's financial liabilities would change as a result of movements in interest rates. Based on Eaton's best estimate for a hypothetical, 100 basis point decrease in interest rates at December 31, 2016, the market value of the Company's debt and interest rate swap portfolio, in aggregate, would increase by \$435.

The Company is exposed to currency risk associated with translating its functional currency financial statements into its reporting currency, which is the U.S. dollar. As a result, the Company is exposed to movements in the exchange rates of various currencies against the U.S. dollar. Eaton also monitors exposure to transactions denominated in currencies other than the functional currency of each country in which the Company operates, and regularly enters into forward contracts to mitigate that exposure. In the aggregate, Eaton's portfolio of forward contracts related to such transactions was not material to its Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS

A summary of contractual obligations as of December 31, 2016 follows:

	2017	2018 to 2019	2020 to 2021	Thereafter	Total
Long-term debt, including current portion ⁽¹⁾	\$ 1,552	\$ 913	\$ 543	\$ 5,169	\$ 8,177
Interest expense related to long-term debt	295	473	415	1,755	2,938
Reduction of interest expense from interest rate swap agreements related to long-term debt	(44)	(36)	(12)	(58)	(150)
Operating leases	163	212	98	63	536
Purchase obligations	778	87	4	—	869
Other obligations	231	15	14	21	281
Total	<u>\$ 2,975</u>	<u>\$ 1,664</u>	<u>\$ 1,062</u>	<u>\$ 6,950</u>	<u>\$ 12,651</u>

⁽¹⁾ Long-term debt excludes deferred gains and losses on derivatives related to debt, adjustments to fair market value, and premiums and discounts on long-term debentures.

Interest expense related to long-term debt is based on the fixed interest rate, or other applicable interest rate, related to the debt instrument. The reduction of interest expense due to interest rate swap agreements related to long-term debt is based on the difference in the fixed interest rate the Company receives from the swap, compared to the floating interest rate the Company pays on the swap. Purchase obligations are entered into with various vendors in the normal course of business. These amounts include commitments for purchases of raw materials, outstanding non-cancelable purchase orders, releases under blanket purchase orders, and commitments under ongoing service arrangements. Other long-term obligations principally include anticipated contributions of \$215 to pension plans in 2017 and \$58 of deferred compensation earned under various plans for which the participants have elected to receive disbursement at a later date.

The table above does not include future expected pension benefit payments or expected other postretirement benefits payments. Information related to the amounts of these future payments is described in Note 10 to the Consolidated Financial Statements. The table above also excludes the liability for unrecognized income tax benefits, since the Company cannot predict with reasonable certainty the timing of cash settlements with the respective taxing authorities. At December 31, 2016, the gross liability for unrecognized income tax benefits totaled \$629 and interest and penalties were \$94.

RESULTS FOR THE YEAR AND STATE OF AFFAIRS

The results for the year are set out in the Consolidated Profit and Loss Accounts. The balance to be transferred to reserves is \$1,916.

DIVIDENDS

During 2016 and 2015, Eaton's Board of Directors declared and paid quarterly dividends of \$1,037 and \$1,026, respectively.

FUTURE DEVELOPMENTS

Eaton expects to continue to invest in research and development associated with initiatives that it believes will offer the greatest potential for near and long-term growth. The Company plans to invest in areas in which it can benefit from its core competencies and global infrastructure. Funds will be used to expand operations organically and through acquisitions.

ACCOUNTING RECORDS

The directors are responsible for ensuring that the Company and its subsidiary undertakings included in the consolidated financial statements keeps proper accounting records and appropriate accounting systems. On a periodic basis, regular reports, certifications and attestations on the Company's financial matters, internal control and fraud are made to the Audit Committee of the Board of Directors, who in turn, briefs the full Board of Directors on these matters. These measures include the provision of appropriate resources to maintain adequate accounting records throughout the group, including the appointment of personnel with appropriate qualifications and experience to ensure compliance with the requirements of Sections 281 to 285 of the Companies Act 2014. The accounting records of Eaton Corporation plc are maintained at the Company's principal executive offices located at Eaton House, 30 Pembroke Road, Dublin 4, Ireland D04 Y0C2.

SIGNIFICANT EVENTS SINCE YEAR END

Subsequent events have been evaluated through March 1, 2017, the date this report was approved by the Audit Committee of the Board of Directors and the Board of Directors. On February 22, 2017, Eaton's Board of Directors declared a quarterly dividend of \$0.60 per Ordinary share, payable on March 17, 2017, to shareholders of record at the close of business on March 6, 2017.

DIRECTORS AND SECRETARIES

The present directors and secretaries are listed in the following table and, except as noted below, have served throughout the period to December 31, 2016 and since year end.

Mr. Alexander M. Cutler retired as a director on May 31, 2016. Ms. Dorothy C. Thompson was appointed a director on July 29, 2016. Mr. Ned C. Lautenbach retired as a director on December 31, 2016.

AUDIT COMMITTEE

Eaton has an Audit Committee with responsibility for oversight of the financial reporting process, the audit process, the independence of the auditors, the system of internal controls, internal audit and risk management, and compliance with laws and regulations.

DIRECTORS' AND SECRETARIES' INTEREST IN SHARES

No director, the secretary, assistant secretary or any member of their immediate families had any interest in shares or debentures of any subsidiary. Directors' remuneration is set forth in Note 21 to the Consolidated Financial Statements. The interest of the directors and company secretaries in ordinary share capital of Eaton Corporation plc at December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016				December 31, 2015 (or subsequent date of appointment)			
	Ordinary shares	Stock options	Restricted share units	Deferred Share Units	Ordinary shares	Stock options	Restricted share units	Deferred Share Units
Directors								
Craig Arnold ⁽¹⁾⁽²⁾	200,588	325,000	48,571	—	167,814	315,150	16,267	—
Todd M. Bluedorn.....	6,536	—	9,580	—	6,536	—	6,630	—
Christopher M. Connor.....	13,650	6,450	9,580	26,530	12,650	12,954	6,630	25,601
Michael J. Critelli.....	70,566	—	9,580	—	83,566	—	6,630	—
Richard H. Fearon....	254,856	271,850	22,495	—	267,499	259,750	18,698	—
Charles E. Golden	15,964	6,450	9,580	9,652	10,590	26,450	6,630	9,314
Linda A. Hill	7,410	—	9,580	—	7,410	—	6,630	—
Arthur E. Johnson	9,590	—	9,580	—	9,590	—	6,630	—
Deborah L. McCoy ..	44,936	6,450	9,580	28,182	44,936	12,954	6,630	27,195
Gregory R. Page.....	50,779	6,450	9,580	11,865	44,275	12,954	6,630	11,450
Sandra Pianalto	500	—	5,035	—	500	—	2,245	—
Gerald B. Smith	5,671	—	9,580	—	5,671	—	6,630	—
Dorothy C. Thompson	550	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
Secretary								
Thomas E. Moran ⁽³⁾⁽⁴⁾	13,714	24,570	4,625	—	12,883	18,720	2,546	—
Assistant Secretaries...								
Estelle Diggin.....	—	—	—	—	—	—	—	—
Nigel Crawford	—	—	—	—	—	—	—	—

⁽¹⁾ At December 31, 2016, Craig Arnold held 157.85 shares in Employee Stock Plan (ESP)

⁽²⁾ At December 31, 2015, Craig Arnold held 153.28 shares in ESP

⁽³⁾ At December 31, 2016, 600 shares were owned by Thomas E. Moran's spouse; 176.39 ordinary shares in ESP

⁽⁴⁾ At December 31, 2015, 600 shares were owned by Thomas E. Moran's spouse; 171.27 ordinary shares in ESP

POLITICAL DONATIONS

No political contributions that require disclosure under Irish law were made during the year.

SUBSIDIARY COMPANIES AND BRANCHES

Information regarding subsidiary undertakings, included information regarding branches, is provided in Note 23 to the Consolidated Financial Statements.

GOING CONCERN

The directors have a reasonable expectation that Eaton has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' RESPONSIBILITIES STATEMENT

Company law in the Republic of Ireland requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the assets, liabilities and financial position of the Parent Company and of the Group and of the profit or loss of the Group for that period.

In preparing the financial statements of the Group, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- comply with applicable US generally accepted accounting principles to the extent that the use of US generally accepted accounting principles does not contravene any provision of the Companies Act 2014, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The considerations set out above for the Group are also required to be addressed by the Directors in preparing the financial statements of the Parent Company (which are also set out in these statutory accounts), in respect of which the applicable accounting standards are those which are generally accepted in the Republic of Ireland.

The directors have elected to prepare the Parent Company's financial statements in accordance with accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Generally Accepted Accounting Practice in Ireland).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position, of the group and parent company as at the end of the financial year, and the profit or loss for the group for the financial year, and otherwise comply with the Companies Act 2014.

The Directors are responsible for keeping accounting records which disclose with reasonable accuracy the assets, liabilities, financial position and profit and loss of the Parent Company and which enable them to ensure that the financial statements of the Group are prepared in accordance with applicable US generally accepted accounting principles and comply with the provisions of the Companies Acts 2014. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' COMPLIANCE STATEMENT

As required by Section 225 of the Companies Act 2014 of Ireland, the Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in that legislation). The Directors further confirm that a compliance policy statement has been drawn up, and that appropriate arrangements and structures have been put in place that are, in the Directors' opinion, designed to secure material compliance with the relevant obligations. A review of those arrangements and structures has been conducted in the financial year to which this report relates.

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made inquiries of fellow Directors and the group's auditor, each Director has taken all the steps that they are obliged to take as a director in order to make them aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office in accordance with the Section 383(2) of the Companies Act 2014.

On behalf of the Directors:

Craig Arnold
Chairman of the Board of Directors

Gerald B. Smith
Director

March 1, 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EATON CORPORATION PLC

We have audited the financial statements of Eaton Corporation plc for the year ended 31 December 2016 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Shareholders' Equity, the Parent Company Statement of Financial Position, the Parent Company Statement of Comprehensive Income, the Parent Company Statement of Changes in Equity, the related notes 1 to 23 in respect of the group financial statements and the related notes 1 to 15 in respect to the parent company financial statements. The financial reporting framework that has been applied in the preparation of the group financial statements is Irish law and U.S. Generally Accepted Accounting Principles (U.S. GAAP), as defined in section 279 of Part 6 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of that Part of the Companies Act 2014 and for the preparation of the parent company financial statements in accordance with Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the group financial statements give a true and fair view in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP), as defined in section 279 of Part 6 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of that Part of the Companies Act 2014, of the assets, liabilities and financial position of the Group as at 31 December 2016 and of the profit for the Group for the year then ended;
- the parent company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the parent company as at 31 December 2016 and has been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EATON CORPORATION PLC (CONTINUED)

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the parent company financial statements to be readily and properly audited.
- The parent company statement of financial position is in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of Sections 305 to 312 of the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Breffni Maguire
For and on behalf of Ernst & Young
Chartered Accountants and Statutory Audit Firm

Dublin
1 March 2017

EATON CORPORATION plc
CONSOLIDATED PROFIT AND LOSS ACCOUNTS

(In millions except for per share data)	Note	Year ended December 31	
		2016	2015
Net sales.....	18	\$ 19,747	\$ 20,855
Cost of products sold.....		13,409	14,304
Gross profit		<u>6,338</u>	<u>6,551</u>
Selling and administrative expense.....		3,505	3,596
Research and development expense.....		589	625
Interest expense.....		247	245
Interest income.....		(14)	(13)
Other expense.....		51	61
Other income.....		(158)	(96)
Income before income taxes	18	<u>2,118</u>	<u>2,133</u>
Income tax expense.....	12	199	159
Net income		<u>1,919</u>	<u>1,974</u>
Less net income for minority interests.....		(3)	(2)
Net income attributable to Eaton ordinary shareholders		<u>\$ 1,916</u>	<u>\$ 1,972</u>
Net income per share attributable to Eaton ordinary shareholders			
Diluted.....	13	\$ 4.20	\$ 4.22
Basic.....	13	4.21	4.23
Weighted-average number of ordinary shares outstanding			
Diluted.....	13	456.5	467.1
Basic.....	13	455.0	465.5
Cash dividends declared per ordinary share		\$ 2.28	\$ 2.20

The accompanying notes are an integral part of the consolidated financial statements.

EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	Note	Year ended December 31	
		2016	2015
Net income		\$ 1,919	\$ 1,974
Less net income for minority interests.....		(3)	(2)
Net income attributable to Eaton ordinary shareholders		<u>1,916</u>	<u>1,972</u>
Other comprehensive loss, net of tax			
Currency translation and related hedging instruments.....	13	(570)	(1,078)
Pensions and other postretirement benefits.....	13	(6)	111
Cash flow hedges.....	13	(9)	3
Other comprehensive loss attributable to Eaton ordinary shareholders		<u>(585)</u>	<u>(964)</u>
Total comprehensive income attributable to Eaton ordinary shareholders.....		<u>\$ 1,331</u>	<u>\$ 1,008</u>

The accompanying notes are an integral part of the consolidated financial statements.

EATON CORPORATION plc
CONSOLIDATED BALANCE SHEETS

(In millions)	Note	December 31	
		2016	2015
Assets			
Fixed assets			
Intangible assets - goodwill.....	6	\$ 13,201	\$ 13,479
Intangible assets - other.....	6	5,828	6,301
Property, plant and equipment, net.....	5	3,443	3,565
Investments in associate companies.....		117	111
Current assets			
Inventory	17	2,346	2,424
Debtors	7	5,090	5,173
Short-term investments	15	203	177
Cash.....		543	268
Total assets.....		<u>\$ 30,771</u>	<u>\$ 31,498</u>
Liabilities			
Shareholders' equity			
Called up share capital		\$ 5	\$ 5
Share premium		11,507	11,431
Profit and loss account		7,687	7,540
Other reserves	13	(4,242)	(3,724)
Shares held in trust.....		(3)	(3)
Total Eaton shareholders' equity.....		<u>14,954</u>	<u>15,249</u>
Minority interests		44	45
Total shareholders' equity.....		<u>14,998</u>	<u>15,294</u>
Provision for liabilities and charges			
Pension and other postretirement benefits	10	2,104	2,148
Deferred income taxes	12	616	829
Other provisions.....	11	534	548
Creditors			
Debt.....	9	8,277	8,414
Creditors.....	8	4,242	4,265
Total for provisions and creditors.....		<u>15,773</u>	<u>16,204</u>
Total liabilities.....		<u>\$ 30,771</u>	<u>\$ 31,498</u>

The accompanying notes are an integral part of the consolidated financial statements.

The Consolidated Financial Statements were approved by the Audit Committee of the Board of Directors and the Board of Directors on March 1, 2017 and signed on its behalf by:

Craig Arnold
Chairman of the Board of Directors

Gerald B. Smith
Director

EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Year ended December 31	
	2016	2015
Operating activities		
Net income	\$ 1,919	\$ 1,974
Adjustments to reconcile to net cash provided by operating activities		
Depreciation and amortization	929	925
Deferred income taxes	(83)	(105)
Pension and other postretirement benefits expense	235	323
Contributions to pension plans	(262)	(330)
Contributions to other postretirement benefits plans	(30)	(31)
Excess tax benefit from equity-based compensation	(1)	(1)
Changes in working capital		
Accounts receivable - net	(170)	5
Inventory	34	(8)
Accounts payable	—	(120)
Accrued compensation	20	(28)
Accrued income and other taxes	30	(9)
Other current assets	(21)	7
Other current liabilities	(62)	(76)
Other - net	14	(155)
Net cash provided by operating activities	<u>2,552</u>	<u>2,371</u>
Investing activities		
Capital expenditures for property, plant and equipment	(497)	(506)
Cash received from (paid for) acquisitions of businesses, net of cash acquired	1	(72)
Sales of short-term investments - net	(40)	37
Proceeds from the sales of businesses	—	1
Other - net	7	(35)
Net cash used in investing activities	<u>(529)</u>	<u>(575)</u>
Financing activities		
Proceeds from borrowings	631	425
Payments on borrowings	(653)	(1,027)
Cash dividends paid	(1,037)	(1,026)
Exercise of employee stock options	74	52
Repurchase of shares	(730)	(682)
Excess tax benefit from equity-based compensation	1	1
Other - net	(6)	(10)
Net cash used in financing activities	<u>(1,720)</u>	<u>(2,267)</u>
Effect of currency on cash	(28)	(42)
Total decrease in cash	<u>275</u>	<u>(513)</u>
Cash at the beginning of the period	268	781
Cash at the end of the period	<u>\$ 543</u>	<u>\$ 268</u>

The accompanying notes are an integral part of the consolidated financial statements.

EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In millions)	Called up share capital		Share premium	Profit and loss account	Other reserves	Shares held in trust	Total Eaton shareholders' equity (Note 13)	Minority interests	Total equity
	Shares	Dollars							
Balance at January 1, 2015	467.9	\$ 5	\$ 11,377	\$ 7,278	\$ (2,801)	\$ (3)	\$ 15,856	\$ 53	\$ 15,909
Net income	—	—	—	1,972	—	—	1,972	2	1,974
Other comprehensive loss, net of tax ...	—	—	—	—	(964)	—	(964)	—	(964)
Cash dividends paid.....	—	—	—	(1,026)	—	—	(1,026)	(9)	(1,035)
Issuance of shares under equity-based compensation plans-net (net of income tax benefit of \$1).....	2.2	—	54	(2)	44	—	96	—	96
Changes in minority interest of consolidated subsidiaries, net.....	—	—	—	—	(3)	—	(3)	(1)	(4)
Repurchase and cancellation of ordinary shares	(11.3)	—	—	(682)	—	—	(682)	—	(682)
Balance at December 31, 2015	458.8	5	11,431	7,540	(3,724)	(3)	15,249	45	15,294
Net income	—	—	—	1,916	—	—	1,916	3	1,919
Other comprehensive loss, net of tax ...	—	—	—	—	(585)	—	(585)	—	(585)
Cash dividends paid.....	—	—	—	(1,037)	—	—	(1,037)	(2)	(1,039)
Issuance of shares under equity-based compensation plans - net (net of income tax benefit of \$1).....	2.4	—	76	(2)	67	—	141	—	141
Changes in minority interest of consolidated subsidiaries, net.....	—	—	—	—	—	—	—	(2)	(2)
Repurchase and cancellation of ordinary shares	(11.8)	—	—	(730)	—	—	(730)	—	(730)
Balance at December 31, 2016	449.4	\$ 5	\$ 11,507	\$ 7,687	\$ (4,242)	\$ (3)	\$ 14,954	\$ 44	\$ 14,998

The accompanying notes are an integral part of the consolidated financial statements.

EATON CORPORATION plc
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts are in millions unless indicated otherwise (per share data assume dilution).

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

Eaton Corporation plc (Eaton or the Company) is a power management company with 2016 net sales of \$19.7 billion. The Company provides energy-efficient solutions that help its customers effectively manage electrical, hydraulic and mechanical power more efficiently, safely and sustainably. Eaton has approximately 95,000 employees in over 60 countries and sells products to customers in more than 175 countries.

The consolidated financial statements of the Company have been prepared in accordance with Section 279 of the Companies Act 2014, which provides that a true and fair view of the assets, liabilities, financial position and profit or loss may be given by preparing the financial statements in accordance with generally accepted accounting principles in the United States (U.S. GAAP), as defined in Section 279 (1) of the Companies Act 2014, to the extent that the use of those principles in the preparation of the consolidated financial statements does not contravene any provision of Part 6 of the Companies Act 2014.

These consolidated financial statements were prepared in accordance with Irish Company Law, to present to the shareholders of the Company and file with the Companies Registration Office in Ireland. Accordingly, these consolidated financial statements include presentation, inventory valuation and additional disclosures required by the Republic of Ireland's Companies Act, 2014 (Companies Act) in addition to those disclosures required under U.S. GAAP. A reconciliation of the amounts reported herein to the comparable amounts reported in Eaton's Consolidated Financial Statements, as filed in its Annual Report on Form 10-K with the United States Securities and Exchange Commission, is included in Note 20.

Terminology typically utilized in a set of U.S. GAAP financial statements has been retained for the benefit of those users of these financial statements who also access our Form 10-K U.S. GAAP financial statements, rather than utilizing the terminology set out under Irish Company Law. Accordingly, references to net sales, cost of products sold, interest income, interest expense, income tax expense, net income, property, plant and equipment, net, inventory and cash have the same meaning as references to turnover, cost of sales, other interest receivable and similar income, interest payable and similar charges, tax on profit on ordinary activities, profit on ordinary activities after taxation, tangible assets, stocks and cash at bank and in hand under Irish Company Law.

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and notes. Actual results could differ from these estimates.

The consolidated financial statements include the accounts of Eaton and all subsidiaries and other entities it controls. Intercompany transactions and balances have been eliminated. The equity method of accounting is used for investments in associate companies where the Company has significant influence and generally a 20% to 50% ownership interest. Equity investments are evaluated for impairment whenever events or circumstances indicate the book value of the investment exceeds fair value. An impairment would exist if there is an other-than-temporary decline in value. These associate companies are not material either individually, or in the aggregate, to Eaton's consolidated financial statements. Eaton does not have off-balance sheet arrangements or financings with unconsolidated entities. In the ordinary course of business, the Company leases certain real properties and equipment, as described in Note 11.

Eaton's functional currency is United States Dollars (USD). The functional currency for most subsidiaries is their local currency. Financial statements for these subsidiaries are translated at year-end exchange rates as to assets and liabilities and weighted-average exchange rates as to revenues and expenses. The resulting translation adjustments are recognized in Other reserves.

During 2016, the Company adopted Accounting Standards Update 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). ASU 2015-03 requires that debt issuance costs be presented in the balance sheet as a direct deduction from the related debt liability rather than an asset. The Company has applied this standard retrospectively. The adoption of ASU 2015-03 resulted in the reclassification of \$35,000,000 within the Company's Consolidated Balance Sheets as of December 31, 2016 and December 31, 2015, respectively, from Debtors to a reduction in Debt.

During 2016, the Company adopted Accounting Standards Update 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (ASU 2015-07). Topic 820 allows for investments to be valued at their net asset value if their share price is not published for current transactions (referred to as the practical expedient). Prior to ASU 2015-07, there has been diversity in practice related to how investments measured using the practical expedient are categorized within the fair value hierarchy. With the adoption of ASU 2015-07, these investments are no longer categorized in the fair value hierarchy, which eliminates the diversity in practice resulting from the way in which these investments were classified. In addition, ASU 2015-07 removes the requirement to make certain disclosures for these investments. The Company retrospectively applied the requirements of ASU 2015-07 for all comparative periods presented in Note 10 resulting in investments measured using the net asset value practical expedient no longer being categorized in the fair value hierarchy.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Revenue Recognition

Sales of products are recognized when a sales agreement is in place, products have been shipped to unaffiliated customers and title has transferred in accordance with shipping terms, the selling price is fixed and determinable and collectability is reasonably assured, all significant related acts of performance have been completed, and no other significant uncertainties exist. Shipping and handling costs billed to customers are included in Net sales and the related costs in Cost of products sold. Although the majority of the sales agreements contain standard terms and conditions, there are agreements that contain multiple elements or non-standard terms and conditions. As a result, judgment is required to determine the appropriate accounting, including whether the deliverables specified in these agreements should be treated as separate units of accounting for recognition purposes, and, if so, how the sales price should be allocated among the elements and when to recognize sales for each element. For delivered elements, sales generally are recognized only when the delivered elements have standalone value and there are no uncertainties regarding customer acceptance. Sales for service contracts generally are recognized as the services are provided.

Eaton records reductions to revenue for customer and distributor incentives, primarily comprised of rebates, at the time of the initial sale. Rebates are estimated based on sales terms, historical experience, trend analysis, and projected market conditions in the various markets served. The rebate programs offered vary across businesses due to the numerous markets Eaton serves, but the most common incentives relate to amounts paid or credited to customers for achieving defined volume levels.

Goodwill and Indefinite Life Intangible Assets

Irish Company Law requires that indefinite-lived intangible assets and goodwill be amortized. However, Eaton does not believe this gives a true and fair view because not all goodwill and intangible assets decline in value. In addition, since goodwill that does decline in value rarely does so on a straight-line basis, straight-line amortization of goodwill over an arbitrary period does not reflect the economic reality. Therefore, in order to present a true and fair view of the economic reality under U.S. GAAP, goodwill and certain other intangible assets are considered indefinite-lived and are not amortized. The company is not able to reliably estimate the impact on the financial statements on the basis that the useful economic life of goodwill cannot be predicted with a satisfactory level of reliability nor can the pattern in which goodwill diminishes be known. Goodwill and these intangible assets are subject to an annual impairment test.

Goodwill is evaluated annually for impairment as of July 1 using either a quantitative or qualitative analysis. Goodwill is tested for impairment at the reporting unit level, which is equivalent to Eaton's operating segments and based on the net assets for each segment, including goodwill and intangible assets. Goodwill is assigned to each operating segment, as this represents the lowest level that constitutes a business and is the level at which management regularly reviews the operating results. The Company performs a quantitative analysis using a discounted cash flow model and other valuation techniques, but may elect to perform a qualitative analysis. Additionally, goodwill is evaluated for impairment whenever an event occurs or circumstances change that would indicate that it is more likely than not that the fair value of an operating segment is less than its carrying amount.

Goodwill impairment testing for 2016 was performed using a quantitative analysis under which the fair value for each reporting unit was estimated using a discounted cash flow model, which considered forecasted cash flows discounted at an estimated weighted-average cost of capital. The forecasted cash flows were based on the Company's long-term operating plan and a terminal value was used to estimate the operating segment's cash flows beyond the period covered by the operating plan. The weighted-average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt market holders of a business enterprise. These analyses require the exercise of significant judgments, including judgments about appropriate discount rates, perpetual growth rates and the timing of expected future cash flows of the respective reporting unit. Sensitivity analyses were performed around these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated fair values.

Goodwill impairment testing in 2015 was performed using qualitative analysis, which is performed by assessing certain trends and factors, including projected market outlook and growth rates, forecasted and actual sales and operating profit margins, discount rates, industry data, and other relevant qualitative factors. These trends and factors are compared to, and based on, the assumptions used in the most recent quantitative assessment performed in 2013. The results of the qualitative analysis did not indicate a need to perform a quantitative analysis.

Based on a quantitative analysis performed in 2016 and a qualitative analysis performed in 2015, the fair value of Eaton's reporting units continue to substantially exceed their respective carrying amounts.

Indefinite life intangible assets consist of certain trademarks. They are evaluated annually for impairment as of July 1 using either a quantitative or qualitative analysis to determine whether their fair values exceed their respective carrying amounts. Indefinite life intangible asset impairment testing for 2016 and 2015 was performed using a quantitative analysis. The Company determines the fair value of these assets using a royalty relief methodology similar to that employed when the associated assets were acquired, but using updated estimates of future sales, cash flows and profitability. Additionally, indefinite life intangible assets are evaluated for impairment whenever an event occurs or circumstances change that would indicate that it is more likely than not that the asset is impaired. For 2016 and 2015, the fair value of indefinite lived intangible assets exceeded the respective carrying value.

For additional information about goodwill and other intangible assets, see Note 6.

