Eaton Corporation plc

2020 Irish Statutory Accounts

Eaton Corporation plc

Directors' Report and Consolidated Financial Statements
For the Year Ended December 31, 2020

EATON CORPORATION plc

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DIRECTORS' REPORT

For the Year Ended December 31, 2020

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

The directors present their report and financial statements of Eaton Corporation plc (Eaton or the Company) for the year ended December 31, 2020.

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 (Group) 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 2020 net sales of $17.9 billion. Eaton's mission is to improve the quality of life and the environment through the use of power management technologies and services. We provide sustainable solutions that help our customers effectively manage electrical, hydraulic and mechanical power – more safely, more efficiently and more reliably. Eaton has approximately 92,000 employees in 60 countries and sells products to customers in more than 175 countries.

COVID-19

Information related to the impact of the COVID-19 pandemic on the Company is presented in "Results of Operations" of this Directors' Report.

Acquisitions and Divestitures of Businesses

Information regarding the Company's acquisitions and divestitures is presented in Note 2 of the Notes to the Consolidated Financial Statements.

Business Segment Information

Information by business segment regarding principal products, principal markets, methods of distribution and net sales is presented in Note 20 of the Notes to the Consolidated Financial Statements. Additional information regarding Eaton's segments and business is presented below.

Electrical Americas and Electrical Global

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 2020, 20% of these segments' sales were made to six 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. In 2020, 18% of this segment's sales were made to six 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 2020, 22% of this segment's sales were made to four 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 2020, 38% of this segment's sales were made to four large original equipment manufacturers of vehicles and related components.

eMobility

Principal methods of competition in this segment are product performance, technology, global service, and price. Eaton has a strong competitive position in this segment. In 2020, 25% of this segment's sales were made to five large original equipment manufacturers of vehicles, construction equipment 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, titanium, rubber, plastic, electronic components, chemicals, 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 2020, Eaton maintained appropriate levels of inventory to prevent shortages and stayed in close contact with its suppliers to manage the impact of the COVID-19 pandemic on the supply chain.

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 using a portfolio of patents, trademarks, licenses, and other forms of intellectual property, some of which expire 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.

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 2021 and 2022. Information regarding the Company's liabilities related to environmental matters is presented in Note 13 of the Notes to the Consolidated Financial Statements.

Human Capital Management

Eaton has approximately 92,000 employees globally. The number of persons employed by our reportable segments and corporate in 2020 was as follows:

(In thousands)	2020
Electrical Americas	27
Electrical Global	25
Hydraulics	10
Aerospace	10
Vehicle	11
eMobility	1
Corporate	8
Total number of persons employed	92

Eaton uses and monitors a variety of metrics to ensure our objectives related to employee attraction, development, and retention are met. Most notably, Eaton tracks the following:

Diversity

Eaton is committed to having a workforce that is diverse and inclusive at all levels, reflecting the diversity of our customers and communities. Our success depends on our ability to attract and retain the best employees without regard to race, color, social or economic status, religion, national origin, marital status, age, veteran status, sexual orientation, gender identity, or any protected status. It is the policy of the Company to make all decisions regarding employment, including hiring, compensation, training, promotions, transfers, or lay-offs, based on the principle of equal employment opportunity and without discrimination. At December 31, 2020, Eaton's distribution by gender, and United States distribution by minority status, was as follows:

(As of December 31, 2020)	Total Global	Number of women	Percentage of women	U.S. total	Number of minorities (U.S. only)	Percentage of minorities (U.S. only)
Board of directors	12	4	33.3 %	9	2	22.2 %
Global leadership team	26	5	19.2 %	24	13	54.2 %
Executives	594	126	21.2 %	412	73	17.7 %
Managers	7,479	1,705	22.8 %	3,877	698	18.0 %
All other employees	83,888	27,722	33.0 %	21,522	7,276	33.8 %
All employees	91,987	29,558	32.1 %	25,835	8,060	31.2 %

At Eaton, one of our aspirational goals is to be a model of inclusion and diversity among our peers. Our plan to achieve this goal encompasses a number of actions, including a detailed examination into our programs, practices, processes, and policies to look for opportunities to strengthen our support of underrepresented individuals, groups and businesses across our operations.

Compensation

A key component of Eaton's attraction and retention strategy is competitive compensation. Eaton regularly benchmarks its compensation strategies with industry peers to maintain a top performing workforce. Eaton's 2020 total employee costs was $5.2 billion. The total compensation of our median employee on October 1, 2019, as reported in our 2020 Proxy Statement filed in March 2020, and as calculated in accordance with Item 402(u) of Regulation S-K, was $57,712.

