

**EATON CORPORATION plc**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Three months ended December 31		Year ended December 31	
	2016	2015	2016	2015
(In millions except for per share data)				
<b>Net sales</b>	\$ 4,867	\$ 5,057	\$ 19,747	\$ 20,855
Cost of products sold	3,319	3,427	13,400	14,292
Selling and administrative expense	863	873	3,505	3,596
Research and development expense	145	153	589	625
Interest expense - net	60	57	233	232
Other income - net	(79)	(8)	(107)	(35)
<b>Income before income taxes</b>	<u>559</u>	<u>555</u>	<u>2,127</u>	<u>2,145</u>
Income tax expense	51	21	202	164
<b>Net income</b>	<u>508</u>	<u>534</u>	<u>1,925</u>	<u>1,981</u>
Less net income for noncontrolling interests	(4)	(2)	(3)	(2)
<b>Net income attributable to Eaton ordinary shareholders</b>	<u>\$ 504</u>	<u>\$ 532</u>	<u>\$ 1,922</u>	<u>\$ 1,979</u>
<b>Net income per share attributable to Eaton ordinary shareholders</b>				
Diluted	\$ 1.12	\$ 1.15	\$ 4.21	\$ 4.23
Basic	1.12	1.15	4.22	4.25
<b>Weighted-average number of ordinary shares outstanding</b>				
Diluted	452.4	462.7	456.5	467.1
Basic	450.5	461.4	455.0	465.5
<b>Reconciliation of net income attributable to Eaton ordinary shareholders to operating earnings</b>				
Net income attributable to Eaton ordinary shareholders	\$ 504	\$ 532	\$ 1,922	\$ 1,979
Excluding acquisition integration charges (after-tax)	1	9	3	31
<b>Operating earnings</b>	<u>\$ 505</u>	<u>\$ 541</u>	<u>\$ 1,925</u>	<u>\$ 2,010</u>
Net income per share attributable to Eaton ordinary shareholders - diluted	\$ 1.12	\$ 1.15	\$ 4.21	\$ 4.23
Excluding per share impact of acquisition integration charges (after-tax)	—	0.02	0.01	0.07
<b>Operating earnings per ordinary share</b>	<u>\$ 1.12</u>	<u>\$ 1.17</u>	<u>\$ 4.22</u>	<u>\$ 4.30</u>

See accompanying notes.

**EATON CORPORATION plc**  
**BUSINESS SEGMENT INFORMATION**

(In millions)	Three months ended December 31		Year ended December 31	
	2016	2015	2016	2015
<b>Net sales</b>				
Electrical Products	\$ 1,726	\$ 1,730	\$ 6,957	\$ 6,976
Electrical Systems and Services	1,455	1,494	5,662	5,931
Hydraulics	520	552	2,222	2,459
Aerospace	425	440	1,753	1,807
Vehicle	741	841	3,153	3,682
<b>Total net sales</b>	<u>\$ 4,867</u>	<u>\$ 5,057</u>	<u>\$ 19,747</u>	<u>\$ 20,855</u>
<b>Segment operating profit</b>				
Electrical Products	\$ 316	\$ 298	\$ 1,240	\$ 1,156
Electrical Systems and Services	177	203	711	776
Hydraulics	37	62	198	246
Aerospace	84	77	335	310
Vehicle	97	155	474	645
<b>Total segment operating profit</b>	<u>711</u>	<u>795</u>	<u>2,958</u>	<u>3,133</u>
<b>Corporate</b>				
Amortization of intangible assets	(95)	(100)	(392)	(406)
Interest expense - net	(60)	(57)	(233)	(232)
Pension and other postretirement benefits expense	(15)	(31)	(60)	(130)
Other corporate income (expense) - net	18	(52)	(146)	(220)
<b>Income before income taxes</b>	<u>559</u>	<u>555</u>	<u>2,127</u>	<u>2,145</u>
Income tax expense	51	21	202	164
<b>Net income</b>	<u>508</u>	<u>534</u>	<u>1,925</u>	<u>1,981</u>
Less net income for noncontrolling interests	(4)	(2)	(3)	(2)
<b>Net income attributable to Eaton ordinary shareholders</b>	<u>\$ 504</u>	<u>\$ 532</u>	<u>\$ 1,922</u>	<u>\$ 1,979</u>

See accompanying notes.