Other Long-Lived Assets

Depreciation and amortization for property, plant and equipment, and intangible assets subject to amortization, are generally computed by the straight-line method and included in Cost of products sold, Selling and administrative expense, and Research and development expense, as appropriate. Cost of buildings are depreciated generally over 40 years and machinery and equipment over 3 to 10 years. At December 31, 2016, the weighted-average amortization period for intangible assets subject to amortization was 17 years for patents and technology, primarily as a result of the long life of aircraft platforms; 17 years for customer relationships; and 16 years for certain trademarks. Software is generally amortized up to a life of 10 years.

Other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Upon indications of impairment, assets and liabilities are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The asset group would be considered impaired when the estimated future net undiscounted cash flows generated by the asset group are less than its carrying value. Determining asset groups and underlying cash flows requires the use of significant judgment.

For additional information about property, plant and equipment see Note 5.

Retirement Benefits Plans

For the principal pension plans in the United States, Canada, Puerto Rico and the United Kingdom, the Company uses a market-related value of plan assets to calculate the expected return on assets used to determine net periodic benefit costs. The market-related value of plan assets is a calculated value that recognizes changes in the fair value of plan assets over a five year period. All other plans use fair value of plan assets.

Net actuarial gains or losses are amortized to expense on a plan-by-plan basis when they exceed the accounting corridor. The Company's corridors are set at either 8% or 10%, depending on the plan, of the greater of the plan assets or benefit obligations. Gains or losses outside of the corridor are subject to amortization over an average employee future service period that differs by plan, but is approximately 13 years on a weighted average basis. If most or all of the plan's participants are no longer actively accruing benefits, the average life expectancy is used.

Warranty Accruals

Product warranty accruals are established at the time the related sale is recognized through a charge to Cost of products sold. Warranty accrual estimates are based primarily on historical warranty claim experience and specific customer contracts. Provisions for warranty accruals are comprised of basic warranties for products sold, as well as accruals for product recalls and other events when they are known and estimable. See Note 11 for additional information about warranty accruals.

Asset Retirement Obligations

A conditional asset retirement obligation is recognized at fair value when incurred if the fair value of the liability can be reasonably estimated. Uncertainty about the timing or method of settlement of a conditional asset retirement obligation would be considered in the measurement of the liability when sufficient information exists. Eaton believes that for substantially all of its asset retirement obligations, there is an indeterminate settlement date because the range of time over which the Company may settle the obligation is unknown or cannot be estimated. A liability for these obligations will be recognized when sufficient information is available to estimate fair value.

Income Taxes

Deferred income tax assets and liabilities are determined based on the difference between the financial statement and tax basis of the respective assets and liabilities, using enacted tax rates in effect for the year when the differences are expected to reverse. Deferred income tax assets are recognized for income tax loss carryforwards and income tax credit carryforwards. Judgment is required in determining and evaluating income tax provisions and valuation allowances for deferred income tax assets. Eaton recognizes the income tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Eaton evaluates and adjusts these accruals based on changing facts and circumstances. Eaton recognizes interest and penalties related to unrecognized income tax benefits in the provision for income tax expense. Penalties on unrecognized income tax benefits have been accrued for jurisdictions where penalties are automatically applied to any deficiency, regardless of the merit of the position. For additional information about income taxes, see Note 12.

Equity-Based Compensation

Eaton recognizes equity-based compensation expense based on the grant date fair value of the award. Awards with service conditions or both service and market conditions are expensed over the period during which an employee is required to provide service in exchange for the award. Awards with both service and performance conditions are expensed over the period an employee is required to provide service based on the number of units for which achievement of the performance objective is probable. Participants awarded restricted stock units (RSUs) do not receive dividends; therefore, their fair value is determined by reducing the closing market price of the Company's ordinary shares on the date of grant by the present value of the estimated dividends had they been paid. The fair value of restricted stock awards (RSAs) and performance stock units (PSUs) with performance conditions are determined based on the closing market price of the Company's ordinary shares at the date of grant. The Company uses a Monte Carlo simulation to estimate the fair value of PSUs with market conditions, which incorporates assumptions regarding expected stock price volatility and the risk-free interest rate. Stock options are granted with an exercise price equal to the closing market price of Eaton ordinary shares on the date of grant. The fair value of stock options is determined using a Black-Scholes option-pricing model, which incorporates assumptions regarding the expected stock price volatility, the expected option life, the risk-free interest rate, and the expected dividend yield. See Note 14 for additional information about equity-based compensation.

Derivative Financial Instruments and Hedging Activities

Eaton uses derivative financial instruments to manage the exposure to the volatility in raw material costs, currency, and interest rates on certain debt. These instruments are marked to fair value in the accompanying Consolidated Balance Sheets. Changes in the fair value of derivative assets or liabilities (i.e., gains or losses) are recognized depending upon the type of hedging relationship and whether an instrument has been designated as a hedge. For those instruments that qualify for hedge accounting, Eaton designates the hedging instrument, based upon the exposure being hedged, as a cash flow hedge, a fair value hedge, or a hedge of a net investment in a foreign operation. Changes in fair value of these instruments that do not qualify for hedge accounting are recognized immediately in net income. See Note 16 for additional information about hedges and derivative financial instruments.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (ASU 2014-09). This accounting standard supersedes all existing US GAAP revenue recognition guidance. Under ASU 2014-09, a company will recognize revenue when it transfers the control of promised goods or services to customers in an amount that reflects the consideration which the company expects to collect in exchange for those goods or services. ASU 2014-09 will require additional disclosures in the notes to the consolidated financial statements and is effective for annual and interim reporting periods beginning after December 15, 2016. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date (ASU 2015-14). This accounting standard defers the effective date of ASU 2014-09 for one year and permits early adoption as of the original effective date.

A cross-functional implementation team has been established consisting of representatives from all of our business segments. The implementation team is working to analyze the impact of the standard on the Company's contract portfolio by reviewing current accounting policies and practices to identify potential differences that would result from applying the requirements of the new standard to revenue contracts. In addition, the Company is in the process of identifying and implementing the appropriate changes to business processes and controls to support recognition and disclosure under the new standard. Eaton plans to adopt the standard as of the first quarter of 2018 using the modified retrospective approach and will record a cumulative adjustment to equity for open contracts as of January 1, 2018. Certain revenues will move from point-in-time or multiple elements to over time because of the continuous transfer of control to customers. Eaton is continuing to evaluate the impact of ASU 2014-09 and an estimate of the impact to the consolidated financial statements cannot be made at this time.

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, Leases (Topic 842), (ASU 2016-02). This accounting standard requires that a lessee recognize a lease asset and a lease liability on its balance sheet for all leases, including operating leases, with a term greater than 12 months. ASU 2016-02 will require additional disclosures in the notes to the consolidated financial statements and is effective for annual and interim reporting periods beginning after December 15, 2018. Eaton is evaluating the impact of ASU 2016-02 and an estimate of the impact to the consolidated financial statements cannot be made at this time.

In March 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, (ASU 2016-09). The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. The new standard eliminates the accounting for excess tax benefits to be recognized in equity, and tax deficiencies recognized in either equity or the income tax provision. ASU 2016-09 is effective for annual and interim reporting periods beginning after December 15, 2016. The Company will adopt the new standard in the first quarter of 2017. Upon adoption, the Company anticipates recognizing deferred tax assets for all excess tax benefits that had not been previously recognized. This will be accomplished through a cumulative-effect adjustment to retained earnings and is not expected to have a material impact to the consolidated financial statements.

Note 2. ACQUISITIONS AND SALES OF BUSINESSES

Acquisition of Ephesus Lighting, Inc.

On October 28, 2015, Eaton acquired Ephesus Lighting, Inc. (Ephesus). Ephesus is a leader in LED lighting for stadiums and other high lumen outdoor and industrial applications. Its sales for the 12 months ended September 30, 2015 were \$23. Ephesus is reported within the Electrical Products business segment.

Acquisition of UK Safety Technology Manufacturer Oxalis Group Ltd.

On January 12, 2015, Eaton acquired Oxalis Group Ltd. (Oxalis). Oxalis is a manufacturer of closed-circuit television camera stations, public address and general alarm systems and other electrical products for the hazardous area, marine and industrial communications markets. Its sales for the 12 months ended December 31, 2014 were \$9. Oxalis is reported within the Electrical Systems and Services business segment.

Note 3. ACQUISITION INTEGRATION CHARGES

Eaton incurs integration charges related to acquired businesses. A summary of these charges follows:

	2016	2015
Electrical Products	\$ 3	\$ 25
Electrical Systems and Services	1	15
Hydraulics	—	2
Total business segments	4	42
Corporate	—	5
Total acquisition integration charges before income taxes	4	47
Income taxes	1	16
Total after income taxes	\$ 3	\$ 31
Per ordinary share - diluted	\$ 0.01	\$ 0.07

Business segment acquisition integration charges in 2016 related to the integration of Ephesus Lighting, Inc. and Oxalis Group Ltd., which were acquired in 2015. The charges associated with Ephesus were included in Cost of products sold and Selling and administrative expense, while the charges associated with Oxalis were included in Cost of products sold. Business segment acquisition charges in 2015 related primarily to the integration of Cooper Industries plc, which was acquired in 2012. The charges in 2015 were included in Cost of products sold or Selling and administrative expense, as appropriate. In Business Segment Information, the charges reduced Operating profit of the related business segment.

The integration of Cooper included costs related to restructuring activities Eaton undertook in an effort to gain efficiencies in selling, marketing, traditional back-office functions and manufacturing and distribution. These actions resulted in charges of \$20 during 2015, comprised of severance costs and other expense totaling \$1 and \$19, respectively, of which \$14 were incurred in the Electrical Products segment, and \$6 were incurred in the Electrical Systems and Services segment.

Corporate integration charges related primarily to the acquisition of Cooper. These charges were included in Selling and administrative expense. In Business Segment Information, the charges were included in Other corporate expense.

See Note 18 for additional information about business segments.

Note 4. RESTRUCTURING CHARGES

During 2015, Eaton announced its commitment to undertake actions to reduce its cost structure in all business segments and at corporate. Restructuring charges incurred under this plan were \$211 in 2016 and \$129 in 2015. The charges associated with restructuring activities are anticipated to be \$100 in 2017.

A summary of restructuring charges by type follows:

	2016	2015
Workforce reductions	\$ 177	\$ 112
Plant closings and other	34	17
Total	<u>\$ 211</u>	<u>\$ 129</u>

A summary of restructuring charges by segment follows:

	2016	2015
Electrical Products	\$ 44	\$ 12
Electrical Systems & Services	49	29
Hydraulics	67	31
Aerospace	4	5
Vehicle	35	34
Corporate	12	18
Total	<u>\$ 211</u>	<u>\$ 129</u>

A summary of liabilities related to workforce reductions, plant closings and other associated costs announced in 2015 follows:

	Workforce reductions	Plant closing and other	Total
Balance at December 31, 2014	\$ —	\$ —	\$ —
Liability recognized	112	17	129
Payments	(59)	(3)	(62)
Other adjustments	1	(14)	(13)
Balance at December 31, 2015	<u>54</u>	<u>—</u>	<u>54</u>
Liability recognized	177	34	211
Payments	(116)	(13)	(129)
Other adjustments	(2)	(20)	(22)
Balance at December 31, 2016	<u>\$ 113</u>	<u>\$ 1</u>	<u>\$ 114</u>

These charges were included in Cost of products sold, Selling and administrative expenses or Other income-net, as appropriate. In Business Segment Information, the charges reduced Operating profit of the related business segment. See Note 18 for additional information about business segments.

Note 5. PROPERTY, PLANT AND EQUIPMENT

Changes in Property, plant and equipment follow:

	Land, buildings and improvements	Machinery and equipment	Construction in progress	Total
December 31, 2014				
Cost	\$ 2,343	\$ 5,169	\$ 452	\$ 7,964
Accumulated depreciation.....	(787)	(3,427)	—	(4,214)
Net book value	<u>\$ 1,556</u>	<u>\$ 1,742</u>	<u>\$ 452</u>	<u>\$ 3,750</u>
Capital expenditures and transfers.....	\$ 198	\$ 440	\$ (132)	\$ 506
Depreciation expense.....	(97)	(382)	—	(479)
Retirements and disposals	(22)	(15)	—	(37)
Currency translation	(74)	(81)	(20)	(175)
December 31, 2015				
Cost	2,383	5,201	300	7,884
Accumulated depreciation.....	(822)	(3,497)	—	(4,319)
Net book value	<u>\$ 1,561</u>	<u>\$ 1,704</u>	<u>\$ 300</u>	<u>\$ 3,565</u>
December 31, 2015				
Cost	\$ 2,383	\$ 5,201	\$ 300	\$ 7,884
Accumulated depreciation.....	(822)	(3,497)	—	(4,319)
Net book value	<u>\$ 1,561</u>	<u>\$ 1,704</u>	<u>\$ 300</u>	<u>\$ 3,565</u>
Capital expenditures and transfers.....	\$ 85	\$ 398	\$ 14	\$ 497
Depreciation expense.....	(84)	(402)	—	(486)
Retirements and disposals	(44)	(23)	—	(67)
Currency translation	(34)	(24)	(8)	(66)
December 31, 2016				
Cost	2,369	5,364	306	8,039
Accumulated depreciation.....	(885)	(3,711)	—	(4,596)
Net book value	<u>\$ 1,484</u>	<u>\$ 1,653</u>	<u>\$ 306</u>	<u>\$ 3,443</u>

Capital expenditures are expected to be approximately \$525 in 2017. Projected expenditures for 2017 will focus on capacity expansions in developing markets, development of new products, replacement equipment, and cost reduction programs.

Note 6. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill by segment follow:

	Electrical Products	Electrical Systems and Services	Hydraulics	Aerospace	Vehicle	Total
December 31, 2014	\$ 6,940	\$ 4,314	\$ 1,327	\$ 962	\$ 350	\$ 13,893
Additions.....	31	20	—	—	—	51
Reclassifications	(106)	106	—	—	—	—
Translation adjustments ...	(223)	(161)	(68)	(6)	(7)	(465)
December 31, 2015	6,642	4,279	1,259	956	343	13,479
Translation adjustments ...	(145)	(76)	(38)	(18)	(1)	(278)
December 31, 2016	<u>\$ 6,497</u>	<u>\$ 4,203</u>	<u>\$ 1,221</u>	<u>\$ 938</u>	<u>\$ 342</u>	<u>\$ 13,201</u>

A summary of other intangible assets follows:

	2016		2015	
	Historical cost	Accumulated amortization	Historical cost	Accumulated amortization
Intangible assets not subject to amortization				
Trademarks	<u>\$ 1,637</u>		<u>\$ 1,661</u>	
Intangible assets subject to amortization				
Customer relationships.....	\$ 3,456	\$ 1,199	\$ 3,544	\$ 1,010
Patents and technology.....	1,342	519	1,447	511
Software	755	441	672	385
Trademarks.....	1,104	378	1,113	311
Other.....	97	26	103	22
Total other intangible assets.....	<u>\$ 6,754</u>	<u>\$ 2,563</u>	<u>\$ 6,879</u>	<u>\$ 2,239</u>

Changes in Other intangibles follows:

	Indefinite lived trademarks	Customer relationships	Patents and technology	Software	Trademarks	Other	Total
December 31, 2014							
Cost.....	\$ 1,844	\$ 3,674	\$ 1,494	\$ 635	\$ 980	\$ 103	\$ 8,730
Accumulated amortization ..	—	(834)	(440)	(380)	(250)	(15)	(1,919)
Net book value.....	<u>\$ 1,844</u>	<u>\$ 2,840</u>	<u>\$ 1,054</u>	<u>\$ 255</u>	<u>\$ 730</u>	<u>\$ 88</u>	<u>\$ 6,811</u>
Additions.....	\$ —	\$ —	\$ —	\$ 178	\$ —	\$ —	\$ 178
Acquisitions	—	9	11	—	5	2	27
Amortization expense	—	(221)	(96)	(45)	(78)	(6)	(446)
Other	(167)	—	—	—	167	—	—
Retirements and disposals..	—	—	—	(96)	—	—	(96)
Currency translation.....	(16)	(94)	(33)	(5)	(22)	(3)	(173)
December 31, 2015							
Cost.....	1,661	3,544	1,447	672	1,113	103	8,540
Accumulated amortization ..	—	(1,010)	(511)	(385)	(311)	(22)	(2,239)
Net book value.....	<u>\$ 1,661</u>	<u>\$ 2,534</u>	<u>\$ 936</u>	<u>\$ 287</u>	<u>\$ 802</u>	<u>\$ 81</u>	<u>\$ 6,301</u>

	Indefinite lived trademarks	Customer relationships	Patents and technology	Software	Trademarks	Other	Total
December 31, 2015							
Cost	\$ 1,661	\$ 3,544	\$ 1,447	\$ 672	\$ 1,113	\$ 103	\$ 8,540
Accumulated amortization ..	—	(1,010)	(511)	(385)	(311)	(22)	(2,239)
Net book value	<u>\$ 1,661</u>	<u>\$ 2,534</u>	<u>\$ 936</u>	<u>\$ 287</u>	<u>\$ 802</u>	<u>\$ 81</u>	<u>\$ 6,301</u>
Additions	\$ —	\$ —	\$ —	\$ 78	\$ —	\$ —	\$ 78
Acquisitions	—	(3)	2	—	—	1	—
Amortization expense	—	(217)	(91)	(51)	(79)	(5)	(443)
Other	(10)	—	—	2	10	—	2
Retirements and disposals ..	—	—	—	(1)	—	(2)	(3)
Currency translation	(14)	(57)	(24)	(1)	(7)	(4)	(107)
December 31, 2016							
Cost	1,637	3,456	1,342	755	1,104	97	8,391
Accumulated amortization ..	—	(1,199)	(519)	(441)	(378)	(26)	(2,563)
Net book value	<u>\$ 1,637</u>	<u>\$ 2,257</u>	<u>\$ 823</u>	<u>\$ 314</u>	<u>\$ 726</u>	<u>\$ 71</u>	<u>\$ 5,828</u>

Amortization expense related to intangible assets (excluding software) subject to amortization in 2016, and estimated amortization expense for each of the next five years, follows:

2016	\$ 392
2017	375
2018	355
2019	348
2020	343
2021	334

Note 7. DEBTORS

	December 31	
	2016	2015
Debtors		
Amounts falling due within one year		
Accounts receivable - net	\$ 3,560	\$ 3,479
Deferred income taxes	398	533
Prepayments and accrued income	381	369
	<u>4,339</u>	<u>4,381</u>
Amounts falling due after more than one year		
Deferred income taxes	222	230
Pension plan assets	67	68
Other debtors	462	494
	<u>751</u>	<u>792</u>
Total debtors	<u>\$ 5,090</u>	<u>\$ 5,173</u>

Note 8. CREDITORS

	December 31	
	2016	2015
Creditors		
Amounts falling due within one year		
Accounts payable	\$ 1,718	\$ 1,758
Accrued compensation	379	366
Other liabilities	1,400	1,355
	<u>3,497</u>	<u>3,479</u>
Amounts falling due after more than one year		
Other long-term liabilities	745	786
Total creditors	<u>\$ 4,242</u>	<u>\$ 4,265</u>

Note 9. DEBT

A summary of debt follows:

	2016	2015
2.375% debentures due 2016	\$ —	\$ 240
5.30% notes due 2017 (\$150 converted to floating rate by interest rate swap)	250	250
6.10% debentures due 2017	289	289
1.50% senior notes due 2017 (\$750 converted to floating rate by interest rate swap)	1,000	1,000
5.60% notes due 2018 (\$415 converted to floating rate by interest rate swap)	450	450
4.215% Japanese yen notes due 2018	86	83
6.95% notes due 2019 (\$300 converted to floating rate by interest rate swap)	300	300
3.875% debentures due 2020 (\$150 converted to floating rate by interest rate swap)	239	239
3.47% notes due 2021 (\$275 converted to floating rate by interest rate swap)	300	300
8.10% debentures due 2022	100	100
2.75% senior notes due 2022 (\$1,400 converted to floating rate by interest rate swap)	1,600	1,600
3.68% notes due 2023 (\$200 converted to floating rate by interest rate swap)	300	300
0.75% euro notes due 2024	580	—
6.50% debentures due 2025	145	145
7.65% debentures due 2029 (\$50 converted to floating rate by interest rate swap)	200	200
4.00% senior notes due 2032	700	700
5.45% debentures due 2034 (\$25 converted to floating rate by interest rate swap)	136	136
5.80% notes due 2037	240	240
4.15% senior notes due 2042	1,000	1,000
5.25% to 8.875% notes (maturities ranging from 2018 to 2035, including \$50 converted to floating rate by interest rate swap)	239	239
Other	109	177
Total long-term debt	<u>8,263</u>	<u>7,988</u>
Short-term debt	14	426
Total debt	<u>\$ 8,277</u>	<u>\$ 8,414</u>

On October 14, 2016, Eaton refinanced a \$750, five-year revolving credit facility with a \$750, P5Y-year revolving credit facility that will expire October 14, 2021. Eaton also maintains a \$500, four-year revolving credit facility that will expire on October 3, 2018 and a \$750, five-year credit facility that will expire October 3, 2019. This refinancing maintains long-term revolving credit facilities at a total of \$2,000. The revolving credit facilities are used to support commercial paper borrowings and are fully and unconditionally guaranteed by Eaton and certain of its direct and indirect subsidiaries on an unsubordinated, unsecured basis. There were no borrowings outstanding under Eaton's revolving credit facilities at December 31, 2016 or 2015. The Company had available lines of credit of \$823 from various banks primarily for the issuance of letters of credit, of which there was \$285 outstanding at December 31, 2016. Borrowings outside the United States are generally denominated in local currencies.

The Company repaid the 2.375% debentures on January 15, 2016, for \$240. The Company repaid the 5.45% debentures on April 1, 2015 for \$300, the 4.65% notes on June 15, 2015 for \$100 and the 0.95% senior notes for \$600 on November 2, 2015.

Short-term debt was \$14 all of which was outside the United States as of December 31, 2016.

On September 20, 2016, a subsidiary of Eaton issued euro denominated notes (Euro Notes) with a face value of €550 (\$615 based on the September 20, 2016 spot rate), in accordance with Regulation S promulgated under the Securities Act of 1933, as amended. The Euro Notes mature in 2024 with interest payable annually at a rate of 0.75%. The issuer received proceeds totaling €544 (\$609 based on the September 20, 2016 spot rate) from the issuance, net of financing costs and discounts. The senior Euro Notes are fully and unconditionally guaranteed on an unsubordinated, unsecured basis by Eaton and certain of its direct and indirect subsidiaries. The Euro Notes contain an optional redemption provision by which the Company may make an offer to purchase all or any part of the Euro Notes prior to June 20, 2024 at a purchase price of the greater of (a) 100% of the principal amount of the respective Euro Notes being redeemed, or (b) the sum of the present values of the respective remaining scheduled payments of principal and interest, discounted to the redemption date on an annual basis at the benchmark Bund Rate plus 20 basis points. In each case, the redemption price will include any accrued and unpaid interest on the Euro Notes being redeemed. At any time on or after June 20, 2024, the Company may redeem the Euro Notes, in whole or in part, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued and unpaid interest. The Euro Notes also contain a change of control provision which requires the Company to make an offer to purchase all or any part of the Euro Notes at a purchase price of 101% of the principal amount plus accrued and unpaid interest. The capitalized deferred financing fees and discounts are amortized in Interest expense - net over the respective terms of the Euro Notes. The Euro Notes are subject to customary non-financial covenants.

The senior notes registered by Eaton Corporation under the Securities Act of 1933 (the Senior Notes) are fully and unconditionally guaranteed on an unsubordinated, unsecured basis by Eaton and certain of its direct and indirect subsidiaries. Substantially all of the other debt instruments issued by the Company or any of its subsidiaries are similarly guaranteed on an unsubordinated, unsecured basis by the identical group of guaranteeing entities.

Eaton is in compliance with each of its debt covenants for all periods presented.

Maturities of long-term debt for each of the next five years follow:

2017	\$	1,552
2018		573
2019		340
2020		241
2021		302

Interest paid on debt follows:

2016	\$	266
2015		271

Note 10. RETIREMENT BENEFITS PLANS

Eaton has defined benefit pension plans and defined contribution pension plans, covering substantially all U.S. employees and many employees at non-U.S. locations. Funding requirements are a major consideration in making contributions to Eaton's pension plans. With respect to the Company's pension plans worldwide, the Company intends to contribute annually not less than the minimum required by applicable law and regulations. The Company also has postretirement benefits plans for certain eligible employees, primarily in United States locations, which provide healthcare benefits and, in some instances, life insurance benefits. Additional other supplemental benefit plans are provided for officers and other key employees.

The Company utilizes qualified actuaries to value all of its material pension and other postretirement benefits plans. Amounts recognized in the financial statements as of December 31, 2016 were based on actuarial valuations carried out per the required respective statutory period. Actuarial valuation reports are available for inspection by the scheme members but not for public inspection.

Obligations and Funded Status

	United States pension liabilities		Non-United States pension liabilities		Other postretirement liabilities	
	2016	2015	2016	2015	2016	2015
Funded status						
Fair value of plan assets.....	\$ 2,969	\$ 2,934	\$ 1,478	\$ 1,472	\$ 74	\$ 93
Benefit obligations.....	(3,771)	(3,829)	(2,314)	(2,175)	(473)	(575)
Funded status.....	<u>\$ (802)</u>	<u>\$ (895)</u>	<u>\$ (836)</u>	<u>\$ (703)</u>	<u>\$ (399)</u>	<u>\$ (482)</u>
Amounts recognized in the Form 10-K Consolidated Balance Sheets						
Non-current assets.....	\$ 34	\$ 11	\$ 33	\$ 57	\$ —	\$ —
Current liabilities.....	(24)	(57)	(22)	(23)	(31)	(42)
Non-current liabilities.....	(812)	(849)	(847)	(737)	(368)	(440)
Total.....	<u>\$ (802)</u>	<u>\$ (895)</u>	<u>\$ (836)</u>	<u>\$ (703)</u>	<u>\$ (399)</u>	<u>\$ (482)</u>

At December 31, 2016 and 2015, non-current assets of \$67 and \$68, respectively, are classified within Debtors. All other amounts are classified within Pension and other postretirement benefits in the Consolidated Balance Sheet.