Safety

Throughout our operations, our goal is to have no safety incidents. In 2019 we reduced our Total Recordable Case Rate (TRCR) by 16% (0.54) and our Days Away Case Rate (DACR) by 4% (0.23) compared to 2018. Our TRCR of 0.54 approaches our long-term goal of 0.50, which we believe is a world-class safety rate.

Further, in 2020, the Company took a number of measures to protect our workforce from the COVID-19 pandemic, including the following:

- Training our employees at sites around the world in cleaning and disinfecting protocols
- Enacting social distancing procedures, staggered shifts, a rotating office work schedule, and modified workspace and meeting space layouts
- Requiring employees to stay at home if they are feeling ill, and encouraging increased hand washing and hygiene practices across all sites
- Advising employees to take advantage of flexible work options
- Restricting visitors to all sites
- Consulting regularly with doctors and health care organizations
- Updating the Company's response plan as new information became available

In the event an employee suspects they have been exposed to COVID-19, or testing confirms it, sites will implement a response plan that includes:

- Communication with all who may have been exposed
- Disinfecting work stations and common areas
- Shutting down the facility if warranted

These actions are aligned with preventive health protocols of governmental authorities and health organizations including the Centers for Disease Control (U.S.) and the World Health Organization.

Achieving work-life balance

Achieving work-life balance is a common concern of today's employees. Flexible work solutions and inclusive programs will help us remain competitive in attracting and retaining the best talent and make it possible for employees in varied situations to be able to remain at Eaton. Flexible solutions include compressed work weeks, remote working, job sharing, part-time work, flextime, and telework.

Engagement

Fully engaged employees are more productive, innovative, and satisfied in their work. Examples of how we engage our employees include enterprise-wide town halls, hosting informal listening meetings and surveying groups of employees on specific subjects. In addition, we have programs focused on career development of employees at all levels. Our 2018 survey on employee engagement showed a favorable response from 81 percent of employees who completed it. This group reported that they were proud to work at Eaton, felt personal accomplishment from their work, and would recommend Eaton as a place to work. We are committed to a wide range of strategies designed to improve and sustain employee engagement over the long-term.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Operational Risks

The coronavirus (COVID-19) outbreak has negatively impacted our results of operations.

As a result of the COVID-19 pandemic outbreak, authorities have implemented measures to try to contain the virus, such as travel bans and restrictions, shelter-in place-orders, and shut downs, and consumers have changed their demand patterns. As a result, our operations and financial results have been impacted. The degree to which COVID-19 impacts our future results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions resume.

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

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, breach, 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. Further, Cyber-based risks could also include attacks targeting the security, integrity and/or reliability of the hardware, software and information installed, stored or transmitted in our products, including after the purchase of those products and when they are incorporated into third party products, facilities or infrastructure. Such attacks could result in disruptions to third party systems, unauthorized release of confidential or otherwise protected information and corruption of data (our own or that of third parties). Further, to a significant extent, the security of our customers’ systems depends on how those systems are protected, configured, updated and monitored, all of which are typically outside our control.

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 such as the spread of COVID-19. 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.

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.

Industry and Market Risks

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 or maintain its present market positions.

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. The Company's market positions may also be impacted by new entrants into Eaton's product or regional markets.

Legal and Regulatory Risks

Eaton's global operations subject it to economic risk as Eaton's results of operations may be adversely affected by changes in government legislation, regulations and policies, or 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, data privacy, and exchange controls. 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.

Further, existing free trade laws and regulations provide certain beneficial duties and tariffs for qualifying imports and exports, subject to compliance with 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.

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 legislation, regulations, and policies. 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 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 13 and Note 14 of the Notes to the Consolidated Financial Statements.

RESULTS OF OPERATIONS

Summary of Results of Operations

During 2020, the Company's results of operations were impacted by the COVID-19 pandemic. Organic sales were down 11% in 2020 primarily due to the impact from the COVID-19 pandemic. The divestitures of the Lighting and Automotive Fluid Conveyance businesses reduced sales, partially offset by growth from the acquisitions of Souriau-Sunbank Connection Technologies (Souriau-Sunbank) and Power Distribution, Inc.

In the second quarter of 2020, Eaton decided to undertake a multi-year restructuring program to reduce its cost structure and gain efficiencies in its business segments and at corporate in order to respond to declining market conditions. Restructuring charges incurred under this program were $214 in 2020. These restructuring activities are expected to incur additional expenses of $61 and $5 in 2021 and 2022, respectively, primarily comprised of plant closing and other costs, resulting in total estimated charges of $280 for the entire program. The projected mature year savings from these restructuring actions are expected to be $200 when fully implemented in 2023. Additional information related to this restructuring is presented in Note 19.