**EATON CORPORATION plc**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In millions)	December 31, 2016	December 31, 2015
<b>Assets</b>		
Current assets		
Cash	\$ 543	\$ 268
Short-term investments	203	177
Accounts receivable - net	3,560	3,479
Inventory	2,254	2,323
Prepaid expenses and other current assets	381	369
Total current assets	<u>6,941</u>	<u>6,616</u>
Property, plant and equipment - net	3,443	3,565
Other noncurrent assets		
Goodwill	13,201	13,479
Other intangible assets	5,514	6,014
Deferred income taxes	360	362
Other assets	960	960
Total assets	<u>\$ 30,419</u>	<u>\$ 30,996</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Short-term debt	\$ 14	\$ 426
Current portion of long-term debt	1,552	242
Accounts payable	1,718	1,758
Accrued compensation	379	366
Other current liabilities	1,822	1,833
Total current liabilities	<u>5,485</u>	<u>4,625</u>
Noncurrent liabilities		
Long-term debt	6,711	7,746
Pension liabilities	1,659	1,586
Other postretirement benefits liabilities	368	440
Deferred income taxes	321	390
Other noncurrent liabilities	934	978
Total noncurrent liabilities	<u>9,993</u>	<u>11,140</u>
Shareholders' equity		
Eaton shareholders' equity	14,897	15,186
Noncontrolling interests	44	45
Total equity	<u>14,941</u>	<u>15,231</u>
Total liabilities and equity	<u>\$ 30,419</u>	<u>\$ 30,996</u>

See accompanying notes.

**EATON CORPORATION plc**  
**NOTES TO THE FOURTH QUARTER 2016 EARNINGS RELEASE**

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

**Note 1. NON-GAAP FINANCIAL INFORMATION**

This earnings release includes certain non-GAAP financial measures. These financial measures include operating earnings, operating earnings per ordinary share, operating profit before acquisition integration charges for each business segment as well as corporate, and free cash flow, each of which differs from the most directly comparable measure calculated in accordance with generally accepted accounting principles (GAAP). A reconciliation of each of these financial measures to the most directly comparable GAAP measure is included in this earnings release. Management believes that these financial measures are useful to investors because they exclude certain transactions, allowing investors to more easily compare Eaton Corporation plc's (Eaton or the Company) financial performance and liquidity period to period. Management uses this information in monitoring and evaluating the on-going performance of Eaton and each business segment.

	Year ended December 31, 2016
Net cash provided by operating activities	\$ 2,552
Capital expenditures for property, plant and equipment	497
<b>Free cash flow</b>	<b>\$ 2,055</b>

**Note 2. ACQUISITION INTEGRATION CHARGES**

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

	Acquisition integration charges		Operating profit as reported		Operating profit excluding acquisition integration charges*	
	Three months ended December 31					
	2016	2015	2016	2015	2016	2015
<b>Business segments</b>						
Electrical Products	\$ 1	\$ 8	\$ 316	\$ 298	\$ 317	\$ 306
Electrical Systems and Services	—	5	177	203	177	208
Hydraulics	—	—	37	62	37	62
Aerospace	—	—	84	77	84	77
Vehicle	—	—	97	155	97	155
Total business segments	1	13	<u>\$ 711</u>	<u>\$ 795</u>	<u>\$ 712</u>	<u>\$ 808</u>
Corporate	—	1				
Total acquisition integration charges before income taxes	1	14				
Income taxes	—	5				
Total after income taxes	<u>\$ 1</u>	<u>\$ 9</u>				
Per ordinary share - diluted	<u>\$ —</u>	<u>\$ 0.02</u>				

\*Operating profit excluding acquisition integration charges is used to calculate operating margin where that term is used in this release.

	Acquisition integration charges		Operating profit as reported		Operating profit excluding acquisition integration charges*	
	Year ended December 31					
	2016	2015	2016	2015	2016	2015
<b>Business segments</b>						
Electrical Products	\$ 3	\$ 25	\$ 1,240	\$ 1,156	\$ 1,243	\$ 1,181
Electrical Systems and Services	1	15	711	776	712	791
Hydraulics	—	2	198	246	198	248
Aerospace	—	—	335	310	335	310
Vehicle	—	—	474	645	474	645
Total business segments	4	42	\$ 2,958	\$ 3,133	\$ 2,962	\$ 3,175
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				

\*Operating profit excluding acquisition integration charges is used to calculate operating margin where that term is used in this release.

Business segment acquisition integration charges in 2016 related to the integration of Ephesus Lighting, Inc. (Ephesus) and Oxalis Group Ltd. (Oxalis), 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 integration charges in 2015 related primarily to the integration of Cooper Industries plc (Cooper), which was acquired in 2012. These charges 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.

Corporate integration charges in 2015 also related to the integration of Cooper. These charges were included in Selling and administrative expense. In Business Segment Information, the charges were included in Other corporate expense - net.

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