	United States pension liabilities		Non-United States pension liabilities		Other postretirement liabilities	
	2016	2015	2016	2015	2016	2015
Amounts recognized in Other reserves (pretax)						
Net actuarial loss.....	\$ 1,232	\$ 1,322	\$ 771	\$ 644	\$ 21	\$ 95
Prior service cost (credit).....	3	5	8	9	(60)	(74)
Total.....	<u>\$ 1,235</u>	<u>\$ 1,327</u>	<u>\$ 779</u>	<u>\$ 653</u>	<u>\$ (39)</u>	<u>\$ 21</u>

Change in Benefit Obligations

	United States pension liabilities		Non-United States pension liabilities		Other postretirement liabilities	
	2016	2015	2016	2015	2016	2015
Balance at January 1.....	\$ 3,829	\$ 4,047	\$ 2,175	\$ 2,337	\$ 575	\$ 676
Service cost.....	111	123	63	71	4	6
Interest cost.....	125	156	62	72	17	24
Actuarial (gain) loss.....	52	(179)	355	(23)	(72)	(66)
Gross benefits paid.....	(346)	(318)	(94)	(100)	(79)	(86)
Currency translation.....	—	—	(245)	(182)	1	(8)
Plan amendments.....	—	—	2	—	—	(1)
Other.....	—	—	(4)	—	27	30
Balance at December 31.....	<u>\$ 3,771</u>	<u>\$ 3,829</u>	<u>\$ 2,314</u>	<u>\$ 2,175</u>	<u>\$ 473</u>	<u>\$ 575</u>
Accumulated benefit obligation.....	<u>\$ 3,620</u>	<u>\$ 3,672</u>	<u>\$ 2,189</u>	<u>\$ 2,049</u>		

Change in Plan Assets

	United States pension liabilities		Non-United States pension liabilities		Other postretirement liabilities	
	2016	2015	2016	2015	2016	2015
Balance at January 1	\$ 2,934	\$ 3,086	\$ 1,472	\$ 1,535	\$ 93	\$ 116
Actual return on plan assets	221	(55)	212	29	3	1
Employer contributions.....	160	221	102	109	30	31
Gross benefits paid.....	(346)	(318)	(94)	(100)	(79)	(86)
Currency translation.....	—	—	(211)	(101)	—	—
Other	—	—	(3)	—	27	31
Balance at December 31	<u>\$ 2,969</u>	<u>\$ 2,934</u>	<u>\$ 1,478</u>	<u>\$ 1,472</u>	<u>\$ 74</u>	<u>\$ 93</u>

The components of pension plans with an accumulated benefit obligation in excess of plan assets at December 31 follow:

	United States pension liabilities		Non-United States pension liabilities	
	2016	2015	2016	2015
Projected benefit obligation.....	\$ 3,342	\$ 3,376	\$ 1,902	\$ 1,387
Accumulated benefit obligation	3,190	3,219	1,824	1,328
Fair value of plan assets	2,505	2,470	1,066	650

Changes in pension and other postretirement benefit liabilities recognized in Other reserves follow:

	United States pension liabilities		Non-United States pension liabilities		Other postretirement liabilities	
	2016	2015	2016	2015	2016	2015
Balance at January 1	\$ 1,327	\$ 1,382	\$ 653	\$ 706	\$ 21	\$ 90
Prior service cost arising during the year.....	—	—	2	—	—	(1)
Net loss (gain) arising during the year	81	138	235	47	(69)	(62)
Currency translation.....	—	—	(75)	(58)	1	(4)
Less amounts included in expense during the year....	(173)	(193)	(36)	(42)	8	(2)
Net change for the year.....	<u>(92)</u>	<u>(55)</u>	<u>126</u>	<u>(53)</u>	<u>(60)</u>	<u>(69)</u>
Balance at December 31	<u>\$ 1,235</u>	<u>\$ 1,327</u>	<u>\$ 779</u>	<u>\$ 653</u>	<u>\$ (39)</u>	<u>\$ 21</u>

Benefits Expense

	United States pension benefit expense		Non-United States pension benefit expense		Other postretirement benefits expense	
	2016	2015	2016	2015	2016	2015
Service cost	\$ 111	\$ 123	\$ 63	\$ 71	\$ 4	\$ 6
Interest cost	125	156	62	72	17	24
Expected return on plan assets	(250)	(262)	(92)	(99)	(6)	(5)
Amortization.....	92	119	33	40	(9)	2
	<u>78</u>	<u>136</u>	<u>66</u>	<u>84</u>	<u>6</u>	<u>27</u>
Settlements, curtailments and other	81	74	3	2	1	—
Total expense	<u>\$ 159</u>	<u>\$ 210</u>	<u>\$ 69</u>	<u>\$ 86</u>	<u>\$ 7</u>	<u>\$ 27</u>

The estimated pretax net amounts that will be recognized from Other reserves into net periodic benefit cost in 2017 follow:

	United States pension liabilities	Non-United States pension liabilities	Other postretirement liabilities
Actuarial loss.....	\$ 142	\$ 54	\$ 2
Prior service cost (credit).....	1	1	(14)
Total.....	\$ 143	\$ 55	\$ (12)

Retirement Benefits Plans Assumptions

For purposes of determining liabilities related to pension plans and other postretirement benefits plans in the United States, the Company updated its mortality assumption in 2014 to use the RP-2014 tables with a generational improvement scale based on MP-2014. In 2015, the Company updated its mortality assumption to use 2014 tables and a generational improvement scale that are based on MP-2015. In 2016, the Company updated its mortality assumption to use 2014 tables and a generational improvement scale that are based on MP-2016.

In 2016, the Company adopted a change in the method it uses to estimate the service and interest cost components of net periodic benefit cost for its defined benefit pension and other postretirement benefit plans. Prior to 2016, for the vast majority of its plans, the service and interest cost components were estimated using a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. Beginning in 2016, the Company used a spot rate approach by applying the specific spot rates along the yield curve to the relevant projected cash flows in the estimation of the service and interest components of benefit cost, resulting in a more precise measurement. This change does not affect the measurement of total benefit obligations. The change was accounted for as a change in estimate and, accordingly, was accounted for prospectively starting in 2016. The reductions in service cost and interest cost for 2016 associated with this change in estimate were \$3 and \$42, respectively.

Pension Plans

	United States pension plans		Non-United States pension plans	
	2016	2015	2016	2015
Assumptions used to determine benefit obligation at year-end				
Discount rate	4.12%	4.22%	2.63%	3.46%
Rate of compensation increase.....	3.15%	3.18%	3.13%	3.12%
Assumptions used to determine expense				
Discount rate used to determine benefit obligation.....	4.22%	3.97%	3.46%	3.33%
Discount rate used to determine service cost.....	4.35%	3.97%	4.13%	3.33%
Discount rate used to determine interest cost.....	3.42%	3.97%	3.07%	3.33%
Expected long-term return on plan assets	8.50%	8.50%	6.62%	6.92%
Rate of compensation increase.....	3.18%	3.16%	3.12%	3.13%

The expected long-term rate of return on pension assets was determined for each country and reflects long-term historical data taking into account each plan's target asset allocation. The expected long-term rates of return on pension assets for United States pension plans and Non-United States pension plans for 2017 are 7.90% and 6.30%, respectively. The discount rates were determined using appropriate bond data for each country.

Other Postretirement Benefits Plans

Substantially all of the obligation for other postretirement benefits plans relates to United States plans. Assumptions used to determine other postretirement benefits obligations and expense follow:

	Other postretirement benefits plans	
	2016	2015
Assumptions used to determine benefit obligation at year-end		
Discount rate	3.96%	4.04%
Health care cost trend rate assumed for next year.....	7.35%	7.10%
Ultimate health care cost trend rate.....	4.75%	4.75%
Year ultimate health care cost trend rate is achieved.....	2026	2025
Assumptions used to determine expense		
Discount rate used to determine benefit obligation.....	4.04%	3.79%
Discount rate used to determine service cost.....	4.26%	3.79%
Discount rate used to determine interest cost.....	3.12%	3.79%
Initial health care cost trend rate.....	7.10%	6.31%
Ultimate health care cost trend rate.....	4.75%	4.77%
Year ultimate health care cost trend rate is achieved.....	2025	2024

Assumed health care cost trend rates may have a significant effect on the amounts reported for the health care plans. A 1-percentage point change in the assumed health care cost trend rates would have the following effects:

	1% increase	1% decrease
Effect on total service and interest cost.....	\$ 1	\$ (1)
Effect on other postretirement liabilities.....	17	(15)

Employer Contributions to Retirement Benefits Plans

Contributions to pension plans that Eaton expects to make in 2017, and made in 2016 and 2015, follow:

	2017	2016	2015
United States plans.....	\$ 125	\$ 160	\$ 221
Non-United States plans.....	90	102	109
Total contributions.....	\$ 215	\$ 262	\$ 330

The following table provides the estimated pension and other postretirement benefit payments for each of the next five years, and the five years thereafter in the aggregate. For other postretirement benefits liabilities, the expected subsidy receipts related to the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 would reduce the gross payments listed below.

	Estimated United States pension payments	Estimated non-United States pension payments	Estimated other postretirement benefit payments	
			Gross	Medicare prescription drug subsidy
2017.....	\$ 309	\$ 77	\$ 53	\$ (5)
2018.....	279	80	50	(5)
2019.....	278	83	46	(4)
2020.....	281	86	42	(4)
2021.....	289	88	36	(3)
2022 - 2026.....	1,460	495	156	(9)

Pension Plan Assets

Investment policies and strategies are developed on a country specific basis. The United States plans, representing 67% of worldwide pension assets, and the United Kingdom plans representing 27% of worldwide pension assets, are invested primarily for growth, as the majority of the assets are in plans with active participants and ongoing accruals. In general, the plans have their primary allocation to diversified global equities, primarily through index funds in the form of common collective and other trusts. The United States plans' target allocation is 33% United States equities, 32% non-United States equities, 8% real estate (primarily equity of real estate investment trusts), 22% debt securities and 5% other, including hedge funds, private equity and cash equivalents. The United Kingdom plans' target asset allocations are 57% equities and the remainder in debt securities, cash equivalents and real estate investments. The equity risk for the plans is managed through broad geographic diversification and diversification across industries and levels of market capitalization. The majority of debt allocations for these plans are longer duration government and corporate debt. The United States, United Kingdom and Canada pension plans are authorized to use derivatives to achieve more economically desired market exposures and to use futures, swaps and options to gain or hedge exposures.

Other Postretirement Benefits Plan Assets

The Voluntary Employee Benefit Association trust which holds U.S. other postretirement benefits plan assets has investment guidelines that include allocations to global equities and fixed income investments. The trust's 2016 target investment allocation is 53% diversified global equities and 47% fixed income securities held in a trust that invests primarily in exchange traded funds. The fixed income allocation is primarily comprised of intermediate term, high quality, dollar denominated, fixed income instruments. The equity allocation is invested in diversified global equity index funds.

Fair Value Measurements

Financial instruments included in pension and other postretirement benefits plan assets are categorized into a fair value hierarchy of three levels, based on the degree of subjectivity inherent in the valuation methodology as follows:

- Level 1 - Quoted prices (unadjusted) for identical assets in active markets.
- Level 2 - Quoted prices for similar assets in active markets, and inputs that are observable for the asset, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - Unobservable prices or inputs.

Certain investments that are measured at fair value using the net asset value per share practical expedient have not been categorized in the fair value hierarchy and are being presented in the tables to permit a reconciliation to total plan assets.

Pension Plans

A summary of the fair value of pension plan assets at December 31, 2016 and 2015, follows:

	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
<u>2016</u>				
Common collective trusts				
Non-United States equity and global equities.....	\$ 413	\$ —	\$ 413	\$ —
United States equity	94	—	94	—
Fixed income.....	422	—	422	—
Fixed income securities	359	—	359	—
United States treasuries	123	123	—	—
Bank loans	150	—	150	—
Real estate securities	201	195	—	6
Equity securities	104	104	—	—
Cash equivalents.....	276	21	255	—
Exchange traded funds	55	55	—	—
Other.....	109	—	14	95
Common collective and other trusts measured at net asset value.....	2,038			
Hedge funds measured at net asset value	85			
Money market funds measured at net asset value	18			
Total pension plan assets.....	<u>\$ 4,447</u>	<u>\$ 498</u>	<u>\$ 1,707</u>	<u>\$ 101</u>

	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
<u>2015</u>				
Common collective trusts				
Non-United States equity and global equities.....	\$ 415	\$ —	\$ 415	\$ —
United States equity	96	—	96	—
Fixed income.....	418	—	418	—
Fixed income securities	357	—	357	—
United States treasuries	105	105	—	—
Bank loans	136	—	136	—
Real estate securities	251	244	—	7
Equity securities	98	98	—	—
Cash equivalents.....	227	17	210	—
Exchange traded funds	49	49	—	—
Other.....	100	—	14	86
Common collective and other trusts measured at net asset value.....	2,043			
Hedge funds measured at net asset value	92			
Money market funds measured at net asset value	19			
Total pension plan assets.....	<u>\$ 4,406</u>	<u>\$ 513</u>	<u>\$ 1,646</u>	<u>\$ 93</u>

The fair value measurement of plan assets using significant unobservable inputs (Level 3) changed during 2015 and 2016 due to the following:

	Real estate securities	Other	Total
Balance at December 31, 2014	\$ 6	\$ 60	\$ 66
Actual return on plan assets:			
Gains (losses) relating to assets still held at year-end	1	(2)	(1)
Purchases, sales, settlements - net	—	37	37
Transfers into or out of Level 3	—	(9)	(9)
Balance at December 31, 2015	<u>7</u>	<u>86</u>	<u>93</u>
Actual return on plan assets:			
Gains (losses) relating to assets still held at year-end	—	(6)	(6)
Purchases, sales, settlements - net	(1)	15	14
Transfers into or out of Level 3	—	—	—
Balance at December 31, 2016	<u>\$ 6</u>	<u>\$ 95</u>	<u>\$ 101</u>

Other Postretirement Benefits Plans

A summary of the fair value of other postretirement benefits plan assets at December 31, 2016 and 2015, follows:

	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
<u>2016</u>				
Cash equivalents.....	\$ 8	\$ 8	\$ —	\$ —
Common collective and other trusts measured at net asset value.....	66			
Total other postretirement benefits plan assets.....	<u>\$ 74</u>	<u>\$ 8</u>	<u>\$ —</u>	<u>\$ —</u>
<u>2015</u>				
Fixed income securities.....	\$ 18	\$ —	\$ 18	\$ —
United States treasuries.....	20	20	—	—
Cash equivalents.....	11	11	—	—
Common collective and other trusts measured at net asset value.....	44			
Total other postretirement benefits plan assets.....	<u>\$ 93</u>	<u>\$ 31</u>	<u>\$ 18</u>	<u>\$ —</u>

Valuation Methodologies

Following is a description of the valuation methodologies used for pension and other postretirement benefits plan assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Common collective and other trusts - Valued at the net unit value of units held by the trust at year end. The unit value is determined by the total value of fund assets divided by the total number of units of the fund owned. The equity investments in collective trusts are predominantly in index funds for which the underlying securities are actively traded in public markets based upon readily measurable prices. The investments in other trusts are predominantly in exchange traded funds for which the underlying securities are actively traded in public markets based upon readily measurable prices. Common collective and other trusts measured at fair value using the net asset value per share practical expedient have not been categorized in the fair value hierarchy and are being presented in the tables above to permit a reconciliation of the fair value hierarchy to the total plan assets.

Fixed income securities - These securities consist of publicly traded United States and non-United States fixed interest obligations (principally corporate and government bonds and debentures). The fair value of corporate and government debt securities is determined through third-party pricing models that consider various assumptions, including time value, yield curves, credit ratings, and current market prices. The Company verifies the results of trustees or custodians and evaluates the pricing classification of these securities by performing analyses using other third-party sources.

United States treasuries - Valued at the closing price of each security.

Bank loans - These securities consist of senior secured term loans of publicly traded and privately held United States and non-United States floating rate obligations (principally corporations of non-investment grade rating). The fair value is determined through third-party pricing models that primarily utilize dealer quoted current market prices. The Company verifies the results of trustees or custodians and evaluates the pricing classification of these securities by performing analyses using other third-party sources.

Real estate and equity securities - These securities consist of direct investments in the stock of publicly traded companies. Such investments are valued based on the closing price reported in an active market on which the individual securities are traded. As such, the direct investments are classified as Level 1.

Cash equivalents - Primarily certificates of deposit, commercial paper, and repurchase agreements.

Exchange traded funds - Valued at the closing price of the exchange traded fund's shares.

Hedge funds - Consists of direct investments in hedge funds through limited partnership interests. Net asset values are based on the estimated fair value of the ownership interest in the investment as determined by the General Partner. The majority of the holdings of the hedge funds are in equity securities traded on public exchanges. The investment terms of the hedge funds allow capital to be redeemed quarterly given prior notice with certain limitations. Hedge funds measured at fair value using the net asset value per share practical expedient have not been categorized in the fair value hierarchy and are being presented in the tables above to permit a reconciliation of the fair value hierarchy to the total plan assets.

Money market funds - Money market funds measured at fair value using the net asset value per share practical expedient have not been categorized in the fair value hierarchy and are being presented in the tables above to permit a reconciliation of the fair value hierarchy to the total plan assets.

Other - Primarily insurance contracts for international plans and also futures contracts and over-the-counter options. These investments are valued based on the closing prices of future contracts or indices as available on Bloomberg or similar service, and private equity investments.

For additional information regarding fair value measurements, see Note 15.

Defined Contribution Plans

The Company has various defined contribution benefit plans, primarily consisting of the plans in the United States. The total contributions related to these plans are charged to expense and were as follows:

2016	\$	72
2015		137

Note 11. OTHER PROVISIONS AND COMMITMENTS AND CONTINGENCIES

Changes in Other provisions follows:

	December 31, 2014	Provisions, net	Utilization	Other	December 31, 2015
Warranty accrual	\$ 213	\$ 104	\$ (114)	\$ (8)	\$ 195
Legal liabilities	97	60	(79)	—	78
Environmental liabilities	140	9	—	(18)	131
Workers' compensation	68	21	(17)	—	72
Restructuring liabilities	84	149	(137)	(24)	72
	<u>\$ 602</u>	<u>\$ 343</u>	<u>\$ (347)</u>	<u>\$ (50)</u>	<u>\$ 548</u>
	December 31, 2015	Provisions, net	Utilization	Other	December 31, 2016
Warranty accrual	\$ 195	\$ 117	\$ (130)	\$ (2)	\$ 180
Legal liabilities	78	58	(92)	—	44
Environmental liabilities	131	6	(13)	—	124
Workers' compensation	72	14	(18)	—	68
Restructuring liabilities	72	211	(139)	(26)	118
	<u>\$ 548</u>	<u>\$ 406</u>	<u>\$ (392)</u>	<u>\$ (28)</u>	<u>\$ 534</u>

Legal Contingencies

Eaton is subject to a broad range of claims, administrative and legal proceedings such as lawsuits that relate to contractual allegations, tax audits, patent infringement, personal injuries, antitrust matters and employment-related matters. Eaton is also subject to asbestos claims from historic products which may have contained asbestos. Insurance may cover some of the costs associated with these claims. Although it is not possible to predict with certainty the outcome or cost of these matters, the Company believes they will not have a material adverse effect on the consolidated financial statements. During the fourth quarter of 2016, the Company was able to resolve several insurance matters. In total, the income from insurance matters was \$68.

In December 2010, a Brazilian court held that a judgment obtained by a Brazilian company, Raysul, against another Brazilian company, Saturnia, which was sold by Eaton in 2006, could be enforced against Eaton Ltda. The judgment was based on an alleged violation of an agency agreement between Raysul and Saturnia. At March 31, 2016, the Company had a total accrual of 100 Brazilian Reais related to this matter (\$31 based on June 2016 exchange rates). In June 2016, Eaton signed a settlement agreement and resolved the matter, which did not have a material impact on the consolidated financial statements.

Environmental Contingencies

Eaton has established policies to ensure that its operations are conducted in keeping with good corporate citizenship and with a positive commitment to the protection of the natural and workplace environments. The Company's manufacturing facilities are required to be certified to ISO 14001, an international standard for environmental management systems. The Company routinely reviews EHS performance at each of its facilities and continuously strives to improve pollution prevention.

Eaton is involved in remedial response and voluntary environmental remediation at a number of sites, including certain of its currently-owned or formerly-owned plants. The Company has also been named a potentially responsible party under the United States federal Superfund law, or the state equivalents thereof, at a number of disposal sites. The Company became involved in these sites as a result of government action or in connection with business acquisitions. At the end of 2016, the Company was involved with a total of 121 sites worldwide, including the Superfund sites mentioned above, with none of these sites being individually significant to the Company.

Remediation activities, generally involving soil and/or groundwater contamination, include pre-cleanup activities such as fact finding and investigation, risk assessment, feasibility study, design and action planning, performance (where actions may range from monitoring, to removal of contaminants, to installation of longer-term remediation systems), and operation and maintenance of a remediation system. The extent of expected remediation activities and costs varies by site. A number of factors affect the cost of environmental remediation, including the number of parties involved at a particular site, the determination of the extent of contamination, the length of time the remediation may require, the complexity of environmental regulations, and the continuing advancement of remediation technology. Taking these factors into account, Eaton has estimated the costs of remediation, which will be paid over a period of years. The Company accrues an amount on an undiscounted basis, consistent with the estimates of these costs, when it is probable that a liability has been incurred. Actual results may differ from these estimates. At December 31, 2016 and 2015, the Company had an accrual totaling \$124 and \$131, respectively, for these costs.

Based upon Eaton's analysis and subject to the difficulty in estimating these future costs, the Company expects that any sum it may be required to pay in connection with environmental matters is not reasonably possible to exceed the recorded liability by an amount that would have a material effect on its financial position, results of operations or cash flows.

Lease Commitments

Eaton leases certain real properties and equipment. A summary of minimum rental commitments at December 31, 2016 under noncancelable operating leases, which expire at various dates and in most cases contain renewal options, for each of the next five years and thereafter in the aggregate, follow:

2017	\$	163
2018		127
2019		85
2020		58
2021		40
Thereafter		63
Total noncancelable lease commitments.....	\$	<u>536</u>

A summary of rental expense follows:

2016	\$	220
2015		225

Note 12. INCOME TAXES

Eaton Corporation plc is domiciled in Ireland. Income (loss) before income taxes and income tax (benefit) expense are summarized below based on the geographic location of the operation to which such earnings and income taxes are attributable. Certain Eaton operations which are located outside the United States are subject to income tax in both the United States as well as the country in which the operations are located. As a result, income before tax by location and the components of income tax expense by taxing jurisdiction are not directly related.

	Income (loss) before income taxes	
	2016	2015
Ireland	\$ (923)	\$ (608)
Foreign	3,041	2,741
Total income before income taxes	<u>\$ 2,118</u>	<u>\$ 2,133</u>
	Income tax (benefit) expense	
	2016	2015
Current		
Ireland.....	\$ 2	\$ 8
United States		
Federal.....	95	88
State and local	(2)	22
Foreign - other	209	240
Total current income tax expense	<u>304</u>	<u>358</u>
Deferred		
Ireland.....	2	1
United States		
Federal.....	(75)	(70)
State and local	(2)	(6)
Foreign - other	(30)	(124)
Total deferred income tax benefit	<u>(105)</u>	<u>(199)</u>
Total income tax (benefit) expense.....	<u>\$ 199</u>	<u>\$ 159</u>

Reconciliations of income taxes from the Ireland applicable statutory rate of 25% to the consolidated effective income tax rate follow:

	2016	2015
Income taxes at the applicable statutory rate.....	25.0 %	25.0 %
Ireland operations		
Ireland tax on trading income.....	(0.3)%	(0.4)%
Nondeductible interest expense.....	11.5 %	7.9 %
United States operations		
United States (loss) income.....	0.1 %	(0.6)%
Nondeductible goodwill - Aerospace divestitures.....	— %	— %
Credit for research activities.....	(0.8)%	(0.8)%
Other - net.....	2.5 %	5.4 %
Other foreign operations		
United States foreign tax credit.....	0.6 %	(0.8)%
Other foreign operations (earnings taxed at other than the applicable statutory tax rate).....	(26.8)%	(25.1)%
Other foreign operations - other items.....	0.9 %	(0.5)%
Worldwide operations		
Adjustments to tax liabilities.....	(2.5)%	(1.4)%
Adjustments to valuation allowances.....	(0.8)%	(1.2)%
Effective income tax expense (benefit) rate.....	<u>9.4 %</u>	<u>7.5 %</u>

During 2016, income tax expense of \$199 was recognized (an effective tax rate of 9.4%) compared to income tax expense of \$159 for 2015 (an effective tax rate of 7.5%). The 2016 effective tax rate increased from 2015 primarily due to greater levels of income earned in higher tax jurisdictions, partially offset by net decreases in worldwide tax liabilities.

No provision has been made for income taxes on undistributed earnings of foreign subsidiaries of approximately \$17.3 billion at December 31, 2016, since it is the Company's intention to indefinitely reinvest undistributed earnings of its foreign subsidiaries. It is not practicable to estimate the additional income taxes and applicable withholding taxes that would be payable on the remittance of such undistributed earnings.

The Company expects to deploy capital to those markets which offer particularly attractive growth opportunities. Given expected population growth and economic growth rates, most of the particularly attractive markets are outside of the United States. The cash that is permanently reinvested is typically used to expand these operations either organically or through acquisitions. In addition, the Company expects that minimal to no Irish tax would apply to dividends paid to the Irish parent due to the impact of the Irish foreign tax credit system. The Company's public dividends and share repurchases are funded primarily from Non-U.S. operations.

Worldwide income tax payments follow:

2016.....	\$	272
2015.....		302

Deferred Income Tax Assets and Liabilities

Components of current and long-term deferred income taxes follow:

	2016	2015
	Assets and liabilities	Assets and liabilities
Accruals and other adjustments		
Employee benefits	\$ 761	\$ 808
Depreciation and amortization.....	(1,823)	(1,824)
Other accruals and adjustments	761	679
United States federal income tax loss carryforwards	51	20
United States federal income tax credit carryforwards	182	183
United States state and local tax loss carryforwards and tax credit carryforwards	63	63
Other foreign tax loss carryforwards	1,715	2,265
Other foreign income tax credit carryforwards.....	63	70
Valuation allowance for income tax loss and income tax credit carryforwards	(1,728)	(2,315)
Other valuation allowances	(41)	(15)
Total deferred income taxes.....	<u>\$ 4</u>	<u>\$ (66)</u>

In July 2013, the FASB issued Accounting Standards Update No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Loss, or a Tax Credit Carryforward Exists (ASU 2013-11). ASU 2013-11 requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions except where the deferred tax asset or other carryforward are not available for use. The adoption of this standard resulted in a reduction of the Company's consolidated long term deferred tax assets by \$331 in 2016 and \$262 in 2015.