On February 25, 2020, Eaton acquired Power Distribution, Inc. (PDI) a leading supplier of mission critical power distribution, static switching, and power monitoring equipment and services for data centers and industrial and commercial customers. The company is headquartered in Richmond, Virginia, and had 2019 sales of $125. PDI is reported within the Electrical Americas business segment.

On March 2, 2020, Eaton sold its Lighting business to Signify N.V. for a cash purchase price of $1.4 billion. The Company recognized a pre-tax gain of $221. The Lighting business, which had sales of $1.6 billion in 2019 as part of the Electrical Americas business segment, serves customers in commercial, industrial, residential and municipal markets.

On January 21, 2020, Eaton entered into an agreement to sell its Hydraulics business to Danfoss A/S, a Danish industrial company, for $3.3 billion in cash. Eaton’s Hydraulics business is a global leader in hydraulics components, systems, and services for industrial and mobile equipment. The business had sales of $1.8 billion and $2.2 billion for the years ended December 31, 2020 and 2019, respectively. The transaction is subject to customary closing conditions and regulatory approvals and is expected to close by the end of the first quarter or early second quarter of 2021.

During the fourth quarter of 2019 and first quarter of 2020, the Company determined the Lighting business and Hydraulics business, respectively, met the criteria to be classified as held for sale. Therefore, assets and liabilities of these businesses have been presented as held for sale in the Consolidated Balance Sheets as of December 31, 2019 and December 31, 2020, respectively. Assets and liabilities classified as held for sale are measured at the lower of carrying value or fair value less costs to sell. There was no write-down as fair values of both the Lighting business and Hydraulics business assets less their costs to sell exceeded their respective carrying value. Depreciation and amortization expense is not recorded for the period in which Other long-lived assets are classified as held for sale.

On December 15, 2020, Eaton signed an agreement to acquire a 50 percent stake in HuanYu High Tech, a subsidiary of HuanYu Group that manufactures and markets low-voltage circuit breakers and contactors in China, and throughout the Asia-Pacific region. HuanYu High Tech had 2019 sales of $106 and has production operations in Wenzhou, China. The transaction is subject to customary closing conditions and regulatory approvals and is expected to close in the second quarter of 2021. Eaton expects to account for this investment on the equity method of accounting and will report it within the Electrical Global business segment.

On January 28, 2021, Eaton signed an agreement to acquire Tripp Lite, a leading supplier of power quality products and connectivity solutions including single-phase uninterruptible power supply systems, rack power distribution units, surge protectors, and enclosures for data centers, industrial, medical, and communications markets in the Americas. Under the terms of the agreement, Eaton will pay $1.65 billion for Tripp Lite. The transaction is subject to customary closing conditions and is expected to close in the middle of 2021. Tripp Lite will be reported within the Electrical Americas business segment.

On January 31, 2021, Eaton signed an agreement to acquire Cobham Mission Systems (CMS), a leading manufacturer of air-to-air refueling systems, environmental systems, and actuation primarily for defense markets. Under the terms of the agreement, Eaton will pay $2.83 billion. The transaction is subject to customary closing conditions and is expected to close in the second half of 2021. CMS will be reported within the Aerospace business segment.

During 2019, the Company's results of operations were impacted by negative currency translation and weaker than expected growth in the Company's end markets, particularly in the second half of 2019. Despite the declining market conditions and unfavorable impact of currency translation, the Company generated solid operating margins and Net income per ordinary share.

On April 15, 2019, Eaton completed the acquisition of an 82.275% controlling interest in Ulusoy Elektrik Imalat Taahhut ve Ticaret A.S. (Ulusoy Elektrik), a leading manufacturer of electrical switchgear based in Ankara, Turkey, with a primary focus on medium voltage solutions for industrial and utility customers. Its sales for the 12 months ended September 30, 2018 were $126. The purchase price for the shares was $214 on a cash and debt free basis. As required by the Turkish capital markets legislation, Eaton filed an application to execute a mandatory tender offer for the remaining shares shortly after the transaction closed. During the tender offer, Eaton purchased additional shares for $33 through July 2019 to increase its ownership interest to 93.7%. Ulusoy Elektrik is reported within the Electrical Global business segment.

On July 19, 2019, Eaton acquired Innovative Switchgear Solutions, Inc. (ISG), a specialty manufacturer of medium-voltage electrical equipment serving the North American utility, commercial and industrial markets. Its 2018 sales were approximately $18. ISG is reported within the Electrical Americas business segment.