Changes in net deferred tax activity follows:

Balance at December 31, 2014.....	\$ (123)
Provision - continuing operations	199
Charges to equity	(76)
Reclassifications and other	(66)
Balance at December 31, 2015.....	<u>\$ (66)</u>
Balance at December 31, 2015.....	\$ (66)
Provision - continuing operations	105
Charges to equity	(20)
Reclassifications and other	(15)
Balance at December 31, 2016.....	<u>\$ 4</u>

At December 31, 2016, certain Irish and non-United States subsidiaries had tax loss carryforwards and income tax credit carryforwards that are available to reduce future taxable income or tax liabilities. These carryforwards and their respective expiration dates are summarized below:

	2017 through 2021	2022 through 2026	2027 through 2031	2032 through 2036	Not subject to expiration	Valuation allowance
Ireland and Non-U.S. income tax loss carryforwards.....	\$ 652	\$ 7,476	\$ 3	\$ —	\$ 3,685	\$ —
Ireland and Non-U.S. deferred income tax assets for income tax loss carryforwards.....	76	688	1	—	950	(1,607)
Ireland and Non-U.S. income tax credit carryforwards..	10	21	2	—	30	(31)

At December 31, 2016, United States federal income tax loss carryforwards and income tax credit carryforwards are available to reduce future United States federal taxable income or tax liabilities. These carryforwards and their respective expiration dates are summarized below:

	2017 through 2021	2022 through 2026	2027 through 2031	2032 through 2036	2037 through 2041	Not subject to expiration	Valuation allowance
United States federal income tax loss carryforwards	\$ —	\$ 15	\$ 20	\$ 618	\$ —	\$ —	\$ —
United States federal deferred income tax assets for income tax loss carryforwards	—	5	7	172	—	—	(12)
United States federal deferred income tax assets for income tax loss carryforwards after ASU 2013-11	—	5	7	39	—	—	(12)
United States federal income tax credit carryforwards	62	36	39	115	—	29	(44)
United States federal income tax credit carryforwards after ASU 2013-11	62	36	8	76	—	—	(44)

At December 31, 2016, United States state and local tax loss carryforwards and tax credit carryforwards are also available to reduce future taxable income or tax liabilities. The deferred tax assets for these carryforwards and their respective expiration dates are summarized below:

	2017 through 2021	2022 through 2026	2027 through 2031	2032 through 2036	2037 through 2041	Not subject to expiration	Valuation allowance
United States state and local deferred income tax assets for income tax loss carryforwards - net of federal tax effect....	\$ 8	\$ 17	\$ 11	\$ 8	\$ —	\$ —	\$ (17)
United States state and local deferred income tax assets for income tax loss carryforwards - net of federal tax effect after ASU 2013-11.....	—	12	11	8	—	—	(17)
United States state and local income tax credit carryforwards - net of federal tax effect.....	11	11	7	4	5	—	(17)
United States state and local income tax credit carryforwards - net of federal tax effect after ASU 2013-11.....	8	11	6	2	5	—	(17)

Recoverability of Deferred Income Tax Assets

Eaton is subject to the income tax laws in the jurisdictions in which it operates. In order to determine its income tax provision for financial statement purposes, Eaton must make significant estimates and judgments about its business operations in these jurisdictions. These estimates and judgments are also used in determining the deferred income tax assets and liabilities that have been recognized for differences between the financial statement and income tax basis of assets and liabilities, and income tax loss carryforwards and income tax credit carryforwards.

Management evaluates the realizability of deferred income tax assets for each of the jurisdictions in which it operates. If the Company experiences cumulative pretax income in a particular jurisdiction in the three-year period including the current and prior two years, management normally concludes that the deferred income tax assets will more likely than not be realizable and no valuation allowance is recognized, unless known or planned operating developments would lead management to conclude otherwise. However, if the Company experiences cumulative pretax losses in a particular jurisdiction in the three-year period including the current and prior two years, management then considers a series of factors in the determination of whether the deferred income tax assets can be realized. These factors include historical operating results, known or planned operating developments, the period of time over which certain temporary differences will reverse, consideration of the utilization of certain deferred income tax liabilities, tax law carryback capability in the particular country, prudent and feasible tax planning strategies, and estimates of future earnings and taxable income using the same assumptions as those used for the Company's goodwill and other impairment testing. After evaluation of these factors, if the deferred income tax assets are expected to be realized within the tax carryforward period allowed for that specific country, management would conclude that no valuation allowance would be required. To the extent that the deferred income tax assets exceed the amount that is expected to be realized within the tax carryforward period for a particular jurisdiction, management would establish a valuation allowance.

Applying the above methodology, valuation allowances have been established for certain deferred income tax assets to the extent they are not expected to be realized within the particular tax carryforward period.

Unrecognized Income Tax Benefits

A summary of gross unrecognized income tax benefits follows:

	2016	2015
Balance at January 1	\$ 584	\$ 493
Increases and decreases as a result of positions taken during prior years		
Transfers from valuation allowances	—	—
Other increases, including currency translation	21	34
Other decreases, including currency translation	(24)	(34)
Balances related to acquired businesses	—	(1)
Increases as a result of positions taken during the current year	90	109
Decreases relating to settlements with tax authorities	(19)	—
Decreases as a result of a lapse of the applicable statute of limitations	(23)	(17)
Balance at December 31	<u>\$ 629</u>	<u>\$ 584</u>

Eaton's long-term policy has been to enter into tax planning strategies only if it is more likely than not that the benefit would be sustained upon audit. For example, the Company does not enter into any of the United States Internal Revenue Service (IRS) Listed Transactions as set forth in Treasury Regulation 1.6011-4.

If all unrecognized tax benefits were recognized, the net impact on the provision for income tax expense would be \$529.

As of December 31, 2016 and 2015, Eaton had accrued approximately \$94 and \$108, respectively, for the payment of worldwide interest and penalties, which are not included in the table of unrecognized income tax benefits above. Eaton recognizes interest and penalties related to unrecognized income tax benefits in the provision for income tax expense. The Company has accrued penalties in jurisdictions primarily where they are automatically applied to any deficiency, regardless of the merit of the position.

The resolution of the majority of Eaton's unrecognized income tax benefits is dependent upon uncontrollable factors such as the prospect of retroactive regulations; new case law; the willingness of the income tax authority to settle the issue, including the timing thereof; and other factors. Therefore, for the majority of unrecognized income tax benefits, it is not reasonably possible to estimate the increase or decrease in the next 12 months. For each of the unrecognized income tax benefits where it is possible to estimate the increase or decrease in the balance within the next 12 months, the Company does not anticipate any significant change.

Eaton or its subsidiaries file income tax returns in Ireland and many countries around the world. With only few exceptions, Irish and non-United States subsidiaries of Eaton are no longer subject to examinations for years before 2007.

The United States Internal Revenue Service (“IRS”) has completed its examination of Eaton Corporation and Includible Subsidiaries’ United States income tax returns for 2005 through 2010 and has issued Statutory Notices of Deficiency (Notices) as discussed below. The statute of limitations on these tax years remains open until the matters are resolved. The IRS is currently examining tax years 2011 through 2013. The statute of limitations for tax years 2011 through 2013 is open until April 30, 2018. Tax years 2014 and 2015 are still subject to examination by the IRS.

With respect to the BZ Holdings Inc. and Subsidiaries (the former U.S. holding company for Cooper Industries) final return period ended December 21, 2012, the statute of limitations closed on September 15, 2016. On December 22, 2012, BZ Holdings Inc. and Subsidiaries joined the Eaton US Holdings Inc. and Includible Subsidiaries consolidated United States income tax return for 2012.

Eaton is also under examination for the income tax filings in various states and localities of the United States. With only a few exceptions, Eaton Corporation and Includible Subsidiaries are no longer subject to income tax examinations from states and localities within the United States for years before 2012. Income tax returns of states and localities within the United States will be reopened to the extent of United States federal income tax adjustments, if any, going back to 2005 when those audit years are finalized. Some states and localities may not limit their assessment to the United States federal adjustments, and may require the opening of the entire tax year. In addition, with only a few exceptions, BZ Holdings Inc. and Includible Subsidiaries are no longer subject to United States state and local income tax examinations for years before 2012.

In 2011, the IRS issued a Notice for Eaton Corporation and Includible Subsidiaries for the 2005 and 2006 tax years (the 2011 Notice). The 2011 Notice proposed assessments of \$75 in additional taxes plus \$52 in penalties related primarily to transfer pricing adjustments for products manufactured in the Company’s facilities in Puerto Rico and the Dominican Republic and sold to affiliated companies located in the U.S., net of agreed credits and deductions. The Company has set its transfer prices for products sold between these affiliates at the same prices that the Company sells such products to third parties as required by two successive Advance Pricing Agreements (APAs) the Company entered into with the IRS. For the years 2001 through 2004, the IRS had previously accepted the transfer pricing methodology related to these APAs after a comprehensive review conducted in two separate audit cycles. Immediately prior to the 2011 Notice being issued, the IRS sent a letter stating that it was retrospectively canceling the APAs, even though their respective APA terms had already expired.

The Company is contesting the proposed assessments. The Company believes that it was in full compliance with the terms of the two APAs, and that the IRS’s cancellation of these two APAs is without merit. On February 29, 2012, the Company filed a Petition with the U.S. Tax Court in which it asserted that the transfer pricing established in the APAs meets the arms-length standard set by the U.S. income tax laws, and accordingly, that the APAs should be enforced in accordance with their terms. The case involves both whether the APAs should be enforced and, if not, the appropriate transfer pricing methodology. The Tax Court’s decision in the case is now pending following a trial in 2015 and the completion of the parties’ briefing in 2016.

In 2014, the Company received a Notice from the IRS for the 2007 through 2010 tax years (the 2014 Notice) proposing assessments of \$190 in additional taxes plus \$72 in penalties, net of agreed credits and deductions. The proposed assessments pertain primarily to the same transfer pricing issues for which the Tax Court’s decision is pending, as noted above. During 2007 through 2010, the Company set its transfer prices for products sold between its affiliates consistent with the terms of a written APA between it and the IRS that covered the years at issue. To establish the relevant transfer prices, the APA relied on prices at which the Company sells the products to third parties. The Company has continued to apply the arms-length transfer pricing methodology for 2011 through the current reporting period. The 2014 Notice includes a separate proposed assessment involving the recognition of income for several of the Company’s controlled foreign corporations. The Company believes that all proposed assessments are without merit. On November 25, 2014, the Company filed a Petition with the U.S. Tax Court in which it challenged the IRS’s adjustments. The Company expects the outcome of the 2014 Notice on the transfer pricing matter to be determined by the judicial decision related to the 2011 Notice. In 2016, litigation activities commenced for the separate issue in the 2014 Notice regarding recognition of income for several of the Company’s controlled foreign corporations.

In 2014 and 2016, the Company resolved uncertain tax positions with a European government. The resolutions had minimal impact on the Company’s Consolidated Statements of Income in each respective year.

During 2010, the Company received a tax assessment of \$51 (translated at the December 31, 2016 exchange rate), plus interest and penalties, in Brazil for the tax years 2005 through 2008 that relates to the amortization of certain goodwill generated from the acquisition of third-party businesses and corporate reorganizations. The Company is contesting the assessment, which is under review at the second of three administrative appeals levels. During 2013, the Brazilian tax authorities began an audit of tax years 2009 through 2012. During 2014, the Company received a tax assessment of \$39 (translated at the December 31, 2016 exchange rate), plus interest and penalties, for the 2009 through 2012 tax years (primarily relating to the same issues concerning the 2005 through 2008 tax years), which the Company is also contesting and is under review in the second of three administrative appeals levels. Multiple outside advisors have stated that Brazilian tax authorities are raising the issue for most clients with similar facts and that the matter is expected to require at least 10 years to resolve. The Company continues to believe that final resolution of the assessments will not have a material impact on its consolidated financial statements.

Note 13. EATON SHAREHOLDERS' EQUITY

There are 750 million Eaton ordinary shares authorized (\$0.01 par value per share), 449.4 million and 458.8 million of which were issued and outstanding at December 31, 2016 and 2015, respectively. Eaton's Memorandum and Articles of Association authorized 40 thousand deferred ordinary shares (€1.00 par value per share) and 10 thousand preferred A shares (\$1.00 par value per share), all of which were issued and outstanding at December 31, 2016 and 2015, and 10 million serial preferred shares (\$0.01 par value per share), none of which is outstanding at December 31, 2016 and 2015. At December 31, 2016, there were 17,627 holders of record of Eaton ordinary shares. Additionally, 21,235 current and former employees were shareholders through participation in the Eaton Savings Plan, Eaton Personal Investment Plan, or the Eaton Puerto Rico Retirement Savings Plan.

On October 22, 2013, Eaton's Board of Directors adopted a share repurchase program (the 2013 Program). Under the 2013 Program, the ordinary shares were expected to be repurchased over time, depending on market conditions, the market price of ordinary shares, capital levels, and other considerations. During 2016 and 2015, 1.5 million and 11.3 million ordinary shares were repurchased under the 2013 Program in the open market at a total cost of \$82 and \$682, respectively. On February 24, 2016, the Board of Directors approved a new share repurchase program for share repurchases up to \$2,500 of ordinary shares (2016 Program). Under the 2016 Program, the ordinary shares are expected to be repurchased over time, depending on market conditions, the market price of ordinary shares, capital levels, and other considerations. During 2016, 10.3 million shares were purchased on the open market under the 2016 Program for a total cost of \$648.

Eaton has deferral plans that permit certain employees and directors to defer a portion of their compensation. A trust contains \$13 and \$16 of ordinary shares and marketable securities, as valued at December 31, 2016 and 2015, respectively, to fund a portion of these liabilities. The marketable securities were included in Other assets and the ordinary shares were included in Shareholders' equity at historical cost.

On February 22, 2017, Eaton's Board of Directors declared a quarterly dividend of \$0.60 per ordinary share, payable on March 17, 2017, to shareholders of record at the close of business on March 06, 2017.

Comprehensive Income (Loss)

Comprehensive income (loss) consists primarily of net income, currency translation and related hedging instruments, changes in unrecognized costs of pension and other postretirement benefits, and changes in the effective portion of open derivative contracts designated as cash flow hedges. The following table summarizes the pre-tax and after-tax amounts recognized in Comprehensive income (loss):

	2016		2015	
	Pre-tax	After-tax	Pre-tax	After-tax
Currency translation and related hedging instruments	\$ (562)	\$ (570)	\$ (1,080)	\$ (1,078)
Pensions and other postretirement benefits				
Prior service credit (cost) arising during the year	(2)	(2)	1	1
Net gain (loss) arising during the year	(247)	(197)	(123)	(89)
Currency translation	74	62	62	46
Other	—	(2)	—	(3)
Amortization of actuarial loss and prior service cost reclassified to earnings ..	201	133	237	156
	<u>26</u>	<u>(6)</u>	<u>177</u>	<u>111</u>
Cash flow hedges				
Gain (loss) on derivatives designated as cash flow hedges	(21)	(14)	20	13
Changes in cash flow hedges reclassified to earnings	8	5	(16)	(10)
Cash flow hedges, net of reclassification adjustments	<u>(13)</u>	<u>(9)</u>	<u>4</u>	<u>3</u>
Other comprehensive income (loss) attributable to Eaton ordinary shareholders	<u>\$ (549)</u>	<u>\$ (585)</u>	<u>\$ (899)</u>	<u>\$ (964)</u>

The changes in Other reserves follow:

	Currency translation and related hedging instruments	Pensions and other postretirement benefits	Cash flow hedges	Other	Total
Balance at December 31, 2014	\$ (1,414)	\$ (1,485)	\$ —	\$ 98	\$ (2,801)
Other comprehensive loss before reclassifications	(1,078)	(45)	13	—	(1,110)
Amounts reclassified from Other reserves	—	156	(10)	—	146
Net current-period other comprehensive loss	(1,078)	111	3	—	(964)
Other equity-based compensation	—	—	—	44	44
Changes in minority interest of consolidated subsidiaries - net	—	—	—	(3)	(3)
Balance at December 31, 2015	<u>\$ (2,492)</u>	<u>\$ (1,374)</u>	<u>\$ 3</u>	<u>\$ 139</u>	<u>\$ (3,724)</u>

	Currency translation and related hedging instruments	Pensions and other postretirement benefits	Cash flow hedges	Other	Total
Balance at December 31, 2015	\$ (2,492)	\$ (1,374)	\$ 3	\$ 139	\$ (3,724)
Other comprehensive income (loss) before reclassifications	(570)	(139)	(14)	—	(723)
Amounts reclassified from Other reserves	—	133	5	—	138
Net current-period other comprehensive income (loss)	(570)	(6)	(9)	—	(585)
Other equity-based compensation	—	—	—	67	67
Balance at December 31, 2016	\$ (3,062)	\$ (1,380)	\$ (6)	\$ 206	\$ (4,242)

The reclassifications out of Other reserves follow:

	December 31, 2016	Consolidated Profit and Loss Accounts
Amortization of defined benefit pension and other postretirement benefits items		
Actuarial loss and prior service cost	\$ (201) ¹	
Tax benefit	68	
Total, net of tax	(133)	
Gains and losses on cash flow hedges		
Currency exchange contracts	(8)	Cost of products sold
Tax benefit	3	
Total, net of tax	(5)	
Total reclassifications for the period	\$ (138)	

¹ These components of Other reserves are included in the computation of net periodic benefit cost. See Note 10 for additional information about defined benefit pension and other postretirement benefits items.

Net Income Per Share Attributable to Eaton Ordinary Shareholders

A summary of the calculation of net income per share attributable to Eaton ordinary shareholders follows:

(Shares in millions)	2016	2015
Net income attributable to Eaton ordinary shareholders	\$ 1,916	\$ 1,972
Weighted-average number of ordinary shares outstanding - diluted	456.5	467.1
Less dilutive effect of equity-based compensation	1.5	1.6
Weighted-average number of ordinary shares outstanding - basic	455.0	465.5
Net income per share attributable to Eaton ordinary shareholders		
Diluted	\$ 4.20	\$ 4.22
Basic	4.21	4.23

In 2016 and 2015, 1.7 million and 1.6 million stock options, respectively, were excluded from the calculation of diluted net income per share attributable to Eaton ordinary shareholders because the exercise price of the options exceeded the average market price of the ordinary shares during the period and their effect, accordingly, would have been antidilutive.

Note 14. EQUITY-BASED COMPENSATION

Restricted Stock Units and Awards

Restricted stock units (RSUs) and restricted stock awards (RSAs) have been issued to certain employees and directors. Participants awarded RSUs do not receive dividends; therefore, the fair value is determined by reducing the closing market price of the Company's ordinary shares on the date of grant by the present value of the estimated dividends had they been paid. The RSUs entitle the holder to receive one ordinary share for each RSU upon vesting, generally over three years. The fair value of RSAs is determined based on the closing market price of the Company's ordinary shares at the date of grant. RSAs are issued and outstanding at the time of grant, but remain subject to forfeiture until vested, generally over three or four years. A summary of the RSU and RSA activity for 2016 follows:

(Restricted stock units and awards in millions)	Number of restricted stock units and awards	Weighted-average fair value per unit and award
Non-vested at January 1.....	2.1	\$ 65.06
Granted	1.6	52.80
Vested.....	(0.9)	64.11
Forfeited	(0.2)	59.89
Non-vested at December 31.....	<u>2.6</u>	<u>\$ 57.87</u>

Information related to RSUs and RSAs follows:

	2016	2015
Pretax expense for RSUs and RSAs	\$ 65	\$ 68
After-tax expense for RSUs and RSAs.....	42	44
Fair value of vested RSUs and RSAs	71	110

As of December 31, 2016, total compensation expense not yet recognized related to non-vested RSUs and RSAs was \$87, and the weighted-average period in which the expense is expected to be recognized is 2.5 years. There was no excess tax benefit for RSUs and RSAs in 2016 and 2015.

Performance Share Units

In February 2016, the Compensation and Organization Committee of the Board of Directors approved the grant of performance share units (PSUs) to certain employees that vest based on the satisfaction of a three-year service period and total shareholder return relative to that of a group of peers. Awards earned at the end of the three-year vesting period range from 0% to 200% of the targeted number of PSUs granted based on the ranking of total shareholder return of the Company, assuming reinvestment of all dividends, relative to a defined peer group of companies. Equity-based compensation expense for these PSUs is recognized over the period during which an employee is required to provide service in exchange for the award. Upon vesting, dividends that have accumulated during the vesting period are paid on earned awards.

The Company uses a Monte Carlo simulation to estimate the fair value of PSUs with market conditions. The principal assumptions utilized in valuing these PSUs include the expected stock price volatility (based on the most recent 3-year period as of the grant date) and the risk-free interest rate (an estimate based on the yield of United States Treasury zero coupon bonds with a 3-year maturity as of the grant date). A summary of the assumptions used in determining fair value of these PSUs follows:

	2016
Expected volatility	24%
Risk-free interest rate	0.88%
Weighted-average fair value of PSUs granted	\$ 76.41

A summary of the 2016 activity for these PSUs follows:

(Performance share units in millions)	Number of performance share units	Weighted-average fair value per unit
Non-vested at January 1	—	\$ —
Granted ¹	0.6	76.41
Vested	—	—
Forfeited	(0.1)	76.41
Non-vested at December 31	<u>0.5</u>	<u>\$ 76.41</u>

¹ Performance shares granted assuming the Company will perform at target relative to peers.

In February 2016 and 2015, performance share units were granted to certain employees that entitles the holder to receive one ordinary share for each PSU that vest based on the satisfaction of a three-year service period and the achievement of certain performance metrics over that same period. Upon vesting, PSU holders receive dividends that accumulate during the vesting period. The fair value of these PSUs is determined based on the closing market price of the Company's ordinary shares at the date of grant. Equity-based compensation expense is recognized over the period an employee is required to provide service based on the number of PSUs for which achievement of the performance objectives is probable. A summary of the 2016 activity for these PSUs follows:

(Performance share units in millions)	Number of performance share units	Weighted-average fair value per unit
Non-vested at January 1	0.8	\$ 71.72
Granted	0.1	56.55
Vested	—	—
Forfeited	(0.2)	71.72
Non-vested at December 31	<u>0.7</u>	<u>\$ 68.23</u>

Information related to PSUs follows:

	2016	2015
Pretax expense for PSUs	\$ 13	\$ 2
After-tax expense for PSUs	8	1

As of December 31, 2016, total compensation expense not yet recognized related to non-vested PSUs was \$30 and the weighted average period in which the expense is to be recognized is 2 years. There was no excess tax benefit for PSUs in 2016.

Stock Options

Under various plans, stock options have been granted to certain employees and directors to purchase ordinary shares at prices equal to fair market value on the date of grant. Substantially all of these options vest ratably during the three-year period following the date of grant and expire 10 years from the date of grant. Compensation expense is recognized for stock options based on the fair value of the options at the date of grant and amortized on a straight-line basis over the period the employee or director is required to provide service.

The Company uses a Black-Scholes option pricing model to estimate the fair value of stock options. The principal assumptions utilized in valuing stock options include the expected stock price volatility (based on the most recent historical period equal to the expected life of the option); the expected option life (an estimate based on historical experience); the expected dividend yield; and the risk-free interest rate (an estimate based on the yield of United States Treasury zero coupon with a maturity equal to the expected life of the option). A summary of the assumptions used in determining the fair value of stock options follows:

	2016	2015
Expected volatility	27%	29%
Expected option life in years	5.5	5.5
Expected dividend yield	2.5%	2.6%
Risk-free interest rate.....	1.2 to 1.5%	1.6 to 1.5%
Weighted-average fair value of stock options granted.....	\$ 11.8	\$ 15.25

A summary of stock option activity follows:

(Options in millions)	Weighted-average exercise price per option	Options	Weighted-average remaining contractual life in years	Aggregate intrinsic value
Outstanding at January 1, 2016	\$ 51.94	6.2		
Granted	56.73	1.3		
Exercised	40.32	(1.9)		
Forfeited and canceled	65.74	(0.1)		
Outstanding at December 31, 2016	\$ 56.75	<u>5.5</u>	5.6	\$ 64.5
Exercisable at December 31, 2016	\$ 54.28	3.7	4.0	\$ 51.3
Reserved for future grants at December 31, 2016		18.6		

The aggregate intrinsic value in the table above represents the total excess of the \$67.09 closing price of Eaton ordinary shares on the last trading day of 2016 over the exercise price of the stock option, multiplied by the related number of options outstanding and exercisable. The aggregate intrinsic value is not recognized for financial accounting purposes and the value changes based on the daily changes in the fair market value of the Company's ordinary shares.

Information related to stock options follows:

	2016	2015
Pretax expense for stock options	\$ 14	\$ 12
After-tax expense for stock options.....	9	8
Proceeds from stock options exercised.....	74	52
Income tax benefit related to stock options exercised		
Tax benefit classified in operating activities in the Consolidated Statements of Cash Flows	5	4
Excess tax benefit classified in financing activities in the Consolidated Statements of Cash Flows	1	1
Intrinsic value of stock options exercised.....	42	44
Total fair value of stock options vested.....	\$ 14	\$ 12
Stock options exercised, in millions of options	1.9	1.4

As of December 31, 2016, total compensation expense not yet recognized related to non-vested stock options was \$10.6, and the weighted-average period in which the expense is expected to be recognized is 1.9 years.

Note 15. FAIR VALUE MEASUREMENTS

Fair value is measured based on an exit price, representing the amount that would be received to sell an asset or paid to satisfy a liability in an orderly transaction between market participants. Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a fair value hierarchy is established, which categorizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A summary of financial instruments recognized at fair value, and the fair value measurements used, follows:

	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
<u>2016</u>				
Cash	\$ 543	\$ 543	\$ —	\$ —
Short-term investments.....	203	203	—	—
Net derivative contracts.....	(3)	—	(3)	—
Long-term debt converted to floating interest rates by interest rate swaps - net	(58)	—	(58)	—
<u>2015</u>				
Cash	\$ 268	\$ 268	\$ —	\$ —
Short-term investments.....	177	177	—	—
Net derivative contracts.....	86	—	86	—
Long-term debt converted to floating interest rates by interest rate swaps - net	(94)	—	(94)	—

Eaton values its financial instruments using an industry standard market approach, in which prices and other relevant information is generated by market transactions involving identical or comparable assets or liabilities. No financial instruments were measured using unobservable inputs.

Other Fair Value Measurements

Long-term debt and the current portion of long-term debt had a carrying value of \$8,263 and fair value of \$8,477 at December 31, 2016 compared to \$7,988 and \$8,231, respectively, at December 31, 2015. The fair value of Eaton's debt instruments was estimated using prevailing market interest rates on debt with similar creditworthiness, terms and maturities and is considered a Level 2 fair value measurement.

Short-Term Investments

Eaton invests excess cash generated from operations in short-term marketable investments. For those investments classified as "available-for-sale", Eaton marks these investments to fair value with the offset recognized in Other reserves. A summary of the carrying value of short-term investments follows:

	2016	2015
Time deposits, certificates of deposit and demand deposits with banks	\$ 149	\$ 122
Money market investments.....	54	55
Total short-term investments.....	\$ 203	\$ 177

Note 16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, Eaton is exposed to certain risks related to fluctuations in interest rates, currency exchange rates and commodity prices. The Company uses various derivative and non-derivative financial instruments, primarily interest rate swaps, currency forward exchange contracts, currency swaps and, to a lesser extent, commodity contracts, to manage risks from these market fluctuations. The instruments used by Eaton are straightforward, non-leveraged instruments. The counterparties to these instruments are financial institutions with strong credit ratings. Eaton maintains control over the size of positions entered into with any one counterparty and regularly monitors the credit rating of these institutions. Such instruments are not purchased and sold for trading purposes.