On December 20, 2019, Eaton acquired the Souriau-Sunbank business of TransDigm Group Inc. for a cash purchase price of $907, net of cash received. Headquartered in Versailles, France, Souriau-Sunbank is a global leader in highly engineered electrical interconnect solutions for harsh environments in the aerospace, defense, industrial, energy, and transport markets. Eaton's Consolidated Financial Statements include Souriau-Sunbank's results of operations. Souriau-Sunbank's sales for the years ended December 31, 2020 and 2019 were $287 and $3, respectively. Souriau-Sunbank is reported within the Aerospace business segment.

On December 31, 2019, Eaton sold its Automotive Fluid Conveyance Business. The transaction resulted in a pre-tax loss of $66 which was recorded in Other expense. This business was reported within the Vehicle business segment.

Additional information related to acquisitions and divestitures of businesses is presented in Note 2.

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:

	2020	2019
Net sales	$ 17,858	$ 21,390
Net income attributable to Eaton ordinary shareholders	1,410	2,211
Net income per share attributable to Eaton ordinary shareholders - diluted	$ 3.49	$ 5.25

COVID-19

The Company was impacted by the COVID-19 pandemic in 2020. Organic sales were down 11% in 2020 primarily due to the impact from the COVID-19 pandemic. The Company monitors the pandemic's impact throughout the world, including guidance from governmental authorities and world health organizations. Our businesses are focused on cost control to offset the volume declines. During 2020, the Company implemented the following actions:

- Reduction of senior executive base salaries in the second and third quarters
- Reduction in cash retainer for non-employee members of the Board of Directors of 50% and 25% in the second and third quarters, respectively
- Implementation of unpaid leave programs
- Elimination of merit increases for all of 2020
- Reduction of discretionary expenses and implementation of travel and hiring freezes
- Elimination of nonessential capital spending

We anticipate that several of our markets will take some time to recover. Therefore in the second quarter of 2020, we decided to undertake a multi-year restructuring program discussed in Note 19 to deal with that weakness. The principal end markets affected are commercial aerospace, oil and gas, NAFTA Class 8 trucks, and North American/European light vehicles.

Eaton's products and support services are vital to hospitals, emergency services, military sites, utilities, public works, transportation and shipping providers. In addition, data centers, retail outlets, airports and governments, as well as the networks that support schools and remote workers, rely on the Company's products to serve their customers and communities. As a result, the Company's businesses are deemed essential to continue operating by almost all governments around the world, and all of the Company's plants are currently operating.

The Company is doing the following to protect the safety and health of its workforce, as well as support customer's needs during this pandemic:

Protect our employees

- Trained our employees at sites around the world in cleaning and disinfecting protocols
- Enacted social distancing procedures, staggered shifts, a rotating office work schedule, and modified workspace and meeting space layouts
- Requiring employees to stay at home if they are feeling ill, and encouraging increased hand washing and hygiene practices across all sites
- Advised employees to take advantage of flexible work options
- Restricting visitors to all sites
- Consulting regularly with doctors and health care organizations
- Updating the Company's response plans as new information becomes available

In the event an employee suspects they have been exposed to COVID-19, or testing confirms it, sites will implement a response plan that includes:

- Mandatory quarantines
- Communication with all who may have been exposed
- Disinfecting work stations and common areas
- Shutting down the facility if warranted

These actions are aligned with preventive health protocols of governmental authorities and health organizations including the Centers for Disease Control (U.S.) and the World Health Organization.

Support our customers

Eaton has activated its business continuity management plans across the organization, which includes:

- Staying in close contact with our suppliers to manage the supply chain
- Equipping our service technicians with additional personal protective equipment as needed
- Coordinating with local, state and national governments
- Following governmental and health authorities' guidelines

Non-GAAP Financial Measures

The following discussion of Consolidated Financial Results includes certain non-GAAP financial measures. These financial measures include adjusted earnings and adjusted earnings per ordinary share, each of which differs from the most directly comparable measure calculated in accordance with generally accepted accounting principles (GAAP). A reconciliation of adjusted earnings and adjusted earnings per ordinary share to the most directly comparable GAAP measure is included in the table below. 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.

Acquisition and Divestiture Charges

Eaton incurs integration charges and transaction costs to acquire businesses, and transaction costs and other charges to divest and exit businesses. Eaton also recognizes gains and losses on the sale of businesses. A summary of these Corporate items follows:

	2020	2019
Acquisition integration, divestiture charges and transactions costs	$ 288	$ 198
Gain on the sale of the Lighting business	(221)	—
Total before income taxes	67	198
Income tax expense (benefit)	66	(24)
Total after income taxes	$ 133	$ 174
Per ordinary share - diluted	$ 0.33	$ 0.42

Acquisition integration, divestiture charges and transaction costs in 2020 are primarily related to the planned divestiture of the Hydraulics business, the divestiture of the Lighting business, the acquisitions of Souriau-Sunbank, Ulusoy Elektrik, and PDI, and other charges to exit businesses, and were included in Cost of products sold, Selling and administrative expense, Research and development expense, and Other expense.

Charges in 2019 related to the divestiture of the Lighting business, the acquisitions of Ulusoy Elektrik, ISG, and Souriau-Sunbank, the loss on the sale of the Automotive Fluid Conveyance business, and other charges to exit businesses, and were included in Cost of products sold, Selling and administrative expense, Research and development expense, and Other expense. In Business Segment Information in Note 20, these charges were included in Other expense.

Consolidated Financial Results

	2020	Change from 2019	2019
Net sales	$ 17,858	(17)%	$ 21,390
Gross profit	5,450	(23)%	7,052
Percent of net sales	30.5 %		33.0 %
Income before income taxes	1,746	(33)%	2,591
Net income	1,415	(36)%	2,213
Less net income for noncontrolling interests	(5)		(2)
Net income attributable to Eaton ordinary shareholders	1,410	(36)%	2,211
Excluding acquisition and divestiture charges, after-tax	133		174
Excluding restructuring program charges, after-tax	170		—
Adjusted earnings	$ 1,713	(28)%	$ 2,385
Net income per share attributable to Eaton ordinary shareholders - diluted	$ 3.49	(34)%	$ 5.25
Excluding per share impact of acquisition and divestiture charges, after-tax	0.33		0.42
Excluding per share impact of restructuring program charges, after-tax	0.42		—
Adjusted earnings per ordinary share	$ 4.24	(25)%	$ 5.67

Net Sales

Net sales in 2020 decreased by 17% compared to 2019 due to a decrease of 11% in organic sales, a decrease of 7% from divestitures of businesses, and a decrease of 1% from the impact of negative currency translation, partially offset by an increase of 2% from acquisitions of businesses. The decrease in organic sales in 2020 was primarily due to the impact from the COVID-19 pandemic, with lower sales in all business segments.

Gross Profit

Gross profit margin decreased from 33.0% in 2019 to 30.5% in 2020. The decrease in gross profit margin in 2020 was primarily due to the impact from the COVID-19 pandemic, with lower sales in all business segments.

Income Taxes

During 2020, income tax expense of $331 was recognized (an effective tax rate of 19.0%) compared to income tax expense of $378 in 2019 (an effective tax rate of 14.6%). The increase in the effective tax rate from 14.6% in 2019 to 19.0% in 2020 was primarily due to the tax expense on the gain from the sale of the Lighting business discussed in Note 2, partially offset by a tax benefit on the restructuring charges discussed in Note 19.

Net Income

Net income attributable to Eaton ordinary shareholders of $1,410 in 2020 decreased 36% compared to $2,211 in 2019. Net income in 2020 included an after-tax gain of $91 on the sale of the Lighting business discussed in Note 2. The decrease in 2020 net income was primarily due to lower sales volumes as a result of the COVID-19 pandemic.

Net income per ordinary share decreased to $3.49 in 2020 compared to $5.25 in 2019. The decrease in net income per ordinary share was due to lower Net income attributable to Eaton ordinary shareholders, adjusted for the impact of the Company's share repurchases over the past year.

Adjusted Earnings

Adjusted earnings of $1,713 in 2020 decreased 28% compared to Adjusted earnings of $2,385 in 2019. The decrease in Adjusted earnings in 2020 was primarily due to lower Net income attributable to Eaton ordinary shareholders, adjusted for lower acquisition and divestiture charges, partially offset by higher restructuring program charges.

Adjusted earnings per ordinary share decreased to $4.24 in 2020 compared to $5.67 in 2019. The decrease in Adjusted earnings per ordinary share in 2020 was due to lower Adjusted earnings, adjusted for the impact of the Company's share repurchases over the past year.

Business Segment Results of Operations

The following is a discussion of Net sales, operating profit and operating profit margin by business segment.

Electrical Americas

	2020	Change from 2019	2019
Net sales	$ 6,680	(18)%	$ 8,175
Operating profit	$ 1,352	(13)%	$ 1,549
Operating margin	20.2 %		18.9 %

Net sales decreased 18% in 2020 compared to 2019 due to a decrease of 17% from the divestiture of the Lighting business, and a decrease of 2% in organic sales, partially offset by an increase of 1% from the acquisition of Innovative Switchgear Solutions, Inc. and Power Distribution, Inc. The decrease in organic sales in 2020 was primarily driven by the impact of the COVID-19 pandemic, partially offset by growth in residential, data center, and utility end-markets.