Derivative financial instruments are accounted for at fair value and recognized as assets or liabilities in the Consolidated Balance Sheets. Accounting for the gain or loss resulting from the change in the fair value of the derivative financial instrument depends on whether it has been designated, and is effective, as part of a hedging relationship and, if so, as to the nature of the hedging activity. Eaton formally documents all relationships between derivative financial instruments accounted for as designated hedges and the hedged item, as well as its risk-management objective and strategy for undertaking the hedge transaction. This process includes linking derivative financial instruments to a recognized asset or liability, specific firm commitment, forecasted transaction, or net investment in a foreign operation. These financial instruments can be designated as:

- Hedges of the change in the fair value of a recognized fixed-rate asset or liability, or the firm commitment to acquire such an asset or liability (a fair value hedge); for these hedges, the gain or loss from the derivative financial instrument, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in income during the period of change in fair value.
- Hedges of the variable cash flows of a recognized variable-rate asset or liability, or the forecasted acquisition of such an asset or liability (a cash flow hedge); for these hedges, the effective portion of the gain or loss from the derivative financial instrument is recognized in Other reserves and reclassified to income in the same period when the gain or loss on the hedged item is included in income.
- Hedges of the currency exposure related to a net investment in a foreign operation (a net investment hedge); for these hedges, the effective portion of the gain or loss from the derivative financial instrument is recognized in Other reserves and reclassified to income in the same period when the gain or loss related to the net investment in the foreign operation is included in income.

The gain or loss from a derivative financial instrument designated as a hedge that is effective is classified in the same line of the Consolidated Profit and Loss Accounts as the offsetting loss or gain on the hedged item. The change in fair value of a derivative financial instrument that is not effective as a hedge is immediately recognized in income.

For derivatives that are not designated as a hedge, any gain or loss is immediately recognized in income. The majority of derivatives used in this manner relate to risks resulting from assets or liabilities denominated in a foreign currency and certain commodity contracts that arise in the normal course of business. During 2016, Eaton recognized a gain of \$7 associated with these commodity hedge contracts. Gains and losses associated with commodity hedge contracts are classified in Cost of products sold.

Eaton uses certain of its debt denominated in foreign currency to hedge portions of its net investments in foreign operations against foreign currency exposure (net investment hedges). Foreign currency denominated debt designated as non-derivative net investment hedging instruments on an after-tax basis was \$86 and \$83 at December 31, 2016 and 2015, respectively, and designated on a pre-tax basis was \$572 at December 31, 2016. See Note 9 for additional information about debt.

Interest Rate Risk

Eaton has entered into fixed-to-floating interest rate swaps to manage interest rate risk of certain long-term debt. These interest rate swaps are accounted for as fair value hedges of certain long-term debt. The maturity of the swap corresponds with the maturity of the debt instrument as noted in the table of long-term debt in Note 9. Eaton has also entered into several forward starting floating-to-fixed interest rate swaps to manage interest rate risk on an anticipated debt refinancing in 2017.

A summary of interest rate swaps outstanding at December 31, 2016, follows:

Fixed-to-Floating Interest Rate Swaps

Notional amount	Fixed interest rate received	Floating interest rate paid	Basis for contracted floating interest rate paid
\$ 150	5.30%	4.75%	1 month LIBOR + 4.26%
750	1.50%	0.95%	1 month LIBOR + 0.46%
415	5.60%	4.26%	6 month LIBOR + 3.18%
300	6.95%	5.85%	3 month LIBOR + 5.07%
25	8.88%	4.96%	6 month LIBOR + 3.84%
150	3.88%	2.61%	1 month LIBOR + 2.12%
275	3.47%	2.23%	1 month LIBOR + 1.74%
1,400	2.75%	1.07%	1 month LIBOR + 0.58%
200	3.68%	1.56%	1 month LIBOR + 1.07%
25	7.63%	3.55%	6 month LIBOR + 2.48%
50	7.65%	3.65%	6 month LIBOR + 2.57%
25	5.45%	1.36%	6 month LIBOR + 0.28%

Forward Starting Floating-to-Fixed Interest Rate Swaps

Notional amount	Floating interest rate to be received	Fixed interest rate to be paid	Basis for contracted floating interest rate received
\$ 50	—%	2.52%	3 month LIBOR + 0.00%
50	—%	2.38%	3 month LIBOR + 0.00%
50	—%	2.19%	3 month LIBOR + 0.00%
50	—%	2.19%	3 month LIBOR + 0.00%
50	—%	1.95%	3 month LIBOR + 0.00%
50	—%	1.80%	3 month LIBOR + 0.00%
50	—%	1.67%	3 month LIBOR + 0.00%
50	—%	1.66%	3 month LIBOR + 0.00%
50	—%	1.53%	3 month LIBOR + 0.00%

Derivative Financial Statement Impacts

The fair value of derivative financial instruments recognized in the Consolidated Balance Sheets follows:

	Notional amount	Other current assets	Other noncurrent assets	Other current liabilities	Other noncurrent liabilities	Type of hedge	Term
<u>December 31, 2016</u>							
Derivatives designated as hedges							
Fixed-to-floating interest rate swaps	\$ 3,765	\$ 1	\$ 65	\$ —	\$ 8	Fair value	3 months to 18 years
Forward starting floating-to-fixed interest rate swaps	450	—	19	—	1	Cash flow	11 years
Currency exchange contracts	802	11	1	22	17	Cash flow	1 to 36 months
Total		<u>\$ 12</u>	<u>\$ 85</u>	<u>\$ 22</u>	<u>\$ 26</u>		
Derivatives not designated as hedges							
Currency exchange contracts	\$ 5,333	\$ 31		\$ 85			1 to 12 months
Commodity contracts	10	2		—			1 to 12 months
Total		<u>\$ 33</u>		<u>\$ 85</u>			
<u>December 31, 2015</u>							
Derivatives designated as hedges							
Fixed-to-floating interest rate swaps	\$ 3,715	\$ —	\$ 96	\$ —	\$ 2	Fair value	2 to 19 years
Forward starting floating-to-fixed interest rate swaps	50	—	—	—	—	Cash flow	12 years
Currency exchange contracts	724	18	1	8	6	Cash flow	1 to 36 months
Commodity contracts	1	—	—	—	—	Cash flow	1 to 12 months
Total		<u>\$ 18</u>	<u>\$ 97</u>	<u>\$ 8</u>	<u>\$ 8</u>		
Derivatives not designated as hedges							
Currency exchange contracts	\$ 4,198	\$ 27		\$ 40			1 to 12 months
Total		<u>\$ 27</u>		<u>\$ 40</u>			

The currency exchange contracts shown in the table above as derivatives not designated as hedges are primarily contracts entered into to manage currency volatility or exposure on intercompany sales and loans. While Eaton does not elect hedge accounting treatment for these derivatives, Eaton targets managing 100% of the intercompany balance sheet exposure to minimize the effect of currency volatility related to the movement of goods and services in the normal course of its operations. This activity represents the great majority of these currency exchange contracts.

The impact of derivative instruments to the Consolidated Profit and Loss Accounts and Other reserves follow:

	Gain (loss) recognized in Other reserves		Location of gain (loss) reclassified from Other reserves	Gain (loss) reclassified from Other reserves	
	2016	2015		2016	2015
Derivatives designated as cash flow hedges					
Floating-to-fixed interest rate swaps	\$ 18	\$ —	Interest expense or Interest income	\$ —	\$ —
Currency exchange contracts.....	(39)	20	Cost of products sold	(8)	16
Total.....	<u>\$ (21)</u>	<u>\$ 20</u>		<u>\$ (8)</u>	<u>\$ 16</u>

Amounts recognized in net income follow:

	2016	2015
Derivatives designated as fair value hedges		
Fixed-to-floating interest rate swaps	\$ (36)	\$ 20
Related long-term debt converted to floating interest rates by interest rate swaps	36	(20)
	<u>\$ —</u>	<u>\$ —</u>

Gains and losses described above were recognized in Interest expense and Interest income, respectively.

Note 17. ACCOUNTS RECEIVABLE AND INVENTORY

Accounts Receivable

Eaton performs ongoing credit evaluation of its customers and maintains sufficient allowances for potential credit losses. The Company evaluates the collectability of its accounts receivable based on the length of time the receivable is past due and any anticipated future write-off based on historic experience. Accounts receivable balances are written off against an allowance for doubtful accounts after a final determination of uncollectability has been made. Accounts receivable are net of an allowance for doubtful accounts of \$50 at December 31, 2016 and 2015.

Inventory

Inventory is carried at lower of cost or market, using the first-in, first-out (FIFO) method. Cost components include raw materials, purchased components, direct labor, indirect labor, utilities, depreciation, inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs, and costs of the distribution network.

The components of inventory follow:

	2016	2015
Raw materials	\$ 879	884
Work-in-process.....	395	411
Finished goods	1,072	1,129
Inventory at FIFO.....	<u>\$ 2,346</u>	<u>\$ 2,424</u>

Note 18. BUSINESS SEGMENT AND GEOGRAPHIC REGION INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker, or decision making group, in deciding how to allocate resources to an individual segment and in assessing performance. Eaton's segments are as follows:

Electrical Products and Electrical Systems and Services

The Electrical Products segment consists of electrical components, industrial components, residential products, single phase power quality, emergency lighting, fire detection, wiring devices, structural support systems, circuit protection, and lighting products. The Electrical Systems and Services segment consists of power distribution and assemblies, three phase power quality, hazardous duty electrical equipment, intrinsically safe explosion-proof instrumentation, utility power distribution, power reliability equipment, and services. The principal markets for these segments are industrial, institutional, governmental, utility, commercial, residential and information technology. These products are used wherever there is a demand for electrical power in commercial buildings, data centers, residences, apartment and office buildings, hospitals, factories, utilities, and industrial and energy facilities. The segments share several common global customers, but a large number of customers are located regionally. Sales are made directly to original equipment manufacturers, utilities, and certain other end users, as well as through distributors, resellers, and manufacturers' representatives.

Hydraulics

The Hydraulics segment is a global leader in hydraulics components, systems and services for industrial and mobile equipment. Eaton offers a wide range of power products including pumps, motors and hydraulic power units; a broad range of controls and sensing products including valves, cylinders and electronic controls; a full range of fluid conveyance products including industrial and hydraulic hose, fittings, and assemblies, thermoplastic hose and tubing, couplings, connectors, and assembly equipment; filtration systems solutions; industrial drum and disc brakes; and golf grips. The principal markets for the Hydraulics segment include renewable energy, marine, agriculture, oil and gas, construction, mining, forestry, utility, material handling, truck and bus, machine tools, molding, primary metals, and power generation. Key manufacturing customers in these markets and other customers are located globally. Products are sold and serviced through a variety of channels.

Aerospace

The Aerospace segment is a leading global supplier of aerospace fuel, hydraulics, and pneumatic systems for commercial and military use. Products include hydraulic power generation systems for aerospace applications including pumps, motors, hydraulic power units, hose and fittings, electro-hydraulic pumps; controls and sensing products including valves, cylinders, electronic controls, electromechanical actuators, sensors, aircraft flap and slat systems and nose wheel steering systems; fluid conveyance products, including hose, thermoplastic tubing, fittings, adapters, couplings, sealing and ducting; and fuel systems including fuel pumps, sensors, valves, adapters and regulators. In addition, products included power and load management systems and displays and panels until these businesses were sold in May of 2014. The principal markets for the Aerospace segment are manufacturers of commercial and military aircraft and related after-market customers. These manufacturers and other customers operate globally. Products are sold and serviced through a variety of channels.

Vehicle

The Vehicle segment is a leader in the design, manufacture, marketing, and supply of: drivetrain, powertrain systems and critical components that reduce emissions and improve fuel economy, stability, performance, and safety of cars, light trucks and commercial vehicles. Products include transmissions, clutches, hybrid power systems, superchargers, engine valves and valve actuation systems, cylinder heads, locking and limited slip differentials, transmission controls, fuel vapor components, fluid connectors and conveyance products for the global vehicle industry. The principal markets for the Vehicle segment are original equipment manufacturers and aftermarket customers of heavy-, medium-, and light-duty trucks, SUVs, CUVs, passenger cars and agricultural equipment.

Other Information

No single customer represented greater than 10% of net sales in 2016 or 2015, respectively.

The accounting policies of the business segments are generally the same as the policies described in Note 1, except that operating profit only reflects the service cost component related to pensions and other postretirement benefits. Intersegment sales and transfers are accounted for at the same prices as if the sales and transfers were made to third parties. These intersegment sales are eliminated in consolidation. Operating profit includes the operating profit from intersegment sales.

For purposes of business segment performance measurement, the Company does not allocate items that are of a non-operating nature or are of a corporate or functional governance nature. Corporate expenses consist of transaction costs associated with the acquisition of certain businesses and corporate office expenses including compensation, benefits, occupancy, depreciation, and other administrative costs. Identifiable assets of the business segments exclude goodwill, other intangible assets, and general corporate assets, which principally consist of certain cash, short-term investments, deferred income taxes, certain accounts receivable, certain property, plant and equipment, and certain other assets.

Business Segment Information

	2016	2015
Net sales		
Electrical Products	\$ 6,957	\$ 6,976
Electrical Systems and Services	5,662	5,931
Hydraulics	2,222	2,459
Aerospace	1,753	1,807
Vehicle	3,153	3,682
Total net sales	<u>\$ 19,747</u>	<u>\$ 20,855</u>
Segment operating profit		
Electrical Products	\$ 1,240	\$ 1,156
Electrical Systems and Services	711	776
Hydraulics	198	246
Aerospace	335	310
Vehicle	474	645
Total segment operating profit	<u>2,958</u>	<u>3,133</u>
Corporate		
Amortization of intangible assets excluding software	(392)	(406)
Interest expense	(247)	(245)
Interest income	14	13
Pension and other postretirement benefits expense	(60)	(130)
Other corporate expense	(155)	(232)
Income before income taxes	<u>2,118</u>	<u>2,133</u>
Income tax expense	199	159
Net income	<u>1,919</u>	<u>1,974</u>
Less net income for minority interests	(3)	(2)
Net income attributable to Eaton ordinary shareholders	<u>\$ 1,916</u>	<u>\$ 1,972</u>

Business segment operating profit was reduced by acquisition integration charges as follows:

	2016	2015
Electrical Products	\$ 3	\$ 25
Electrical Systems and Services	1	15
Hydraulics	—	2
Total	<u>\$ 4</u>	<u>\$ 42</u>

Corporate acquisition integration charges totaled \$5 in 2015, and are included above in Other corporate expense. There was no corporate acquisition integration charges in 2016. See Note 3 for additional information about acquisition integration charges.

	2016	2015
Identifiable assets		
Electrical Products	\$ 2,363	\$ 2,538
Electrical Systems and Services	2,222	2,285
Hydraulics	1,188	1,138
Aerospace	830	841
Vehicle	1,549	1,579
Total identifiable assets	<u>8,152</u>	<u>8,381</u>
Goodwill	13,201	13,479
Other intangible assets	5,828	6,301
Corporate	3,590	3,337
Total assets	<u><u>\$ 30,771</u></u>	<u><u>\$ 31,498</u></u>
Capital expenditures for property, plant and equipment		
Electrical Products	\$ 134	\$ 137
Electrical Systems and Services	78	94
Hydraulics	92	61
Aerospace	28	33
Vehicle	142	119
Total	<u>474</u>	<u>444</u>
Corporate	23	62
Total expenditures for property, plant and equipment	<u><u>\$ 497</u></u>	<u><u>\$ 506</u></u>
Depreciation of property, plant and equipment		
Electrical Products	\$ 141	\$ 137
Electrical Systems and Services	82	82
Hydraulics	64	67
Aerospace	27	28
Vehicle	109	113
Total	<u>423</u>	<u>427</u>
Corporate	63	52
Total depreciation of property, plant and equipment	<u><u>\$ 486</u></u>	<u><u>\$ 479</u></u>

Geographic Region Information

Net sales are measured based on the geographic destination of sales. Long-lived assets consist of property, plant and equipment - net.

	2016	2015
Net sales		
United States	\$ 10,937	\$ 11,396
Canada	898	969
Latin America	1,448	1,726
Europe	4,228	4,379
Asia Pacific	2,236	2,385
Total	<u>\$ 19,747</u>	<u>\$ 20,855</u>
Long-lived assets		
United States	\$ 1,924	\$ 1,982
Canada	19	19
Latin America	281	243
Europe	681	734
Asia Pacific	538	587
Total	<u>\$ 3,443</u>	<u>\$ 3,565</u>

Note 19. EMPLOYEES

The average number of persons employed by Eaton follow:

(In thousands)	2016	2015
Electrical Products and Electrical Systems and Services	60	62
Hydraulics	11	12
Aerospace	6	6
Vehicle	13	14
Corporate	5	5
Total average number of persons employed	<u>95</u>	<u>99</u>

Employee costs follow:

	2016	2015
Salaries and wages	\$ 3,900	\$ 3,977
Pension and other postretirement benefits	178	234
Share based compensation	92	82
Other benefits	1,086	1,156
Total employee costs	<u>\$ 5,256</u>	<u>\$ 5,449</u>

Note 20. RECONCILIATION TO AMOUNTS REPORTED IN EATON'S ANNUAL REPORT ON FORM 10-K FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

As discussed in Note 1, these Consolidated Financial Statements are prepared using U.S. GAAP to the extent that the use of such principles does not contravene Irish Company Law. The Consolidated Financial Statements included in the Annual Report on Form 10-K as filed on February 22, 2017 with the United States Securities and Exchange Commission, are prepared using U.S. GAAP. The primary differences between these statutory financial statements and the Consolidated Financial Statements included on Form 10-K are the presentational format of the income statement and balance sheet, inclusion of certain additional disclosures, and the valuation of inventory.

For purposes of the Consolidated Financial Statements included in Form 10-K, inventory in the United States is generally accounted for using the last-in, first-out (LIFO) method. Remaining United States and non-United States inventory is accounted for using the first-in, first-out (FIFO) method. LIFO is not an acceptable inventory valuation method under Irish Company Law. As such, these financial statements reflect all inventories using the FIFO method to determine cost as discussed in our inventory accounting policy in Note 17.

A reconciliation of the amounts reported herein to the comparable amounts reported in Eaton's Consolidated Financial Statements included in its Annual Report on Form 10-K as filed on February 22, 2017 with the United States Securities and Exchange Commission, follows:

	Total assets	Total equity	Net income attributable to Eaton ordinary shareholders
As of and for the year ended December 31, 2016			
U.S. GAAP amounts reported in Annual Report on Form 10-K.....	\$ 30,419	\$ 14,941	\$ 1,922
Adjustments (LIFO to FIFO):			
Inventory valuation	92	92	(9)
Effect of related income taxes	260	(35)	3
Amounts reported in these consolidated financial statements	\$ 30,771	\$ 14,998	\$ 1,916
	Total assets	Total equity	Net income attributable to Eaton ordinary shareholders
As of and for the year ended December 31, 2015			
U.S. GAAP amounts reported in Annual Report on Form 10-K.....	\$ 30,996	\$ 15,231	\$ 1,979
Adjustments (LIFO to FIFO):			
Inventory valuation	101	101	(12)
Effect of related income taxes	401	(38)	5
Amounts reported in these consolidated financial statements	\$ 31,498	\$ 15,294	\$ 1,972

Note 21. DIRECTORS' REMUNERATION

Directors' remuneration is set forth in the table below. Mr. Arnold, the Chairman of the Board of Directors is also the Chief Executive Officer of Eaton Corporation (a wholly owned subsidiary of the Company). He replaced Mr. Cutler as Chairman of the Board of Directors and Chief Executive Officer following Mr. Cutler's retirement on May 31, 2016. Mr. Fearon, a Director of Eaton Corporation plc, is also Chief Financial and Planning Officer of Eaton Corporation. The amounts below include compensation for Mr. Cutler's, Mr. Arnold's and Mr. Fearon's service as Chief Executive Officer, and Vice Chairman and Chief Financial and Planning Officer of Eaton Corporation, respectively, as well as compensation for all non-employee directors in their capacities as such

	2016	2015
Aggregate emoluments in respect of qualifying services	\$ 7	\$ 6
Aggregate amount of the money or value of other assets under long term incentive plans in respect of qualifying services	3	8
Aggregate gains on the exercise of share options granted in respect of qualifying services	8	13
Total	<u>\$ 18</u>	<u>\$ 27</u>

Note 22. AUDITORS' REMUNERATION

Fees paid to Ernst & Young for services provided follow:

	2016	2015
Audit fees.....	\$ 20	\$ 25
Audit-related fees.....	—	—
Tax fees		
Tax compliance services.....	1	2
Tax advisory services.....	1	2
Reimbursement of auditor's expenses.....	1	1
Total.....	<u>\$ 23</u>	<u>\$ 30</u>

The fees paid to Ernst & Young Ireland in respect of the audit of the group accounts were \$0.2 in each of 2016 and 2015. In addition, Ernst & Young Ireland received fees of \$0.3 for other assurance services in each of 2016 and 2015. Ernst & Young Ireland did not receive any fees for non-audit services in 2016 or 2015. Ernst & Young Ireland received fees of \$0.1 for tax advisory services in each of 2016 and 2015.

Note 23. SUBSIDIARY AND AFFILIATED UNDERTAKINGS

The principal subsidiaries of Eaton or affiliated companies where Eaton has an ownership of 20% or more are listed below:

Consolidated subsidiaries and equity accounted affiliates	Nature of business	Registered address	Percent ownership
Abeiron III Limited	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, Ireland	100%
ADF Systemes SARL	Operations	82, Avenue Raymond Aron, 91300 Massy, France	22%
Aeroquip do Brasil Ltda.	Operations	Rodovia Prefeito Aristeu Vieira Vilela, 2755, Km 181, Rio Comprido, Guaratinguetá, São Paulo, 12522-010, Brazil	100%
Aeroquip Financial Ltd.	General Corporate Administration	P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands	100%
Aeroquip Iberica S.L.	Operations	Via Complutense 109, 28805, Alcala de Henares, Madrid, Spain	100%
Aeroquip International Inc.	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
Aeroquip-Vickers Canada, Inc.	Operations	77 King Street West, Toronto-Dominion Centre, #400, Toronto, ON M5K 0A1, Canada	100%
Aeroquip-Vickers International S.a.r.L.	General Corporate Administration	12 Rue Eugene Ruppert, L-2453 Luxembourg, Luxembourg	100%
Aeroquip-Vickers Limited	Inactive	P.O. Box 554, Abbey Park, Southampton Road, Titchfield, PO14 9ED, United Kingdom	100%
Arrow-Hart, S. de R.L. de C.V.	Operations	Carretera Municipal Tlalnepantla, Cuautitlan KM 17.8 Sin Numero, Villa Jardin, Cuautitlan, 54800, Mexico	100%
Ascensores Cutler-Hammer S.A.	Inactive	Caracas, Distrito Federal, Venezuela	100%
Azonix Corporation	Operations	900 Middlesex Turnpike, Suite 700, Billerica, MA 01821, United States	100%
Beijing Internormen-Filter Ltd. Co.	Operations	Mauhua Industry Park, Nancai, Shunyi District, Beijing, 101300, China	100%
Beijing Yoosung Shinhwa Automobile Parts Co., Ltd.	Operations	M2-5 10, Xinggu, Industrial Development Zone of Pinggu Dist., Beijing, China	30%
Blessing International B.V.	Inactive	Terheydenseweg 465, 4825 BK, Breda, Netherlands	100%
Blinda Industria e Comercio Ltda.	Operations	Avenida Ireno da Silva Venancio, 199 - Galpoes 14A e 14B, Votorantim, Sao Paulo, 18111-100, Brazil	100%
Broomco (1644) Limited	Inactive	100 New Bridge Street, London, EC4V 6JA, United Kingdom	100%
Bussmann do Brasil Ltda.	Operations	Rua Diácomo Josias de Souza, 270 - Lotes 30 a 36, Loteamento Multivias, Prédio J1, Portão B, Jundiá, Sao Paulo, 13212-171, Brazil	100%
Bussmann International Holdings, LLC	Operations	114 Old State Road, Ellisville, MO 63021-5942, United States	100%
Bussmann International, Inc.	Operations	114 Old State Road, Ellisville, MO 63021-5942, United States	100%
Bussmann, S. de R.L. de C.V.	Operations	Prolongación Hermanos Escobar 7750, Col. Partido Manuel Doblado, Chihuahua, Ciudad Juárez, 32310, Mexico	100%
Cambridge International Insurance Company Ltd.	General Corporate Administration	Codan Services Limited, Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda	100%
Cannon Technologies, Inc.	Operations	100 South Fifth Street, #1075, Minneapolis, MN 55402	100%
CBE Services, Inc.	General Corporate Administration	600 Travis, Suite 5400, Houston, TX 77002, United States	100%
CEAG Notlichtsysteme GmbH	Operations	Senator Schwartz Ring 26, 59494 Soest, Germany	100%
Centralion Industrial Inc.	Operations	9F, No. 135, Section 2, Da-Tong Road, Xi-Zhi City, Tapei, Taiwan, Province of China	100%
Chagrín Highlands III Limited	General Corporate Administration	1400 West 6th Street, Suite 400, Cleveland OH 44113, United States	100%
Collins Associates Ltd.	Inactive	P.O. Box 146, Road Town, Tortola, British Virgin Islands	100%