The operating margin increased from 18.9% in 2019 to 20.2% in 2020. The increase in operating margin was primarily due to the favorable impact from the divestiture of the Lighting business and cost containment actions to counteract the impact of the COVID-19 pandemic, partially offset by lower volumes.

Electrical Global

	2020	Change from 2019	2019
Net sales	$ 4,703	(9)%	$ 5,172
Operating profit	$ 750	(16)%	$ 897
Operating margin	15.9 %		17.3 %

Net sales decreased 9% in 2020 compared to 2019 due to a decrease of 9% in organic sales. The decrease in organic sales in 2020 was primarily driven by the impact of the COVID-19 pandemic, with particular weakness in global oil and gas markets and industrial applications.

The operating margin decreased from 17.3% in 2019 to 15.9% in 2020. The decrease in operating margin in 2020 was primarily due to lower sales volumes and unfavorable product mix, partially offset by cost containment actions to mitigate the impact of the COVID-19 pandemic.

Hydraulics

	2020	Change from 2019	2019
Net sales	$ 1,842	(16)%	$ 2,204
Operating profit	$ 186	(4)%	$ 193
Operating margin	10.1 %		8.8 %

Net sales decreased 16% in 2020 compared to 2019 due to a decrease of 15% in organic sales and a decrease of 1% from the impact of negative currency translation. The decrease in organic sales in 2020 was primarily due to the impact from the COVID-19 pandemic, with weakness at both OEMs and distributors globally.

The operating margin increased from 8.8% in 2019 to 10.1% in 2020. The increase in operating margin in 2020 was primarily due to depreciation expense no longer being charged as a result of the business being classified as held for sale as discussed in Note 2 and cost containment actions to counteract the impact of the COVID-19 pandemic, partially offset by lower sales volumes.

Aerospace

	2020	Change from 2019	2019
Net sales	$ 2,223	(10)%	$ 2,480
Operating profit	$ 414	(30)%	$ 595
Operating margin	18.6 %		24.0 %

Net sales decreased 10% in 2020 compared to 2019 due to a decrease of 22% in organic sales, partially offset by an increase of 12% from the acquisition of Souriau-Sunbank. The decrease in organic sales in 2020 was primarily due to the impact of the COVID-19 pandemic on commercial aviation, partially offset by growth in military sales.

The operating margin decreased from 24.0% in 2019 to 18.6% in 2020. The decrease was primarily due to lower sales volumes and the acquisition of Souriau-Sunbank, partially offset by cost containment actions to mitigate the impact of the COVID-19 pandemic.

Vehicle

	2020	Change from 2019	2019
Net sales	$ 2,118	(30)%	$ 3,038
Operating profit	$ 243	(47)%	$ 460
Operating margin	11.5 %		15.1 %

Net sales decreased 30% in 2020 compared to 2019 due to a decrease of 24% in organic sales, a decrease of 4% from the divestiture of our Automotive Fluid Conveyance business, and a decrease of 2% from the impact of negative currency translation. The decrease in organic sales in 2020 was driven by plant shutdowns in the second quarter of 2020, lower Class 8 OEM production, and weakness in light vehicle sales primarily due to the impact from the COVID-19 pandemic.

The operating margin decreased from 15.1% in 2019 to 11.5% in 2020. The decrease in operating margin in 2020 was primarily due to lower sales volumes, partially offset by cost containment actions to mitigate the impact of the COVID-19 pandemic.

eMobility

	2020	Change from 2019	2019
Net sales	$ 292	(9)%	$ 321
Operating profit (loss)	$ (8)	(147)%	$ 17
Operating margin	(2.7)%		5.3 %

Net sales decreased 9% in 2020 compared to 2019 due to a decrease of 9% in organic sales. The decrease in organic sales in 2020 was primarily due to the impact from the COVID-19 pandemic, with particular weakness in the legacy internal combustion engine platforms.

The operating margin decreased from 5.3% in 2019 to negative 2.7% in 2020. The decrease in operating margin in 2020 was primarily due to lower sales volumes and increased research and development costs.

Corporate Expense

	2020	Change from 2019	2019
Amortization of intangible assets	$ 354	(4)%	$ 367
Interest expense	223	(21)%	282
Interest income	(74)	(11)%	(83)
Pension and other postretirement benefits expense	40	233 %	12
Restructuring program charges	214	NM	
Other expense	434	(20)%	542
Total corporate expense	$ 1,191	6 %	$ 1,120

Total corporate expense was $1,191 in 2020 compared to Total corporate expense of $1,120 in 2019. The increase in Total corporate expense was primarily due to the multi-year restructuring program discussed in Note 19, partially offset by lower Other corporate expense. The decrease in Other corporate expense is primarily due to a gain on sale of a business discussed in Note 2, partially offset by higher acquisition and divestiture charges.

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. The Company maintains long-term revolving credit facilities totaling $2,000, consisting of a $750 five-year revolving credit facility that will expire November 17, 2022, a $500 four-year revolving credit facility that will expire November 7, 2023, and a $750 five-year revolving credit facility that will expire November 7, 2024. 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, 2020 or 2019. The Company had available lines of credit of $1,010 from various banks primarily for the issuance of letters of credit, of which there was $268 outstanding at December 31, 2020. Over the course of a year, cash, short-term investments and short-term debt may fluctuate in order to manage global liquidity. While the COVID-19 pandemic temporarily challenged commercial paper markets in mid-March 2020, those markets have since recovered such that Eaton continues to be able to access them on the same basis as in prior periods. Further, although the COVID-19 pandemic negatively impacted 2020 results and we expect it may also have an unfavorable impact on 2021 results, our businesses continue to generate substantial cash. In addition, Eaton completed the $1.4 billion sale of our Lighting Business on March 2, 2020 and expects to complete the sale of our Hydraulics Business for $3.3 billion in cash by the end of the first quarter or early second quarter of 2021. Accordingly, 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.

For additional information on financing transactions and debt, see Note 11 .

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 $2,944 in 2020, a decrease of $507 compared to $3,451 in 2019. The decrease in net cash provided by operating activities in 2020 was driven by lower net income, partially offset by lower working capital balances compared to 2019.

Investing Cash Flow

Net cash provided by investing activities was $397 in 2020, an increase of $2,263 in the source of cash compared to net cash used of $1,866 in 2019. The increase in the source of cash was primarily driven by proceeds from the sale of the Lighting business and lower cash paid for business acquisitions discussed in Note 2, partially offset by net purchases of short-term investments of $441 in 2020 compared to net purchases of $70 in 2019. Capital expenditures were $389 in 2020 compared to $587 in 2019. Eaton expects approximately $500 in capital expenditures in 2021.

Financing Cash Flow

Net cash used in financing activities was $3,258 in 2020, an increase in the use of cash of $1,764 compared to $1,494 in 2019. The increase in the use of cash was primarily due to lower proceeds from borrowings of $1 in 2020 compared to $1,232 in 2019 and higher share repurchases of $1,608 in 2020 compared to $1,029 in 2019. For additional information on share repurchases, see Note 15 of the Notes to the Consolidated Financial Statements.

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	Stable outlook
Moody's	Baa1/P-2	Stable outlook
Fitch	BBB+/F1	Negative outlook

Defined Benefits Plans

Pension Plans

During 2020, the fair value of plan assets in the Company's employee pension plans increased $264 to $5,600 at December 31, 2020. The increase in plan assets was primarily due to higher than expected return on plan assets and favorable currency translation. At December 31, 2020, the net unfunded position of $1,557 in pension liabilities consisted of $491 in the U.S. qualified pension plan, $994 in plans that have no minimum funding requirements, and $167 in all other plans that require minimum funding, partially offset by $95 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 2020, $122 was contributed to the pension plans. The Company anticipates making $337 of contributions to certain pension plans during 2021. The funded status of the Company's pension plans at the end of 2021, 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.

Off-Balance Sheet Arrangements

Eaton does not have off-balance sheet arrangements with unconsolidated entities or other persons. The Company made an accounting policy election to not recognize lease assets or liabilities for leases with a term of 12 months or less.

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 18 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. While the COVID-19 pandemic temporarily challenged commercial paper markets in mid-March 2020, those markets have since recovered such that Eaton continues to be able to access them on the same basis as in prior periods. At December 31, 2020, 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 2020, a 100 basis point increase in short-term interest rates would have increased the Company's net, pre-tax interest expense by $14.

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 increase in interest rates at December 31, 2020, the market value of the Company's debt and interest rate swap portfolio, in aggregate, would increase by $502.

The Company is exposed to fluctuations in commodity prices due to volatility in raw material costs and contractual agreements with suppliers. To partially mitigate this exposure, Eaton enters into commodity contracts for certain raw material purchases with the objective of minimizing changes in inventory cost due to market price fluctuations. These commodity contracts are designated for hedge accounting and are generally less than one year in duration. Based on Eaton's best estimate for a hypothetical 10% fluctuation in commodity prices the gain or loss would be $2. The sensitivity analysis of the effects of changes in commodity prices assumes the notional value to remain constant for the next 12 months. Any change in the value of the contracts would be offset by an inverse change in the value of the underlying hedged transactions.