Componentes de Iluminacion, S. de R.L. de C.V.	Operations	Magneto 1935 Parque Industrial Gema CD, Juarez, Chihuahua, 32648, Mexico	100%
Cooper (China) Co., Ltd.	General Corporate Administration	No. 95 Shengli Road, Pudong New Area, Shanghai, China	100%
Cooper (Ningbo) Electric Co., Ltd.	Operations	Hangzhou Wan Bay New Zone of, Cixi Economic Development Area, Zhejiang Province, China	80%
Cooper Bermuda Investments Ltd.	General Corporate Administration	Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda	100%
Cooper B-Line, Inc.	Operations	509 West Monroe Street, Highland, IL 62249, United States	100%
Cooper Bussmann (U.K.) Limited	Operations	Melton Road, Burton-On-The-Wolds, Leicestershire, LE125TH, United Kingdom	100%
Cooper Bussmann Hungaria Kft.	Operations	Berkenyefa sor 7, Győr, 1051, Hungary	100%
Cooper Bussmann, LLC	Operations	114 Old State Road, Ellisville, MO 63021-5942, United States	100%
Cooper Capri S.A.S.	Operations	36-40 rue des Fontenils, 41600, Nouan-le-Fuzelier, France	100%
Cooper Colombia Investments, Ltd.	General Corporate Administration	Intertrust Cayman Islands, 190 Elgin Avenue, George Town, Grand Cayman, NA, KY1-9005, Cayman Islands	100%
Cooper Controls (Watford) Limited	Operations	USK House, Llantarnam Park, Gwent, Cwmbran, NP44 3HD, United Kingdom	100%
Cooper Controls Limited	Operations	USK House, Llantarnam Park, Gwent, Cwmbran, NP44 3HD, United Kingdom	100%
Cooper Crouse-Hinds (LLC)	Operations	P.O. Box 30861, Office 302, Building 49, Dubai Healthcare City, United Arab Emirates	49%
Cooper Crouse-Hinds (UK) Ltd.	Operations	Dorset Road, Sheerness, ME12 1LP, United Kingdom	100%
Cooper Crouse-Hinds AS	Operations	Postboks 565, Lienstranda, N-3412, Norway	100%
Cooper Crouse-Hinds B.V.	Operations	Sydneystraat 74, 3047 BP, Rotterdam, Netherlands	100%
Cooper Crouse-Hinds GmbH	Operations	Senator-Schwartz-Ring 26, D-59494, Soest, Germany	100%
Cooper Crouse-Hinds MTL, Inc.	Operations	4300 Fortune Place, Suite A, West Melbourne FL 32904, United States	100%
Cooper Crouse-Hinds Pte. Ltd.	Operations	2 Serangoon North, Avenue 5 \$06-01 Fu Yu, Singapore, 554911, Singapore	100%
Cooper Crouse-Hinds, LLC	Operations	Wolf & 7th North Streets, Syracuse NY 13221-4999, United States	100%
Cooper Crouse-Hinds, S. de R.L. de C.V.	Operations	Av. Javier Rojo Gomez, No. 1170, Col. Guadalupe Del Moral, Iztapalapa, 09300, Mexico	100%
Cooper Crouse-Hinds, S.A.	Operations	Avda. Santa Eulalia 290, 08223 Terrassa, Barcelona, Spain	100%
Cooper Csa Srl	Operations	Segrate (MI) Via San Bovio 3 Cap 20090, Italy	100%
Cooper Edison (Pingdingshan) Electronic Technologies Co., Ltd.	Operations	22 Nan Huan Dong Lu, Pingdingshan City, Henan Province, P.C., 467001, China	100%
Cooper Electric (Changzhou) Co., Ltd.	Operations	Room 216, Building No. 10, Science and Technology Park, Changzhou National Hi-Tech District, Jiangsu Province, China	100%
Cooper Electric (Shanghai) Co., Ltd.	General Corporate Administration	Room 1-201, Floor 2, Business Building, No. 2001 Yanggao Road, North Waigaoqiao Free Trade Zone, Shanghai, 200131, P.R.C., China	100%
Cooper Electrical Australia Pty. Limited	Operations	205-209 Woodpark Road, Smithfield NSW 2164, Australia	100%
Cooper Electrical International, LLC	General Corporate Administration	600 Travis, Suite 5400, Houston, TX 77002, United States	100%
Cooper Electronic Technologies (Shanghai) Co., Ltd.	General Corporate Administration	Building B, Sheng Li Road #955, Pu Dong, Shanghai, China	100%
Cooper Enterprises LLC	General Corporate Administration	1209 Orange Street, Wilmington, DE 19801, United States	100%
Cooper Finance (Canada) L.P.	General Corporate Administration	114, 885-42nd Avenue SE, Calgary AB, Canada	100%
Cooper Finance Group Ltd.	General Corporate Administration	Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda	100%

Cooper Finance USA, Inc.	General Corporate Administration	600 Travis, Suite 5400, Houston, TX 77002, United States	100%
Cooper Germany Holdings GmbH	Operations	Senator-Schwartz-Ring 26, D-59494, Soest, Germany	100%
Cooper India Private Limited	General Corporate Administration	Level 9, Spaze-Tech Park, A1 Tower, Sector - 49, Sohna Road, Gurgaon, Gurgaon, Haryana, 122018, India	100%
Cooper Industries (Canada) Inc.	General Corporate Administration	100 King Street West, 1 First Canadian Place, Suite 1600, Toronto ON M5X 1G5, Canada	100%
Cooper Industries (Electrical) Inc.	General Corporate Administration	100 King Street West, 1 First Canadian Place, Suite 1600, Toronto ON M5X 1G5, Canada	100%
Cooper Industries Colombia S.A.S.	Operations	Avenida 82, No. 10-62 P.5, Bogota, Colombia	100%
Cooper Industries Finance B.V.	Inactive	Teleportboulevard 136-142, 1043 Amsterdam, The Netherlands	100%
Cooper Industries Finanzierungs-GbR	General Corporate Administration	Senator-Schwartz-Ring 26, D-59494, Soest, Germany	100%
Cooper Industries FZE	Operations	P.O. Box 120939, Sharjah Airport International Free Zone, Sharjah, United Arab Emirates	100%
Cooper Industries Global B.V.	Operations	Terheydenseweg 465, 4825 BK, Breda, Netherlands	100%
Cooper Industries Holdings (Canada) Inc.	General Corporate Administration	100 King Street West, 1 First Canadian Place, Suite 1600, Toronto ON M5X 1G5, Canada	100%
Cooper Industries Holdings GmbH	Operations	Senator-Schwartz-Ring 26, D-59494, Soest, Germany	100%
Cooper Industries International, LLC	General Corporate Administration	1209 Orange Street, Wilmington DE 19801, United States	100%
Cooper Industries Investments UK Limited	Inactive	100 New Bridge Street, London, EC4V 6JA, United Kingdom	100%
Cooper Industries Japan K.K.	Operations	12th Floor, Mainichi Intecio 4-5, Umeda 3-chome, Kita-ku, Osaka, Toyko, Japan	100%
Cooper Industries Malaysia SDN BHD	Operations	Symphony Incorporators SDN BHD, Suite 18.01, 18th Floor, MWE Plaza, No.8, Lebuhr Farquhar 10200 Pulau Pinang, Malaysia, Malaysia	100%
Cooper Industries Middle East, LLC	Operations	1209 Orange Street, Wilmington, DE 19801, United States	100%
Cooper Industries Poland, LLC	Operations	1209 Orange Street, Wilmington, DE 19801, United States	100%
Cooper Industries Romania SRL	Operations	12, III str., Zona Industrială Vest Street, Arad, 312900, Romania	100%
Cooper Industries Russia LLC	Operations	Paveletskaya naberezhnaya 2, Building 1, Office 313, 115114, Moscow, Russian Federation	100%
Cooper Industries South Africa, LLC	Inactive	1209 Orange Street, Wilmington, DE 19801, United States	100%
Cooper Industries Trading Limited	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, Ireland	100%
Cooper Industries UK Subco Limited	General Corporate Administration	100 New Bridge Street, London, EC4V 6JA, United Kingdom	100%
Cooper Industries Unlimited Company	General Corporate Administration	41 A B Drury Street, Dublin 2, Ireland	100%
Cooper Industries Vietnam, LLC	General Corporate Administration	1209 Orange Street, Wilmington, DE 19801, United States	100%
Cooper Industries, LLC	General Corporate Administration	600 Travis, Suite 5400, Houston, TX 77002, United States	100%
Cooper Interconnect, Inc.	Operations	750 West Ventura Blvd., Camarillo, CA 93010, United States	100%
Cooper International Holdings S.a.r.l.	General Corporate Administration	Rue Eugene Ruppert 12, L-2453 Luxembourg, Luxembourg	100%
Cooper Investment Group Ltd.	General Corporate Administration	Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda	100%
Cooper Investment Group S a.r.l.	General Corporate Administration	Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda	100%
Cooper Investments Verwaltungsgesellschaft GmbH	General Corporate Administration	Senator-Schwartz-Ring 26, D-59494, Soest, Germany	100%

Cooper Korea Ltd.	Operations	12th Floor Vision Tower, 707-2, Yeoksam-dong, Gangnam-gu, Seoul, Republic of Korea	100%
Cooper Lighting de Mexico, S. de R.L. de C.V.	Operations	Ave Del Parque #1190, Monterrey Technology Park Ave Tecnologico, Cienega de Flores, Nuevo Leon, Monterrey, 65550, Mexico	100%
Cooper Lighting, LLC	Operations	1121 Highway 74 South, Peachtree City GA 30269, United States	100%
Cooper Menvier France SARL	Operations	Z.A. de la Graviere, Rue Beethoven, Riom 63200, France	100%
Cooper Mexico Distribucion, S. de R.L. de C.V.	Operations	Avenida Del Parque 1190, Monterrey Technology Park, Esquina Con Avenida Tecnologico, Cienega de Flores, Neuvo Leon, 65550, Mexico	100%
Cooper Netherlands Investments, Ltd.	General Corporate Administration	190 Elgin Avenue, George Town, Grand Cayman, NA, KY1-9005, Cayman Islands	100%
Cooper Notification, Inc.	Operations	1209 Orange Street, Wilmington, DE 19801, United States	100%
Cooper Offshore Holdings S.a.r.l. (Luxembourg)	General Corporate Administration	Rue Eugene Ruppert 12, L-2453 Luxembourg, Luxembourg	100%
Cooper Power Systems do Brasil Ltda.	Operations	Rod. Marechal Rondon, Km 125 - Soamin, Porto Feliz, Sao Paulo, 18540-000, Brazil	100%
Cooper Power Systems, LLC	Operations	2300 Badger Drive, Waukesha, WI 53188-5931, United States	100%
Cooper Pretronica Lda.	Operations	Parque Industrial Serra das Minas, Av. Irene Lisboa, Lote 19, Armazem C, Piso 2, Alto do Forte, 2635-001, Rio de Mouro, Portugal	100%
Cooper Safety B.V.	Operations	Terheydenseweg 465, 4825 BK, Breda, Netherlands	100%
Cooper Securite S.A.S.	Operations	Z.A. de la Graviere, Rue Beethoven, 63200, Riom, France	100%
Cooper Security Limited	Operations	Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire, CV31 3RZ, United Kingdom	100%
Cooper Shanghai Power Capacitor Co., Ltd.	Operations	3 FL. YuAn Bldg., 738 Dongfang Road, Pudong, Shanghai, 200122, China	65%
Cooper Switzerland Investments, Ltd.	General Corporate Administration	190 Elgin Avenue, George Town, Grand Cayman, NA, KY1-9005, Cayman Islands	100%
Cooper Technologies Company	General Corporate Administration	600 Travis, Suite 5400, Houston, TX 77002, United States	100%
Cooper Univel S.A.	Operations	7th Km. Old National Road, Katerinis-Thessalonikis, Komvos Korinou, Katerini, 60100, Greece	100%
Cooper Wheelock, Inc.	Operations	273 Branchport Avenue, Long Branch NJ 07740	100%
Cooper Wiring Devices de Mexico, S.A de C.V.	Operations	Km. 17.8 Carr., Tlalnepantla-Cuautitlan s/n. Esq., Cerrada 8 de Mayo, Col. Villa Jardin, Cuautitlan, Estado de Mexico, 54800, Mexico	100%
Cooper Wiring Devices Manufacturing, S. de R.L. de C.V.	Operations	Carretera Tlalnepantla Cuautitlan KM 17 8, S N Villa Jardin, Mexico, 54800, Mexico	100%
Cooper Wiring Devices, Inc.	Operations	203 Cooper Circle, Peachtree City, GA 30269, United States	100%
Cooper Xi'an Fusegear Co., Ltd.	Operations	A0307 Chuang Ye Square, No. 48 KeJi Road, Xi'an AHi-Tech Development Zone, Xi'an, RRC, Shanxi Province, China	100%
Cooper Yuhua (Changzhou) Electric Equipment Manufacturing Co., Ltd.	Operations	No. 60, Hehuan Road, Zhonglou Economic Development Zone, Jiangsu Province, Changzhou, China	100%
Crompton Lighting Holdings Limited	Inactive	100 New Bridge Street, London, EC4V 6JA, United Kingdom	100%
Crouse-Hinds de Venezuela, C.A.	Inactive	Av. Raul Leoni, Ed., Mara, piso 8, apto. 83 Caracas 1061 Venezuela, Bolivarian Republic of	100%
CTI-VIENNA Gesellschaft zur Prüfung elektrotechnischer Industrieprodukte GmbH	Operations	Einzingerasse 4, 1210 Wien, Vienna, Austria	100%
Cutler-Hammer Electrical Company	General Corporate Administration	P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands	100%

Cutler-Hammer Industries Ltd.	General Corporate Administration	P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	100%
Cutler-Hammer, SRL	General Corporate Administration	Carretera Sanchez Km 18 1/2, San Cristobal Parque Industrial Itabo SA (PIISA), Haina, Dominican Republic	100%
Cyme International T & D Inc.	Operations	1485 rue Roberval, Bureau 104, Saint-Bruno-de-Montarville, Quebec J3V 3P8, Canada	100%
D.P. Eaton Electric	Operations	Ul. Bereznjakovskaja 29, 6th Floor, Kiev 02098, Ukraine	100%
Digital Lighting (Dong Guan) Co., Ltd.	Operations	Xinmin Village, Chang An Town, Dong Guan City, Guang Dong Province, China	100%
Digital Lighting Co., Limited	Operations	Level 28, Three Pacific Place, 1 Queens Road East, Hong Kong	100%
Digital Lighting Holdings Limited	Operations	Unit 1, 13/F, Delta House, 3 On Yin Street, Shatin, Hong Kong	100%
Dongguan Cooper Electronics Co. Ltd.	Operations	Xin Min Road, Xin Min District, Changan Town, Guangdong Province, Dongguan City, China	100%
Dongguan Fu Li An Electronics Co., Ltd.	Operations	Xinmin Village, Chang'an Town, Dongguan City, Guangdong Provin, China	100%
Dongguan Wiring Devices Electronics Co., Ltd.	Operations	Yuan Shan Bei Vill, Changping Town, Dongguan, Guangdong, Guangdong, 523583, China	100%
Eagle Electric MFG. Co. Mexico, S.A. de C.V.	Inactive	AV Vasconcelos 210, OTE Piso 1, Residencial San Agustin, Monterrey, Nuevo Leon, Mexico	100%
Eaton (China) Investments Co., Ltd.	General Corporate Administration	Eaton Center Shanghai, No. 3 Lane 280 Linhong Road, Shanghai, 200335, China	100%
Eaton Aeroquip LLC	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland OH 44122, United States	100%
Eaton Aerospace Limited	Inactive	P.O. Box 554, Abbey Park, Southampton Road, Titchfield, PO14 9ED, United Kingdom	100%
Eaton Aerospace LLC	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland OH 44122, United States	100%
Eaton Ann Arbor LLC	Operations	30600 Telegraph Road, #2345, Bingham Falls, Michigan 48205, United States	100%
Eaton Asia Investments Corporation	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
Eaton Automation G.m.b.H	Operations	Spinnereistrasse 8-14, 9008, St. Gallen, Switzerland	100%
Eaton Automation Holding G.m.b.H.	General Corporate Administration	Spinnereistrasse 8-14, 9008, St. Gallen, Switzerland	100%
Eaton Automotive Components Spolka z.o.o.	General Corporate Administration	Ul. 30 Stycznia, No. 55, 83-110 Tczew, Poland	100%
Eaton Automotive Spolka z.o.o.	Operations	Ul. Rudawka 83, 43-382 Bielsko-Biala, Poland	100%
Eaton Automotive Systems Spolka z.o.o.	Operations	Ul. Rudawka 83, 43-382 Bielsko-Biala, Poland	100%
Eaton B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100%
Eaton C.V.	General Corporate Administration	Strawinskylaan 3105, 1077 ZX, Amsterdam, The Netherlands	100%
Eaton Capital Unlimited Co.	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, Ireland	100%
Eaton CHB LLC	General Corporate Administration	1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
Eaton Controls (Luxembourg) S.a.r.l.	General Corporate Administration	Rue Eugene Ruppert 12, L-2453 Luxembourg, Luxembourg	100%
Eaton Controls (UK) Limited	Operations	Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire, CV31 3RZ, United Kingdom	100%
Eaton Controls, S. de R.L. de C.V.	General Corporate Administration	Av. Chapultepec S / N, Parque Industrial Colonial, Reynosa, Tams., C.P. 88570, Mexico	100%
Eaton Corporation	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%

Eaton Electric & Engineering Services Limited	General Corporate Administration	Room 4, 16th Floor, Kodak House II, 39 Healthy Street East, North Point, Hong Kong	100%
Eaton Electric (Japan) Ltd.	Operations	Mainichi Intecio 12F, 3-4-5, Umeda, Kita-ku, Osaka City, Japan	100%
Eaton Electric (South Africa) Pty Ltd.	Operations	CNR Osborn and Esander Rds, Wadeville, Germiston, Gauteng, 1407, South Africa	100%
Eaton Electric (Thailand) Ltd.	Operations	99-167 Moo 2, Thungsonghong Laksi, Bangkok 10210, Thailand	100%
Eaton Electric ApS	Operations	Niels Bohrs Vej 2, DK-7100, Vejle, Denmark	100%
Eaton Electric AS	Operations	Ryensvingen 5-7, Oslo, 0680, Norway	100%
Eaton Electric Company Ltd.	Operations	595 Soi Ramkamhaeng 39, Ramkamhaeng Road, Khwaeng Wangthonglang, Khet Wangthonglang, Bangkok, Thailand	100%
Eaton Electric d.o.o.	Operations	Rumski drum 13, Sremska Mitrovica, 22000, Serbia	100%
Eaton Electric G.m.b.H.	Operations	Hein-Moeller Straße 7-11, D-53115, Bonn, Germany	100%
Eaton Electric Holdings LLC	Operations	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
Eaton Electric Limited	Operations	P.O. Box 554 Abbey Park, Southampton Road, Titchfield, PO14 9ED, United Kingdom	100%
Eaton Electric Manufacturing Middle East LLC	Operations	P.O. Box 42278, Mussafah Esnaad Offshore Base, Abu Dhabi, United Arab Emirates	49%
Eaton Electric S.a.r.l.	General Corporate Administration	50, 52 Boulevard Abdellatif Benkaddour, Casablanca, 20050, Morocco	100%
Eaton Electric S.I.A.	Operations	2b Zemitana Street, Riga, 1012, Latvia	100%
Eaton Electric S.r.l.	Operations	Baneasa Business & Technologie Park Sos., Bucuresti-Ploiesti No. 42-44, Cladirea B2, etaj 3, Bucuresti 013696, Romania	100%
Eaton Electric s.r.o.	Operations	Komárovská 2406, Praha 9 - Horní Počernice, 193 00, Czech Republic	100%
Eaton Electric s.r.o.	Operations	Komárovská 2406, Praha 9 - Horní Počernice, 193 00, Czech Republic	100%
Eaton Electric Sales Ltd.	Operations	P.O. Box 554, Abbey Park, Southampton Road, Titchfield, PO14 9ED, United Kingdom	100%
Eaton Electric Spolka z.o.o.	Operations	Ul. Galaktyczna 30, 80-299 Gdansk, Poland	100%
Eaton Electric SPRL	General Corporate Administration	Industrialaan 1, B-1702 Groot-Bijgaarden, Belgium	100%
Eaton Electrical (Zhongshan) Co., Ltd.	Operations	3/F East of 2nd Building, Keji Road, China(Zhongshan) Electronic Base, Zhongshan Torch Hi-Tech Industrial Development Zone, Zhongshan,Guangdong Province, China	51%
Eaton Electrical Equipment Co., Ltd.	Operations	No. 1 West Hengtang River Road, Export-Oriented Development Area, Changzhou City, Jiangsu, China	100%
Eaton Electrical IP G.m.b.H. & Co. KG	General Corporate Administration	Airport Center Schönefeld, Mittelstrasse 5-5a, 12529, Schönefeld, Germany	100%
Eaton Electrical Ltd.	Operations	Lou Yang Rd. 2#, Suzhou Industrial Park, Suzhou, China	100%
Eaton Electrical Products Limited	Operations	Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire CV31 3RZ, United Kingdom	100%
Eaton Electrical S.A.	Operations	Avenida Abraham Lincoln, Edificio Torre Domus, Piso 14, Oficina 14-A, Urbanización Sabana Grande, Libertador, Caracas, Venezuela	100%
Eaton Electrical Systems Limited	Operations	Wheatley Hall Road, Doncaster, South Yorkshire, DN2 4NB, United Kingdom	100%
Eaton Electrical, S.A.	Operations	Avenue Libertador, Edif. Lex, Piso 1, Caracas, Venezuela	100%
Eaton Electro Productie S.r.l.	Operations	Str. Independentei Nr 8, Sârbi, 437157, Romania	100%
Eaton Elektrik Ticaret Limited Sirketi	Operations	Değirmen Sok. Nida Kule İş Merkezi No 18 Kat 17, Kozyatağı Kadıköy, Istanbul, Turkey	100%

Eaton Elektrotechnika s.r.o.	Operations	Komarovska 2406, Praha 9 - Horni Pocernice 19300, Czech Republic	100%
Eaton Energy Solutions, Inc.	Operations	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
Eaton Enterprises (Hungary) Kft.	Operations	Herceprimas, Utca 12. Magasfoldszint, Budapest, 1051, Hungary	100%
Eaton Enterprises Limited	Operations	Room 1604, 16th Floor, Kodak House II, 39 Healthy Street East, North Point, Hong Kong	100%
Eaton Enterprises, S. de R.L. de C.V.	General Corporate Administration	Av. Insurgentes Sur No. 1898, Torre Siglum, Piso 14, Col. Florida, CP 01020 Mexico City, Mexico	100%
Eaton ETN Offshore Company	General Corporate Administration	Purdy's Wharf Tower One, 900-1959 Upper Water Street, Halifax NS B3J 2X2, Canada	100%
Eaton ETN Offshore II Company	General Corporate Administration	Suite 900, 1959 Upper Water Street, Halifax NS B3J 3N2, Canada	100%
Eaton Filtration (Denmark) ApS	Operations	Maglemolle 90, 4700, Naestved, Denmark	100%
Eaton Filtration (Italy) S.r.l.	Operations	Via Gaetano Donizetti 18, 20020, Lainate (MI), Italy	100%
Eaton Filtration (Poland) Sp. z.o.o.	Operations	Milczany 79, 27 600, Sandomierz, Poland	100%
Eaton Filtration (Proprietary) Ltd.	Inactive	Corner Esander and Osborne Roads, Wadeville, Gauteng, 1428, South Africa	100%
Eaton Filtration (Shanghai) Co. Ltd.	Operations	H2 6/F No. 17 Building, No. 33, Xiya Road, Waigaoqiao FTZ, Pudong New Area, Shanghai, China	100%
Eaton Filtration BVBA	General Corporate Administration	Eigenlostraat 21, 9100 Sint Niklaas, Belgium	100%
Eaton Filtration Ltd.	Operations	Uruma Kowa Building, 8-11-37 Akasaka, Minato-ku, Tokyo, 107-0052, Japan	100%
Eaton Finance (Ireland) Limited	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, Ireland	100%
Eaton Finance S.a.r.l.	General Corporate Administration	12 rue Eugene Ruppert, Luxembourg, L-2453, Luxembourg	100%
Eaton Fluid Power (Shanghai) Co., Ltd.	Operations	388 Aidu Road, Waigaoqiao FTZ, Pudong New Area, Shanghai, China	100%
Eaton Fluid Power Limited	Operations	145 off Mumbai-Pune Road, Pimpri, Pune, 411 018, India	98%
Eaton Fluid Power S.r.l.	Operations	Via Privata Maria Teresa, 7, 20123, Milano, Italy	100%
Eaton France Holding S.A.S.	General Corporate Administration	11 Avenue de l'Atlantique les Ullis, 91955, Courtaboeuf, France	100%
Eaton FZE	Operations	BBO3-BB04, Jebel Ali Free Zone South 5, Dubai, United Arab Emirates	100%
Eaton Germany G.m.b.H.	Operations	Dr.-Reckeweg-Strasse 1, D-76532, Baden-Baden, Germany	100%
Eaton GmbH & Co. KG	General Corporate Administration	Steuerberatungsgesellschaft, Börnestrasse 10, 40211, Düsseldorf, Germany	100%
Eaton Holding (Austria) G.m.b.H.	Operations	Eugenia 1, A-3943, Schrems, Austria	100%
Eaton Holding (Netherlands) B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100%
Eaton Holding (UK) II Limited	Operations	Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire, CV31 3RZ, United Kingdom	100%
Eaton Holding G.m.b.H.	General Corporate Administration	Wagramerstrasse 19, A-1220, Wien, Austria	100%
Eaton Holding I B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100%
Eaton Holding I Limited	General Corporate Administration	P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands	100%
Eaton Holding II Limited	General Corporate Administration	P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands	100%
Eaton Holding II LLC	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
Eaton Holding II S.a.r.l.	General Corporate Administration	Rue Eugene Ruppert 12, L-2453 Luxembourg, Luxembourg	100%

Eaton Holding III B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100%
Eaton Holding III Limited	General Corporate Administration	P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	100%
Eaton Holding III S.a.r.l.	General Corporate Administration	Rue Eugene Ruppert 12, L-2453 Luxembourg, Luxembourg	100%
Eaton Holding International LLC	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
Eaton Holding IV S.a.r.l.	General Corporate Administration	12 rue Eugene Ruppert, L-2453 Luxembourg, Luxembourg	100%
Eaton Holding IX S.a.r.l.	General Corporate Administration	12 rue Eugene Ruppert, L-2453 Luxembourg, Luxembourg	100%
Eaton Holding Limited	General Corporate Administration	P.O. Box 4, New Lane, Havant, Hampshire, PO9 2NB, United Kingdom	100%
Eaton Holding LLC	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
Eaton Holding S.a.r.l.	General Corporate Administration	12 rue Eugene Ruppert, L-2453 Luxembourg, Luxembourg	100%
Eaton Holding SE & Co. KG	General Corporate Administration	Hein-Moeller Strasse 7-11, D-53115 Bonn, Germany	100%
Eaton Holding SRL	General Corporate Administration	Whitepark House, White Park Road, Bridgetown, Barbados	100%
Eaton Holding V B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100%
Eaton Holding V S.a.r.l.	General Corporate Administration	12 rue Eugene Ruppert, L-2453 Luxembourg, Luxembourg	100%
Eaton Holding VI B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100%
Eaton Holding VI S.a.r.l.	General Corporate Administration	12 rue Eugene Ruppert, L-2453 Luxembourg, Luxembourg	100%
Eaton Holding VII B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100%
Eaton Holding VIII S.a.r.l.	General Corporate Administration	12 rue Eugene Ruppert, L-2453 Luxembourg, Luxembourg	100%
Eaton Holding X S.a.r.l.	General Corporate Administration	12 rue Eugene Ruppert, L-2453 Luxembourg, Luxembourg	100%
Eaton Holding XII B.V./S.a.r.l.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100%
Eaton Holec AB	Operations	P.O. Box 50105, 20211, Malmö, Sweden	100%
Eaton Holec OY	Operations	Koskelontie 13, Espoo, FI-02920, Finland	100%
Eaton Hydraulics (Luzhou) Co., Ltd.	Operations	Wangjiang Rd., Economic & Technology Development Zone, Luzhou, Sichuan, China	100%
Eaton Hydraulics (Ningbo) Co., Ltd.	Operations	1965, South Meixujiang Rd., Science and Technology Park, Ningbo, Zhejiang Province, China	100%
Eaton Hydraulics (Proprietary) Limited	General Corporate Administration	Corner Esander and Osborne Roads, Wadeville, Gauteng, 1428, South Africa	100%
Eaton Hydraulics LLC	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland OH 44122, United States	100%
Eaton Hydraulics Systems (Jining) Co., Ltd.	Operations	8 Kangtai Rd., High and New Tech Industrial Development Area, Jining, China	100%
Eaton I Spolka z.o.o.	Operations	Ul. Rudawka 83, 43-382 Bielsko-Biala, Poland	100%
Eaton II LP	General Corporate Administration	Tay House, 300 Bath Street, Glasgow, G2 4NA, United Kingdom	100%
Eaton III LP	General Corporate Administration	Tay House, 300 Bath Street, Glasgow, G2 4NA, United Kingdom	100%
Eaton India Innovation Center LLP	General Corporate Administration	No.2, EVR Street, Sedarapet, Pondicherry, 605111, India	100%
Eaton Industrial Clutches and Brakes (Shanghai) Co., Ltd.	Operations	East Side, 1 Floor, No. 34 Building, 281, Fasai Rd., Waigaoqiao FTZ, Shanghai, China	100%

Eaton Industrial Corporation	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
Eaton Industrial IP G.m.b.H. & Co. KG	General Corporate Administration	Airport Center Schönefeld, Mittelstrasse 5-5a, 12529, Schönefeld, Germany	100%
Eaton Industrial Systems Private Limited	General Corporate Administration	145 off Mumbai-Pune Road, Pimpri, Pune 411 018, India	100%
Eaton Industries (Argentina) S.A.	General Corporate Administration	Lima 355, PB, Buenos Aires, South America, C1073AAG, Argentina	100%
Eaton Industries (Austria) G.m.b.H.	General Corporate Administration	Eugenia 1, A-3943, Schrems, Austria	100%
Eaton Industries (Belgium) BVBA	Operations	Industrialaan 1, B-1702 Groot-Bijgaarden, Belgium	100%
Eaton Industries (Canada) Company	General Corporate Administration	5050 Mainway, Burlington ON L7L 5Z1, Canada	100%
Eaton Industries (Chile) S.p.A.	General Corporate Administration	Neveria #4631 Of. 201 Las Condes, Santiago, Chile	100%
Eaton Industries (Colombia) S.A.S.	General Corporate Administration	Avienda 82, No. 10-62 P.5 Bogota, Columbia	100%
Eaton Industries (Egypt) LLC	Operations	Building No. 289, Second Admin Sector, 4th Flr, El-Tesaen "90" St., Fifth District, New Cairo, Cairo, Egypt	100%
Eaton Industries (England) Limited	Operations	100 New Bridge Street, London, EC4V 6JA, United Kingdom	100%
Eaton Industries (France) S.A.S.	General Corporate Administration	110 Rue Blaise Pascal, Immeuble Le Viséo - Bâtiment A Innovallée, 38330, Montbonnot-St.-Martin, France	100%
Eaton Industries (Ireland) Ltd.	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, Ireland	100%
Eaton Industries (Israel) Ltd.	General Corporate Administration	2 Raul Wallenburg Street, Tel Aviv, Israel 69719	100%
Eaton Industries (Italy) S.r.l.	Operations	Segrate (MI) Via San Bovio 3 Cap 20090, Italy	100%
Eaton Industries (Japan) Ltd.	Operations	Uruma Kowa Building, 8-11-37 Akasaka, Minato-ku, Tokyo, 107-0052, Japan	100%
Eaton Industries (Jining) Co., Ltd	Operations	8 KangTai Road, Jining High Tech Industries Development Zone, Jining City, Shandong Province, 272023, China	100%
Eaton Industries (Korea) Limited	General Corporate Administration	832-2 Yeoksam-dong, Kangnam-Ku, Seoul, Republic of Korea	100%
Eaton Industries (Luxembourg) B.V./S.a.r.l.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100%
Eaton Industries (Morocco) LLC	Operations	Zone Franche d'Exportation Midparc, Nouaceur, Casablanca, 27182, Morocco	100%
Eaton Industries (Netherlands) B.V.	Operations	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100%
Eaton Industries (Philippines), LLC	Operations	1209 Orange Street, Wilmington, DE 19801, United States	100%
Eaton Industries (Shanghai) Co., Ltd.	Operations	139 Fan Hua Road, Pudong New Area, Shanghai 201204, China	100%
Eaton Industries (Spain) S.L.	General Corporate Administration	Plaça Europa, 9-11 No. 2 planta, 08908, L'Hospitalet de Llobregat, Barcelona, Spain	100%
Eaton Industries (Thailand) Ltd.	General Corporate Administration	No. 156 Moo 3, Ratchasima-Chokechai Road, Tambon Nong Bua Sala, Amphur Muang Nakornratchasima, Nakornratchasima Province, 30000, Thailand	100%
Eaton Industries (U.K.) Limited	Operations	6 Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire, CV31 3RZ, United Kingdom	100%
Eaton Industries (Wuxi) Co. Ltd.	Operations	Tsinghua Tongfang High Tech Park, Xishan Economic Development Area, Wuxi, China	100%
Eaton Industries Company	Operations	1st Floor, 06 Wrights Road, Addington, Christchurch, NZ, 8041, New Zealand	100%
Eaton Industries EOOD	Operations	83 Gioshevo Str., Room 412, Floor 4, Sofia, 1330, Bulgaria	100%
Eaton Industries G.m.b.H.	Operations	Hein-Moeller Straße 7-11, D-53115, Bonn, Germany	100%

Eaton Industries Holding G.m.b.H.	General Corporate Administration	Airport Center Schönefeld, Mittelstrasse 5-5a, 12529, Schönefeld, Germany	100%
Eaton Industries Holdings Ltd.	General Corporate Administration	Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda	100%
Eaton Industries II G.m.b.H.	Operations	Im Langhag 14, Illnau-Effretikon 8307, Switzerland	100%
Eaton Industries KFT	Operations	Váci út 182, Budapest XIII, 1138 , Hungary	100%
Eaton Industries LP	General Corporate Administration	Tay House, 300 Bath Street, Glasgow, G2 4NA, United Kingdom	100%
Eaton Industries Manufacturing G.m.b.H.	Operations	Route de la Longeraie 7, 1110, Morges, Switzerland	100%
Eaton Industries Panama S.A.	Operations	Avenida Boulevard El Dorado, Edificio Centro Comercial Boulevard El Dorado Apto 33, El Dorado, Panama	100%
Eaton Industries Pte. Ltd.	General Corporate Administration	8 Marina Boulevard, Marina Bay Financial Centre, #05-02, Singapore 018981, Singapore	100%
Eaton Industries Pty. Ltd.	General Corporate Administration	105 Henderson Road, Rowville VIC 3178, Australia	100%
Eaton Industries s.r.o.	General Corporate Administration	Karlovarská 5578, Chomutov, 430 03, Czech Republic	100%
Eaton Industries SAC	General Corporate Administration	Av. Victor Andres Belaunde, 147 - Torre Real Seis, Piso 7, Lima, Peru	100%
Eaton Industries Sdn. Bhd.	General Corporate Administration	Level 21, Suite 21.01, The Gardents South Tower, 59200 Mid Valley City, Kuala Lumpur, Malaysia	100%
Eaton Industries, S. de R.L. de C.V.	General Corporate Administration	Brecha E 99 SN, Parque Industrial Reynosa, Reynosa, Tamaulipas, 88670, Mexico	100%
Eaton International B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100%
Eaton International Corporation	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland OH 44122, United States	100%
Eaton International Industries Nigeria Limited	Operations	7th Floor, Marble House, 1 Kingsway. Ikoyi, Lagos, Nigeria	100%
Eaton IV LP	General Corporate Administration	Tay House, 300 Bath Street, Glasgow, G2 4NA, United Kingdom	100%
Eaton Japan Co., Ltd.	General Corporate Administration	Uruma Kowa Building, 8-11-37 Akasaka, Minato-ku, Tokyo, 107-0052, Japan	100%
Eaton Leasing Corporation	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
Eaton Limited	General Corporate Administration	P.O. Box 554, Abbey Park, Southampton Road, Titchfield, PO14 9ED, United Kingdom	100%
Eaton LLC	General Corporate Administration	33 Electrozavodskaya Str., Building 4, 107076, Moscow, Russia	100%
Eaton LP	General Corporate Administration	Tay House, 300 Bath Street, Glasgow, G2 4NA, United Kingdom	100%
Eaton Ltda.	General Corporate Administration	Rua Clark, 2061, Predio 54, Bairro Macuco, Valinhos, Sao Paulo, 13279-400, Brazil	100%
Eaton Madeira SGPS Lda.	General Corporate Administration	Rua Dr. Brito Câmara, nº20, 1st floor, 9000-039, Funchal, Portugal	100%
Eaton Manufacturing G.m.b.H.	General Corporate Administration	Route de la Longeraie 7, 1110, Morges, Switzerland	100%
Eaton Manufacturing II G.m.b.H.	General Corporate Administration	Route de la Longeraie 7, 1110, Morges, Switzerland	100%
Eaton Manufacturing III G.m.b.H.	General Corporate Administration	Route de la Longeraie 7, 1110, Morges, Switzerland	100%
Eaton Manufacturing LP	Operations	Tay House, 300 Bath Street, Glasgow, G2 4NA, United Kingdom	100%
Eaton MEDC Limited	Operations	Unit B, Sutton Parkway, Oddicraft Lane, Sutton-in-Ashfield, NG17 5FB, United Kingdom	100%
Eaton Middle East LLC	Operations	P.O. Box 52080, Suite 1805, Dubai Tower, Dubai, United Arab Emirates	49%
Eaton Moeller B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100%

Eaton Moeller S.a.r.l.	General Corporate Administration	12 rue Eugene Ruppert, L-2453 Luxembourg, Luxembourg	100%
Eaton Phoenixtec MMPL Co. Ltd.	General Corporate Administration	No.269-1, Baodong Rd., Guanmiao Dist., Tainan City 718, Taiwan	100%
Eaton Power Quality (Shanghai) Co., Ltd.	Operations	Mid-west side of 34th factory building, 281 Fasai Rd., Waigaoqiao FTZ, Shanghai, China	100%
Eaton Power Quality AB	Operations	Kista Science Tower, 16451 Kista, Sweden	100%
Eaton Power Quality Limited	Operations	1401 Hutchison House, 10 Harcourt Road, Hong Kong	100%
Eaton Power Quality OY (Finland)	Operations	Koskelontie 13, Espoo, FI-02920, Finland	100%
Eaton Power Quality Private Limited	Operations	No. 2, EVR Street, Sedarapet, Pondicherry, 605 111, India	100%
Eaton Power Quality S.A.S.	General Corporate Administration	110 Rue Blaise Pascal, Immeuble Le Viséo - Bâtiment A Innovallée, 38334, Montbonnot St Martin, France	100%
Eaton Power Solution Ltda.	Operations	Avenida Acesso Rodoviario, s/n., quadra 09, modulos 02/03, TIMS,, Sala U, CEP: 29161-376, Serra, Espirito Santo, Brazil	100%
Eaton Production International G.m.b.H.	Operations	Hein-Moeller Straße 7-11, D-53115, Bonn, Germany	100%
Eaton Protection Systems IP G.m.b.H. & Co. KG	General Corporate Administration	Airport Center Schönefeld, Mittelstrasse 5-5a, 12529, Schönefeld, Germany	100%
Eaton S.A.S.	Operations	2 Rue Lavoisier, 78310, Coignieres, France	100%
Eaton S.r.l.	Operations	Via Privata Maria Teresa, 7, 20123, Milano, Italy	100%
Eaton Safety IP G.m.b.H. & Co. KG	General Corporate Administration	Airport Center Schönefeld, Mittelstrasse 5-5a, 12529, Schönefeld, Germany	100%
Eaton Safety Limited	Operations	Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire, CV31 3RZ, United Kingdom	100%
Eaton SAMC (Shanghai) Aircraft Conveyance System Manufacturing Co., Ltd.	Operations	Building 3, No. 12 Jinwen Road, Zhuqiao Zhen Pudong New District, Shanghai, China	49%
Eaton SE	General Corporate Administration	Hein-Moeller Straße 7-11, D-53115, Bonn, Germany	100%
Eaton Senstar Automotive Fluid Connector (Shanghai) Co., Ltd.	Operations	West side of the general factory, FM12-4, 388, Aidu Rd., Waigaoqiao FTZ, Shanghai, China	55%
Eaton Services S.a.r.l.	General Corporate Administration	12 rue Eugene Ruppert, L-2453 Luxembourg, Luxembourg	100%
Eaton Solutions, S. de R.L. de C.V.	General Corporate Administration	De La Montana, 128 Parque Industrial Queretaro, Queretaro, 76220, Mexico	100%
Eaton Switzerland Holding I GmbH	General Corporate Administration	Route de la Longeraie 7, 1110, Morges, Switzerland	100%
Eaton Switzerland Holding II GmbH	General Corporate Administration	Route de la Longeraie 7, 1110, Morges, Switzerland	100%
Eaton Technologies (Luxembourg) S.a.r.l.	General Corporate Administration	12 rue Eugene Ruppert, L-2453 Luxembourg, Luxembourg	100%
Eaton Technologies G.m.b.H.	Operations	Auf der Heide 2, Nettersheim, D-53947, Germany	100%
Eaton Technologies IP G.m.b.H. & Co. KG	General Corporate Administration	Airport Center Schönefeld, Mittelstrasse 5-5a, 12529, Schönefeld, Germany	100%
Eaton Technologies Private Limited	General Corporate Administration	Cluster C, Wing 1, EON Free Zone, Plot No. 1, Survey No. 77, MIDC Kharadi Knowledge Park, Kharadi, Pune, Maharashtra, 411 014, India	100%
Eaton Technologies S.A.	General Corporate Administration	Chemin de Pau, 64121, Serres-Castet, France	100%
Eaton Technologies, S. de R.L. de C.V.	General Corporate Administration	Avenida de la Montana Num 128, Parque Industrial Queretaro, Santa Rosa Jauregui, Queretaro, Qro. C.P., 76220, Mexico	100%
Eaton Trading Company, S. de R.L. de C.V.	General Corporate Administration	Avenida de la Montana Num 128, Parque Industrial Queretaro, Santa Rosa Jauregui, Queretaro, Qro. C.P., 76220, Mexico	100%
Eaton Truck and Bus Components (Shanghai) Co., Ltd.	Operations	388, Aidu Road, Waigaoqiao FTZ, Pudong New Area, Shanghai, China	100%

Eaton Truck Components (Proprietary) Ltd.	Operations	CNR Osborn and Esander Rds, Wadeville, Germiston, Gauteng, 1407, South Africa	100%
Eaton Truck Components Spolka z.o.o.	Operations	Ul. 30 Stycznia, No. 55, 83-110 Tczew, Poland	100%
Eaton Truck Components, S. de R.L. de C.V.	Operations	Monterrey, Nuevo Leon, Federal District, Monterrey Cty; Federal District Rgn, Mexico	100%
Eaton US Holdings, Inc.	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
Eaton Worldwide LLC	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
EIC Holding GP I	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
EIC Holding GP II	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
EIC Holding GP III	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
EIC Holding GP IV	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
EIC Holding I LLC	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
EIC Holding II LLC	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
EIC Holding III LLC	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
EIC Holding IV LLC	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
EIC Holding V LLC	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
EIC Holding VI LLC	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
Electromanufacturas, S de R.L. de C.V.	Operations	Antiguo Camino a Tlajomulco 60, Santa Cruz de las Flores, Tlajomulco de Zuniga, Jalisco, 45640, Mexico	100%
Elpro Technologies Pty. Limited	Operations	9/12 Billabong Street, Stafford QLD QLD 4053, Australia	100%
Ephesus Lighting, Inc.	Operations	108 West 13th Street, Wilmington DE 19801, United States	100%
ETN Asia International Limited	Operations	Les Cascades Building, 4th Floor, Edith Cavell Street, Port Louis, Mauritius	100%
ETN Holding 1 Limited	General Corporate Administration	Les Cascades Building, 4th Floor, Edith Cavell Street, Port Louis, Mauritius	100%
ETN Holding 2 Limited	General Corporate Administration	Les Cascades Building, 4th Floor, Edith Cavell Street, Port Louis, Mauritius	100%
ETN Holding 3 Limited	General Corporate Administration	Les Cascades Building, 4th Floor, Edith Cavell Street, Port Louis, Mauritius	100%
EX Innovations Limited	Operations	Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire, CV31 3RZ, United Kingdom	100%
Fast Eaton (Xi'an) Drivetrain Company Ltd.	Operations	No. 129 Xibu Road Xi'an Hi-Tech Zone, Shaanxi, China 710017	49%
FHF Bergbautechnik GmbH & Co. KG	Operations	Eintrachtstr. 95, 42551, Velbert, Germany	100%
FHF Funke+Huster Fernsig GmbH	Operations	Gewerbeallee 15 - 19, Muelheim an der Ruhr, 45478, Duisburg, Germany	100%
FHF New World GmbH	Operations	Gewerbeallee 15 - 19, Muelheim an der Ruhr, 45478, Duisburg, Germany	100%
Funke+Huster (Tianjin) Electronics Co. Ltd.	Operations	K1-6-102, No. 6 Hi-Tech Develop 6th Road, Green Industrial Base, HuaYuan, Tianjin, 300384, China	100%
Funke+Huster GmbH	Operations	Gewerbeallee 15 - 19, Muelheim an der Ruhr, 45478, Duisburg, Germany	100%
Gardner-Denver International, C.A.	Inactive	Guarenas, Miranda State, Venezuela	100%
GeCma Components electronic GmbH	Operations	Heinrich-Hertz-Strasse 12, 50170, Kerpen, Germany	100%

Georgetown Financial Services Ltd.	General Corporate Administration	P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	100%
Gitiessie Asia Pte. Ltd.	General Corporate Administration	Blk 196 Pandan Loop #04-15 Pantech Business Hub Singapore 128384	100%
Gitiessie S.r.l.	Operations	Via Ponte Polcevera 8/14 - 16161, Partita Iva, 01070220106, Genova, Italy	100%
Green Holding Company	General Corporate Administration	P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	100%
Guangzhou Nittan Valve Co. Ltd.	Operations	No. 79, Junye Rd., East Area, Econo & Tech Dev. Zone, Guangzhou, Guangdong Province, China	49%
Hein Moeller Stiftung G.m.b.H.	General Corporate Administration	Hein-Moeller Straße 7-11, D-53115, Bonn, Germany	100%
Hernis Scan System do Brasil Comercio E Servicos LTDA	Operations	Rodovia BR 101 KM 263 - Loja 3, Rio Bonito, 2880-0000, Brazil	80%
Hernis Scan Systems - Asia Pte. Ltd.	Operations	2 Serangoon North Avenue 5, #06-01, Singapore, 554911, Singapore	100%
Hernis Scan Systems A/S	Operations	Tangen Alle 41, P.O. Box 791 Stoa, Arendal, 4809, Norway	100%
Illumination Management Solutions, Inc.	Operations	18242 McDermott West, Suite J, Irvine, CA 92614, United States	100%
Illuminacion Cooper de las Californias, S de R.L. de C.V.	Operations	Calle Orbita No. 3 PIMSA II, Col. Gonzalez Ortega, C.P., Mexicali, B.C., 21600, Mexico	100%
Institute for International Product Safety G.m.b.H.	Operations	Hein-Moeller Straße 7-11, D-53115, Bonn, Germany	100%
Integrated Hydraulics Limited	Inactive	P.O. Box 554, Abbey Park, Southampton Road, Titchfield, PO14 9ED, United Kingdom	100%
Intelligent Switchgear Organization LLC	Operations	1209 Orange Street, Wilmington, DE 19801, United States	51%
Internormen Filters Private Limited	Operations	145 off Mumbai-Pune Road, Pimpri, Pune 411 018, India	100%
JSB Electrical Limited	Inactive	100 New Bridge Street, London, EC4V 6JA, United Kingdom	100%
Kaicheng Funke+Huster (Tangshan) Mining Electrical Co. Ltd.	Operations	No. 183 Huoju Road, New & Hi-tech Industrial Park, Trangshan, Hebei, 063020, China	60%
Kestron Units Limited	Inactive	100 New Bridge Street, London, EC4V 6JA, United Kingdom	100%
Lian Zheng Electronics (Shenzhen) Co., Ltd.	Operations	No. 4, Liufang Road, Office 67 Xin'an Streets, Bao'an District, Shenzhen City, Guangdong Province, China	100%
Martek Power Limited	Operations	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, Hong Kong	100%
Martek Power F SAS	Operations	15 Rue Bicentenaire, de la Révolution, Z.A. Du Parc - Le Plessis - Pâté, Brétigny s/Orge, 91731, Paris, France	100%
Martek Power GmbH	Operations	Bachstrasse 6, 77883 Ottersweier, Germany	100%
Martek Power Limited (UK)	Operations	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, Hong Kong	100%
Martek Power S.A. de C.V.	Operations	Calle Doce Norte 20714, Ejido Chilpancingo, Baja California, 22440, Mexico	100%
Martek Power SA	General Corporate Administration	12 rue Eugene Ruppert, L-2453 Luxembourg, Luxembourg	100%
McGraw-Edison Development Corporation	Operations	1209 Orange Street, Wilmington, DE 19801, United States	100%
Measurement Technology Limited	Operations	Great Marlings, Butterfield, Luton, Bedfordshire, LU2 8DL, United Kingdom	100%
Menvier Limited	Inactive	Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire CV31 3RZ United Kingdom	100%
Menvier Overseas Holdings Limited	Operations	Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire CV31 3RZ United Kingdom	100%
Moeller Electric (Shanghai) Co., Ltd.	Operations	Part A, No.62 Fu Te Dong Yi Rd., Wai Gao Qiao Bonded Area, Shanghai, 200131, China	100%

Moeller Electric Ltda.	Operations	Rua Clark, 2061 - Bairro Macuco, Valinhos, Sao Paulo, 13279-400, Brazil	100%
Moeller Electrical Equipment (Suzhou) Co., Ltd.	Inactive	Yu Yang Street 11, New & Hi tech Industrial Development Area, Suzhou, Jiangsu Province, 215011, China	100%
Moeller Holding Ltd.	Inactive	P.O. Box 554, Abbey Park, Southampton Road, Titchfield, PO14 9ED, United Kingdom	100%
Moeller Industria de electro-electronicos do Amazonas Ltda.	Operations	Av Ephigenio Sales 86, Adrianopolis, Manaus - Amazonas, 69050-050, Brazil	100%
Mount (York) Limited	Inactive	Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire, CV31 3RZ, United Kingdom	100%
Mount Engineering Limited	Operations	Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire, CV31 3RZ, United Kingdom	100%
MP Group SAS	Operations	19, rue des Campanules, 77185, Lognes, France	100%
MTL Instruments (Shanghai) Co., Ltd.	Inactive	Room 1002A, The Gateway, No. 10 Yabao Road, Chaoyang District, Beijing, 10020, China	100%
MTL Instruments B.V.	Operations	Terheydenseweg 465, 4825 BK, Breda, Netherlands	100%
MTL Instruments GmbH	Operations	Heinrich-Hertz-Strasse 12, 50170, Kerpen, Germany	100%
MTL Instruments LLC	Operations	1209 Orange Street, Wilmington, DE 19801, United States	100%
MTL Instruments Private Limited	Operations	No. 3 Old Mahabalipuram Road, Sholinganallur, Chennai, 600 119, India	100%
MTL Instruments SARL	Operations	7 Rue des Rosieristes, Champagne au Mont D'or, 69410, France	100%
MTL Italia Srl	Operations	Segrate (MI) Via San Bovio 3 Cap 20090, Italy	100%
MTL Partners II, Inc.	Operations	1209 Orange Street, Wilmington, DE 19801, United States	100%
MTL Partners, Inc.	Operations	1209 Orange Street, Wilmington, DE 19801, United States	100%
Nittan BVI Co. Ltd.	General Corporate Administration	P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands	49%
Nittan Euro Tech Spolka z o.o.	Operations	Ul. Rudawka 83, 43-382, Bielsko-Biala, Śląskie, Poland	49%
Nittan Global Tech Co., Ltd.	Operations	Nishi-Shinjuku Bldg. 2F, 8-4-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo, 160-0023, Japan	49%
Nittan Valve Co., Ltd.	Operations	2-7-2 Yaesu, Chuo-ku, Tokyo 104 Japan	30%
Norex AS	Operations	Fekjan 7, Nesbru, 1378, Norway	50%
Ocean Technical Systems Limited	Operations	Great Marlings, Butterfield, Luton, Bedfordshire, LU2 8DL, United Kingdom	100%
Oxalis Asia Pacific Pte Ltd	Operations	10 Jalan Kilang #03-03Sime Darby Enterprise Centre Singapore, 640608, Singapore	100%
Oxalis Group Limited	Operations	Oxalis House, Masons Rd, Stratford-upon-Avon CV37 9NB, United Kingdom	100%
Phoenixtec Electronics (Shenzhen) Co., Ltd.	Operations	Building 16 & 6-7F, Building 19 Free Trade Zone, Shatoujiao, Shenzhen, 518081, China	100%
Phoenixtec International Corp.	General Corporate Administration	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, Virgin Islands, British	100%
PKL, LLC	Operations	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	49%
Polaron Components Limited	Operations	USK House, Llantarnam Park, Gwent, Cwmbran, NP44 3HD, United Kingdom	100%
Polaron Engineering Limited	Inactive	USK House, Llantarnam Park, Gwent, Cwmbran, NP44 3HD, United Kingdom	100%
Polimer Hortum Teknolojileri Ticaret Limited Sirketi	Operations	Huzur Mahallesi, Iman Cesme Yolu Caddesi, Candan Sokak No. 3 Ayazaga-Sariyer Istanbul 34396 Turkey	100%
Polimer Kaucuk Sanayi ve Pazarlama A.S.	General Corporate Administration	Huzur Mahallesi, Iman Cesme Yolu Caddesi, Candan Sokak No. 3 Ayazaga-Sariyer Istanbul 34396 Turkey	100%
Productos Eaton Livia S.L.	Operations	Via Compultense 109, Alcala de Henares, 28805, Madrid, Spain	100%

PT Eaton Industries	Operations	Menara Bidakara 2 Lantai 9 Unit 04, Jl. Jend. Gatot Subroto Kav 71-73, Jakarta, Indonesia	100%
PT. Fluid Sciences Batam	Operations	Lot 512, Batamindo Industrial Park, Mukakuning, Batam, Riau, 29433, Indonesia	100%
Riseson International Limited	General Corporate Administration	Unit 902, Tower B, Hunghom Commercial Centre, 37-39 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong	100%
Rizhao Yoosung Shinhwa Automobile Parts Co., Ltd.	Operations	M2-5, 11, Xinggu Industrial Develop, Beijing, 101200, China	30%
RTE Far East Corporation	Operations	2-7 Nan-Yuan, Chung Li Industrial Zone, Taoyuan (32041), Taiwan	100%
RTK Instruments Limited	Operations	Great Marlings, Butterfield, Luton, Bedfordshire, LU2 8DL, United Kingdom	100%
Santak Electronics (Shenzhen) Co., Ltd.	Operations	No. 8 Baoshi Road, Block 72 Baoan District Shenzhen, China	100%
Santak Electronics Company Limited	Inactive	Unit 902, Tower B, Hunghom Commercial Centre, 37-39 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong	100%
Saturn Insurance Company Ltd.	General Corporate Administration	Aon House, 30 Woodbourne Avenue, Pembroke HM, 08, Bermuda	100%
Scantronic Benelux BV	Inactive	Terheydenseweg 465, 4825 BK, Breda, Netherlands	100%
Scantronic Holdings Limited	Inactive	Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire CV31 3RZ United Kingdom	100%
Scantronic International Limited	Inactive	Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire CV31 3RZ United Kingdom	100%
Scoremax Limited	General Corporate Administration	Unit 902, Tower B, Hunghom Commercial Centre, 37-39 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong	100%
Sefelec GmbH	Operations	Bachstrasse 6, 77883, Ottersweier, Germany	100%
Sefelec SAS	Operations	19 Rue des Campanules, 77185 Lognes, France	100%
Semelec SAS	Operations	11 Avenue de l'Atlantique les Ulis, 91955, Courtaboeuf, France	100%
Senyuan International Holdings Limited	General Corporate Administration	Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands	100%
Senyuan International Investments Limited	General Corporate Administration	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, Virgin Islands, British	100%
Shinhwa Precision Co., Ltd.	Operations	1095-10, Shindang-dong, Dalseo-gu, Daegu, Korea, Republic of	30%
Shinhwa Takahashi Precision Co., Ltd.	Operations	1095-10, Shindang-dong, Dalseo-gu, Daegu, Korea, Republic of	30%
Silver Light International Limited	Operations	Leval 28 Three Pacific Place, 1 Queen's Road East, Hong Kong	100%
Silver Victory Hong Kong Limited	Operations	5/F East Asia Textile Building, 2 Ho Tin Street, Tuen Nun, New Territories, Hong Kong	100%
Standard Automation & Control LP	Operations	2450 South Shore Boulevard, Suite 210, League City, TX 77573, United States	100%
Sure Power, Inc.	Operations	388 State Street, #420, Salem, Oregon 97302, United States	100%
Tai Ah Electrical Ltd.	General Corporate Administration	11th Floor, Evermew Commercial Centre, 33-35 Pine Street, Tai Kok Tsui, Kowloon, Hong Kong	100%
Taiwan Nittan Industrial Co., Ltd.	Operations	No.729, Changxing Rd., Bade City, Taoyuan County 334, Taiwan, Taiwan	49%
The MTL Instruments Group Limited	Operations	Great Marlings, Butterfield, Luton, Bedfordshire, LU2 8DL, United Kingdom	100%
The Oxalis Protection Technology India Private Limited	Operations	337, 3rd Floor, Big Splashsector-17, Above Bank Of, Navi Mumbai - 400703, Maharashtra, India	100%
Tractech (Ireland) Limited	Operations	Eaton House, 30 Pembroke Road, Dublin 4, Ireland	100%
Tractech Industries (Ireland) Limited	Operations	Eaton House, 30 Pembroke Road, Dublin 4, Ireland	100%

TT (Ireland) Acquisition Limited	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, Ireland	100%
Turlock B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100%
U.S. Engine Valve Company	Operations	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	49%
Ultronics Nordic Sales AB	Operations	Kista Science Tower, 16451, Kista, Sweden	100%
UPE Electronics (Shenzhen) Co., Ltd.	Operations	Room 404-409, WanCheng Building, HongMian Road Futian FTZ, ShenZhen, NA, 518038, China	100%
Vickers International Inc.	General Corporate Administration	1209 Orange Street, (Registered Office), Wilmington DE 19801, United States	100%
Vickers Systems Limited	Operations	Units 19-30, 19/F Corporation Park, 11 on Lai Street, Siu Lek Yuen, Shatin, N.T., Hong Kong	100%
Viking Electronics, Inc.	Operations	5455 Endeavor Court, Building 2, Endeavor Business Park, Moorpark, CA 93021, United States	100%
Winner Hydraulics Ltd.	General Corporate Administration	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	100%
Wireless Power and Communications AS	Operations	Vige Havnevei 78, 4633 Kristiansand S, Norway	34%
WPI-Boston Division, Inc.	Operations	222 Williams Street, Chelsea, MA 02150, United States	100%
Wright Line Holding, Inc.	General Corporate Administration	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
Wright Line LLC	Operations	Eaton Center, 1000 Eaton Boulevard, Cleveland, OH 44122, United States	100%
Zhenjiang Daqo Eaton Electrical Systems Co., Ltd.	Operations	Development Area, Yangzhong, China	50%

As of December 31, 2016, the Company had the following branches outside of Ireland:

Name	Type	Country
Blessing International B.V.	Branch	United Kingdom
BussDansk, A Danish Branch of Bussmann International, Inc.	Branch	Denmark
Bussmann India, Branch of Bussmann International	Branch	India
Bussmann International, Inc.	Branch	Singapore
Cooper (China) Co., Ltd. Beijing	Representative Office	China
Cooper (China) Co., Ltd. Chengdu	Branch	China
Cooper (China) Co., Ltd. Guangzhou	Branch	China
Cooper Crouse-Hinds B.V.	Branch	Belgium
Cooper Crouse-Hinds GmbH	Liaison Office	India
Cooper Crouse-Hinds GmbH	Representative Office	Libya
Cooper Crouse-Hinds Pte Ltd.	Representative Office	Indonesia
Cooper Industries	Branch	South Africa
Cooper Industries Global B.V.	Branch	Kazakhstan
Cooper Industries International, LLC	Branch	Philippines
Cooper Industries Middle East, LLC	Branch	Bahrain
Cooper Industries Middle East, LLC	Representative Office	Qatar
Cooper Industries Middle East, LLC	Branch	Saudi Arabia
Cooper Industries Middle East, LLC	Branch	Saudi Arabia
Cooper Industries Middle East, LLC	Representative Office	Saudi Arabia
Cooper Industries Middle East, LLC	Representative Office	Saudi Arabia
Cooper Industries Middle East, LLC	Representative Office	Saudi Arabia
Cooper Industries Middle East, LLC	Branch	United Arab Emirates
Cooper Industries Poland, LLC	Branch	Poland
Cooper Industries Vietnam, LLC	Representative Office	Vietnam
Cooper Safety B.V.	Branch	Belgium
Cutler-Hammer Electrical Company	Branch	Puerto Rico
Cutler-Hammer Industries Ltd.	Branch	Dominican Republic
Dubai Techno Park	Branch	United Arab Emirates
Eaton Corporation	Branch	Czech Republic
Eaton Corporation	Representative Office	Indonesia
Eaton Corporation	Branch	Jordan
Eaton Corporation	Branch	Puerto Rico
Eaton Electric Limited	Representative Office	Kenya
Eaton Electric S.I.A.	Branch	Estonia
Eaton Electric S.I.A.	Representative Office	Lithuania
Eaton Electrical S.A.	Branch	El Salvador
Eaton Electrical S.A.	Branch	Guatemala
Eaton Electrical S.A.	Branch	Honduras
Eaton Electrical S.A.	Branch	Nicaragua
Eaton Electrical S.A.	Branch	Panama
Eaton Electrical Systems Limited	Branch	Ireland
Eaton Elektrotechnika s.r.o.	Representative Office	Kazakhstan
Eaton Enterprises, LLC	Branch	Switzerland
Eaton FZE	Representative Office	Jordan
Eaton FZE	Representative Office	Lebanon
Eaton FZE	Representative Office	Oman
Eaton Industries (Spain) SL	Branch	Portugal
Eaton Industries Manufacturing G.m.b.H.	Representative Office	Croatia

Eaton Industries Manufacturing G.m.b.H.	Branch	Korea
Eaton Industries Manufacturing GmbH	Branch	India
Eaton Industries Philippines, LLC	Branch	Philippines
Eaton Industries Pte Ltd	Representative Office	Vietnam
Eaton International Corporation	Branch	Columbia
Eaton Manufacturing III G.m.b.H.	Branch	Mexico
Eaton Manufacturing LP	Branch	Algeria
Eaton Manufacturing LP	Branch	Greece
Eaton Manufacturing LP	Branch	Hungary
Eaton Manufacturing LP	Representative Office	Ivory Coast
Eaton Manufacturing LP	Branch	Portugal
Eaton Power Quality OY	Branch	Denmark
Eaton Power Quality OY	Branch	Norway
Eaton Power Quality OY	Branch	Poland
Eaton Production International G.m.b.H.	Branch	United Kingdom
EIMG Global Sourcing	Representative Office	China
McGraw-Edison Development Corporation	Branch	Greece
Saudi Arabia Technical and Scientific	Branch	Saudi Arabia
Swiss Branch of Eaton Holding VIII S.a.r.l.	Branch	Switzerland
Swiss Branch of Eaton II LP	Branch	Switzerland
Swiss Branch of Eaton III LP	Branch	Switzerland
Swiss Branch of Eaton Industries LP	Branch	Switzerland
Swiss Branch of Eaton IV LP	Branch	Switzerland
Swiss Branch of Eaton LP	Branch	Switzerland
Swiss Branch of Eaton Manufacturing Limited Partnership	Branch	Switzerland
Swiss Branch of Eaton Services S.a.r.l	Branch	Switzerland

Eaton Corporation plc

Parent Company Financial Statements
For the Year Ended December 31, 2016

EATON CORPORATION plc
COMPANY STATEMENT OF FINANCIAL POSITION

(In thousands)	Note	December 31	
		2016	2015
Fixed Assets			
Financial Assets - Investment in Group Undertakings.....	4	\$ 27,120,976	\$ 25,780,056
Current Assets			
Cash at bank and in hand		953	249
Debtors (amounts falling due within one year).....	5	5,766	896
		<u>6,719</u>	<u>1,145</u>
Total Assets.....		<u>\$ 27,127,695</u>	<u>\$ 25,781,201</u>
Capital and Reserves			
Called up share capital presented as equity.....	6	\$ 4,557	\$ 4,651
Share premium	7	505,835	429,688
Capital redemption reserve fund	7	326	208
Other reserves	7	351,347	259,619
Profit and loss account	7	8,370,489	10,651,878
Total Capital and Reserves		<u>9,232,554</u>	<u>11,346,044</u>
Creditors			
Creditors (amounts falling due after one year).....	8	15,824,546	12,590,446
Creditors (amounts falling due within one year).....	9	2,070,595	1,844,711
Total Liabilities.....		<u>17,895,141</u>	<u>14,435,157</u>
Total Capital and Reserves and Liabilities		<u>\$ 27,127,695</u>	<u>\$ 25,781,201</u>

The accompanying notes are an integral part of the Company Statement of Financial Position.

The Financial Statements were approved by the Audit Committee of the Board of Directors and the Board of Directors on March 1, 2017 and signed on its behalf by:

Craig Arnold
Chairman of the Board of Directors

Gerald B. Smith
Director

EATON CORPORATION plc
COMPANY STATEMENT OF COMPREHENSIVE INCOME

	December 31	
	2016	2015
(In thousands)		
Loss for the financial year	\$ 512,286	\$ 470,304
Total other comprehensive income.....	—	—
Total comprehensive loss for the year.....	\$ 512,286	\$ 470,304

EATON CORPORATION plc
COMPANY STATEMENT OF CHANGES IN EQUITY

(In thousands)	Share capital presented as equity	Share premium	Capital redemption reserve fund	Other reserves	Profit and loss account	Total
December 31, 2014	\$ 4,742	\$ 376,026	\$ 95	\$ 177,621	\$ 12,832,128	\$ 13,390,612
Profit and loss for the period.....	—	—	—	—	(470,304)	(470,304)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive loss for the period.....	—	—	—	—	(470,304)	(470,304)
Dividends	—	—	—	—	(1,025,628)	(1,025,628)
Share based payment expense for the period.....	—	—	—	81,998	—	81,998
Issue of shares under share based payment plans	22	53,662	—	—	(1,928)	51,756
Repurchase and cancellation of Ordinary shares	(113)	—	113	—	(682,390)	(682,390)
December 31, 2015	4,651	429,688	208	259,619	10,651,878	11,346,044
Profit and loss for the period.....	—	—	—	—	(512,286)	(512,286)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive loss for the period.....	—	—	—	—	(512,286)	(512,286)
Dividends	—	—	—	—	(1,037,375)	(1,037,375)
Share based payment expense for the period.....	—	—	—	91,728	—	91,728
Issue of shares under share based payment plans	24	76,147	—	—	(2,012)	74,159
Repurchase and cancellation of Ordinary shares	(118)	—	118	—	(729,716)	(729,716)
December 31, 2016	\$ 4,557	\$ 505,835	\$ 326	\$ 351,347	\$ 8,370,489	\$ 9,232,554

EATON CORPORATION plc
NOTES TO THE COMPANY FINANCIAL STATEMENTS

Dollar amounts are in thousands unless indicated otherwise.

Note 1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE

Eaton Corporation is a public limited company incorporated and domiciled in the Republic of Ireland. The registered office of the Company is 30 Pembroke Road, Ballsbridge, Dublin 4, Ireland. The financial statements were prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants (Generally Accepted Accounting Practice in Ireland) as it applies to the financial statements of the Company for the year ended 31 December 2016.

The financial statements of Eaton Corporation plc for the year ended 31 December 2016 were authorised for issue by the Board of Directors on March 1, 2017.

Note 2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with the Companies Act 2014 and are presented in United States dollars (\$), which is also the functional currency.

The financial statements have been prepared on the going concern basis. The directors have taken into account all relevant information covering a period of at least twelve months from the date of approval of the financial statements. The directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Statement of Financial Position of the Company notes that there is an excess of current liabilities over current assets. After making enquiries, the directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. On that basis, the directors consider it appropriate to continue the use of the going concern assumption.

Eaton Corporation plc is availing of the reduced disclosure framework under FRS 102 on the basis that Eaton Corporation plc itself meets the definition of a qualifying entity, being a member of a group that prepare publicly available financial statements which give a true and fair view, and in which Eaton Corporation plc is consolidated. The consolidated financial statements, in which these Company financial statements are included are available to the public at its registered office.

Eaton Corporation plc has taken advantage of the following disclosure exemptions under FRS 102:

- a. the requirements of section 4 Statement of Financial Position- Paragraph 4.12 (a) (iv).
- b. the requirements of section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).
- c. the requirements of Section 26 Share based Payment: paragraph 26.18 (b), 26.19 to 26.21 and 26.23.
- d. Requirements of Section 33 Related Party Disclosures, paragraph 33.7.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016.

2.2 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have the most significant effect on amounts recognised in the financial statements.

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised based upon likely timing and level of future taxable profits together with assessment of the effect of future tax planning strategies.

Impairment of investments in group undertakings

Where there are indicators of impairment of investments in group undertakings, the Group performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

2.3 Significant accounting policies

(a) Foreign currency

Transactions in foreign currencies are initially recorded in the entity's functional currency United States dollars by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

(b) Impairment of investments in group undertakings

The company assesses at each reporting date whether investments in group undertakings may be impaired. If any such indication exists, the company estimates recoverable amount of investments. If it is not possible to estimate the recoverable amount of the individual investments, the company estimates the recoverable amount of the cash-generating unit to which the investments belongs. The recoverable amount of an investment or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the investment is impaired and it is reduced to its recoverable amount through an impairment in the income statement unless the investment is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for investments in group undertaking, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

(c) Financial assets

Investments in group undertakings

Investments in subsidiaries are recognised at cost less impairment.

(d) Taxation

Corporation tax is provided on taxable profits at the current rates.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(e) Share based payments

The Company and its subsidiaries operate various share based payment plans. The Company issues Ordinary shares related to these employee equity share programs at various subsidiaries.

The share based payment expense associated with the share plans is recognized as an expense by the entity which receives services in exchange for the share based compensation. In these Company only accounts, the profit and loss account is charged with the expense related to the services received by the Company. The remaining portion of the share based payments expense represent a contribution to group entities and is added to the carrying amount of those investments.

Proceeds received from employees, if any, for the exercise of share based instruments increase the share capital and share premium accounts of the Company.

(f) Provisions and contingencies

The Company has guaranteed certain liabilities and credit arrangements of the group. These guarantees are accounted for in accordance with Section 21 Provisions and Contingencies of FRS 102. The Company reviews the status of these guarantees at each reporting date and considers whether it is required to make a provision for payment on those guarantees based on the probability of the commitment being called. The Board of Directors have assessed the likelihood that such guarantees will be called as remote. Considering this, the Board of Directors have decided to account for those financial guarantee contracts as contingent liabilities in the financial statements.

A provision is recognized when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

(g) Dividends

Dividends on Ordinary shares are recognized as a liability in the period in which they are declared by the Company.

(h) Financial instruments

Cash at bank and in hand

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in operating expenses.

Debt

Debt is initially recorded in the statement of financial position at the net proceeds, defined as the fair value of the consideration received upon the issue of a capital instrument after deduction of issue costs.

The difference between the amount recognized and the total payments required to be made under the debt (interest and repayment of principal together with any premium) represents the total finance cost, which is accounted for over the term of the debt.

This finance cost is charged to the income statement over the term of the debt at a constant rate of interest on the outstanding amount of the debt. The carrying value of the debt is increased annually by the amount of the finance cost relating to that period, and reduced by the amount of payments made.

(i) Income statement

In accordance with Sections 304 (1) and 304 (2) of the Companies Act, 2014, the Company is availing of the exemption from presenting the individual profit and loss account. For 2016 and 2015, the Company's net loss was \$512.286 million and \$470.304 million, respectively.

Note 3. HISTORY AND DESCRIPTION OF THE COMPANY

Eaton Corporation plc became the parent company of the Eaton Group following a reorganization that took place in 2012.

The principal activity of Eaton Corporation plc is an investment holding company. It owns all of the outstanding ordinary shares of Cooper Industries and Eaton Industries (Ireland) Limited (Eaton Industries) and a 5.77% partnership interest in Eaton GmbH & Co. KG.

The Company's registered office is located at 30 Pembroke Road, Ballsbridge, Dublin 4, Ireland.

Note 4. FINANCIAL ASSETS - Investment in Group Undertakings

December 31, 2014 - at cost	\$ 24,216,530
Capital contribution for share based payment expense, including estimated forfeitures of \$57 for dividends paid on unvested restricted stock awards.....	81,286
Capital contribution in cash to Eaton Industries (Ireland) Limited.....	1,482,240
December 31, 2015 - at cost	<u>25,780,056</u>
Capital contribution for share based payment expense, including estimated forfeitures of \$54 for dividends paid on unvested restricted stock awards.....	90,920
Capital contribution in cash to Eaton Industries (Ireland) Limited.....	1,250,000
December 31, 2016 - at cost	<u><u>\$ 27,120,976</u></u>

At December 31, 2016, the Company had the following subsidiaries:

Company Name	% Shareholding	Registered Office	Nature of Business
Eaton Industries (Ireland) Limited	100% ¹	30 Pembroke Road, Ballsbridge, Dublin 4, Ireland	Investment Holding
Cooper Industries	100% ²	30 Pembroke Road, Ballsbridge, Dublin 4, Ireland	Investment Holding
Eaton GmbH & Co. KG	5.77% ³	Alegis Rheinland GmbH Steuerberatungsgesellschaft, Bornestrasse 10, 40211, Dusseldorf, Germany	Real Estate Holding Company

¹ 160,200,100 ordinary shares of \$0.01 par value

² 163,600,723 ordinary shares of \$0.01 par value

³ The interest in Eaton GmbH & Co. KG represents a partnership interest with the remaining 94.23% being held indirectly by the Company.

Note 5. DEBTORS (amounts falling due within one year)

	December 31	
	2016	2015
Amounts due from subsidiary undertakings.....	<u>\$ 5,766</u>	<u>\$ 896</u>

Note 6. CALLED UP SHARE CAPITAL

	December 31	
	2016	2015
Authorized		
750,000,000 Ordinary shares of \$0.01 par value each	\$ 7,500	\$ 7,500
10,000,000 Serial preferred shares of \$0.01 par value each.....	100	100
10,000 A Preferred shares of \$1.00 par value each.....	10	10
40,000 Deferred ordinary shares of €1.00 par value each	52	52
	<u>\$ 7,662</u>	<u>\$ 7,662</u>
Allotted, called-up and fully paid share capital		
449,463,251 (2015: 458,881,057) Ordinary shares of \$0.01 par value each.....	\$ 4,495	\$ 4,589
10,000 A Preferred shares of \$1.00 par value each.....	10	10
40,000 Deferred ordinary shares of €1.00 par value each	52	52
	<u>\$ 4,557</u>	<u>\$ 4,651</u>

During the year, 2,427,502 ordinary shares of \$0.01 par value each were issued under share based payment plans and 11,845,308 ordinary shares of \$0.01 par value each were repurchased and cancelled.

The holders of Ordinary shares are entitled to dividends, have voting rights and participate pro rata in the total assets of the Company in the event of its winding up.

The holders of Deferred ordinary shares are not entitled to receive dividends or vote. Upon a return of assets, whether on liquidation or otherwise, the Deferred ordinary shares shall entitle the holder to the repayment of the amounts paid up on such shares after repayment of the capital paid up on the Ordinary shares, plus the payment of \$5 million on each of the Ordinary shares and the holders of the Deferred ordinary shares shall not be entitled to any further participation in the assets or profits of the Company.

The A Preferred shares are non-voting, have the right to receive dividends at twice the dividend paid per Ordinary share. The holder of the shares has agreed that the A Preferred shares are to be subject to call by the Company at par value at any time 5 years after their issuance.

Note 7. RESERVES

	Share premium	Capital redemption reserve fund	Other reserves	Profit and loss account	Total
December 31, 2014	\$ 376,026	\$ 95	\$ 177,621	\$12,832,128	\$13,385,870
Dividends	—	—	—	(1,025,628)	(1,025,628)
Share based payment expense for the period	—	—	81,998	—	81,998
Issue of shares under share based payment plans	53,662	—	—	(1,928)	51,734
Repurchase and cancellation of Ordinary shares	—	113	—	(682,390)	(682,277)
Profit and loss for the period	—	—	—	(470,304)	(470,304)
December 31, 2015	429,688	208	259,619	10,651,878	11,341,393
Dividends	—	—	—	(1,037,375)	(1,037,375)
Share based payment expense for the period	—	—	91,728	—	91,728
Issue of shares under share based payment plans	76,147	—	—	(2,012)	74,135
Repurchase and cancellation of Ordinary shares	—	118	—	(729,716)	(729,598)
Profit and loss for the period	—	—	—	(512,286)	(512,286)
December 31, 2016	\$ 505,835	\$ 326	\$ 351,347	\$ 8,370,489	\$ 9,227,997

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Other reserves

This reserve is used to recognise the value of equity-settled share-based payments provided to employees of the group as part of their remuneration.

Capital redemption reserve fund

This reserve represents the nominal value of shares canceled.

Note 8. CREDITORS (amounts falling due after one year)

	December 31	
	2016	2015
Non-interest bearing note payable to Eaton Industries (Holdings) Limited with a face amount of \$7.504 billion and an original issue discount of \$1.912 billion due in December 2022	\$ 6,296,632	\$ 6,113,792
Non-interest bearing note payable to Eaton Industries (Holdings) Limited with a face amount of \$2.183 billion and an original issue discount of \$565 million due in January 2023	1,820,324	1,766,508
Notes payable to subsidiary undertakings falling due between 2017 and 2021	5,384,163	2,991,673
Notes payable to subsidiary undertakings falling due between 2022 and 2024	2,232,345	1,659,955
Amounts due to subsidiary undertakings	91,082	58,518
Total creditors (amounts falling due after one year)	\$ 15,824,546	\$ 12,590,446

The notes payable are unsecured.

Note 9. CREDITORS (amounts falling due within one year)

	December 31	
	2016	2015
Accruals	\$ 1,004	\$ 954
Amounts due to subsidiary undertakings.....	181,941	153,942
Notes payable to subsidiary undertakings	1,887,650	1,689,815
Total creditors (amounts falling due within one year)	<u>\$ 2,070,595</u>	<u>\$ 1,844,711</u>

The notes payable are unsecured.

Note 10. LOANS

Loans repayable, included within creditors, are analysed as follows:

	December 31	
	2016	2015
Repayable within one year.....	\$ 1,887,650	\$ 1,689,815
Repayable within two to five years	5,384,163	2,991,673
Repayable after more than five years	10,349,301	9,540,255
	<u>\$ 17,621,114</u>	<u>\$ 14,221,743</u>

Details of loans are as follows:

	December 31	
	2016	2015
Interest at 2.15% repayable in 2019	\$ 700,000	\$ 700,000
Interest at 2.07% repayable in 2019	478,525	478,525
Interest at 2.22% repayable in 2019	1,670,000	1,670,000
Interest at 1.58% repayable in 2019	485,349	—
Interest at 3.00% repayable in 2020	143,148	143,148
Interest at 2.03% repayable in 2021	574,852	—
Interest at 2.03% repayable in 2021	785,700	—
Interest at 2.03% repayable in 2021	46,589	—
Interest at 2.52% repayable in 2021	500,000	—
Repayable within two to five years.....	<u>\$ 5,384,163</u>	<u>\$ 2,991,673</u>

	December 31	
	2016	2015
Interest at 2.94% repayable in 2022	\$ 6,296,632	\$ 6,113,792
Interest at 2.99% repayable in 2023	1,820,324	1,766,508
Interest at 3.41% repayable in 2023	500,000	500,000
Interest at 3.25% repayable in 2024	406,643	406,643
Interest at 3.22% repayable in 2024	753,312	753,312
Interest at 0.92% repayable in 2024	572,390	—
Repayable in more than five years	<u>\$ 10,349,301</u>	<u>\$ 9,540,255</u>

Note 11. SHARE BASED PAYMENTS

The Income statement includes \$0.862 million for 2016 and \$0.769 million for 2015 of share based Directors fees. The remaining portion of the share based payment expense of \$90.920 million, including estimated forfeitures of \$54 for dividends paid on unvested restricted stock awards, for 2016 and \$81.286 million share based payment expense, including estimated forfeitures of \$57 for dividends paid on unvested restricted stock awards, for 2015 has been included as a capital contribution in Investment in Subsidiaries (Note 4). As required in accordance with FRS 102 section 26.18(a) a description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement is included in Note 14 to the Consolidated financial statements.

Note 12. RELATED PARTY TRANSACTIONS**Directors' fees and expenses**

The Income statement includes \$6.568 million for 2016 and \$6.280 million for 2015 of Directors' fees and expenses, including share based Directors' fees.

In accordance with section 33 paragraph 1A of FRS 102, disclosures need not be given of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member. The Company has availed of this exemption.

Note 13. TAXATION

The company has incurred tax losses in the year that are available indefinitely for offset against future taxable profits. A deferred tax asset has not been recognised in respect to these losses as it is not probable that they will be recovered against future taxable profits.

Note 14. EVENTS AFTER THE REPORTING PERIOD

On February 9, 2017 Cooper Industries Unlimited Company, a subsidiary undertaking, paid a dividend of \$800 million to the Company.

On February 22, 2017, Eaton's Board of Directors declared a quarterly dividend of \$0.60 per Ordinary share, payable on March 17, 2017, to shareholders of record at the close of business on March 6, 2017.

Note 15. AUDITOR'S REMUNERATION

The fees paid to Ernst & Young Ireland in respect of the audit of the Company individual accounts were \$0.1 million in each of 2016 and 2015. In addition, Ernst & Young Ireland received fees of \$0.4 million for other assurance services in each of 2016 and 2015. Ernst & Young Ireland did not receive any fees for non-audit services in 2016 and 2015 and received \$0.1 million in each of 2016 and 2015 for tax advisory services. Note 22 to the Consolidated Financial Statements provides additional information regarding Auditors' remuneration.