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, 2020 follows:

	2021	2022 to 2023	2024 to 2025	Thereafter	Total
Long-term debt, including current portion[1]	$ 1,037	$ 2,000	$ 1,500	$ 3,374	$ 7,911
Interest expense related to long-term debt	238	397	314	1,483	2,432
Reduction of interest expense from interest rate swap agreements related to long-term debt	(46)	(47)	(12)	(33)	(138)
Operating leases	129	181	84	91	485
Finance leases	10	14	7	11	42
Purchase obligations	830	158	77	197	1,262
Other obligations	369	9	10	21	409
Held for sale obligations	38	37	7	17	99
Total	$ 2,605	$ 2,749	$ 1,987	$ 5,161	$ 12,502

[1] Long-term debt excludes deferred gains and losses on derivatives related to debt, adjustments to fair market value, premiums and discounts on long-term debentures, debt issuance costs, and finance leases.

Interest expense related to long-term debt is based on the applicable interest rate related to the debt instrument, whether fixed or floating. 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 obligations principally include $337 of anticipated contributions to pension plans in 2021, $25 of other postretirement benefits payments expected to be paid in 2021, and $44 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 all other future expected pension and other postretirement benefits payments. Information related to the amounts of these future payments is described in Note 12. 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, 2020, the gross liability for unrecognized income tax benefits totaled $1,036 and interest and penalties were $110.

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 $1,410.

DIVIDENDS

During 2020 and 2019, Eaton's Board of Directors declared and paid quarterly dividends of $1,175 and $1,201, 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 subsidiaries included in the consolidated financial statements maintain proper accounting records and appropriate accounting systems. On a periodic basis, reports, certifications and attestations on the Company’s financial matters, internal controls and fraud are made to the Audit Committee of the Board of Directors, who in turn, updates the full Board of Directors. The Company allocates appropriate resources to maintain proper 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 February 24, 2021, the date this report was approved by the Audit Committee of the Board of Directors and the Board of Directors. On February 24, 2021, Eaton's Board of Directors declared a quarterly dividend of $0.76 per ordinary share, a 4% increase over the dividend paid in the fourth quarter of 2020. The dividend is payable on March 30, 2021 to shareholders of record on March 16, 2021.

On January 28, 2021, Eaton signed an agreement to acquire Tripp Lite, a leading supplier of power quality products and connectivity solutions including single-phase uninterruptible power supply systems, rack power distribution units, surge protectors, and enclosures for data centers, industrial, medical, and communications markets in the Americas. Under the terms of the agreement, Eaton will pay $1.65 billion for Tripp Lite. The transaction is subject to customary closing conditions and is expected to close in the middle of 2021. Tripp Lite will be reported within the Electrical Americas business segment.

On January 31, 2021, Eaton signed an agreement to acquire Cobham Mission Systems (CMS), a leading manufacturer of air-to-air refueling systems, environmental systems, and actuation primarily for defense markets. Under the terms of the agreement, Eaton will pay $2.83 billion. The transaction is subject to customary closing conditions and is expected to close in the second half of 2021. CMS will be reported within the Aerospace business segment.

OTHER NON-FINANCIAL DISCLOSURES

These other non-financial disclosures are included for the purpose of Statutory Instrument 360/2017 European Union (Disclosure of Non-financial and Diversity Information by certain large undertakings and groups) Regulations 2017, as amended.

Our Business Model

Information regarding the Company's business model is presented in the Principal Activities section of this Directors' Report.

Key Performance Indicators

Eaton has non-financial key performance indicators in areas where we believe the impact on Eaton is relevant. Eaton believes the success of a company should be measured by more than its financial results - it should also be defined by its commitment to environmental stewardship, social responsibility and governance. Eaton’s vision is to improve the quality of life and the environment through the use of power management technologies and services. To fulfill this vision, we established financial and non-financial key performance indicators that respond to issues that matter to all of our stakeholders. We develop our employees by helping them succeed at work and in life. We delight our customers by understanding their challenges and proactively delivering real solutions that help them achieve their business objectives. We deliver for our shareholders by doing what's right. And we support our communities by providing products and solutions that reduce energy, emissions, water and waste footprints and by offering our time and talent to meet social and economic needs in the communities where we work and live.

The Company has also set a number of financial and aspirational goals which have been shared publicly with investors. We strive to be the preferred supplier to customers and channel partners. We pledge to make work exciting, engaging and meaningful, while ensuring the safety, health, and wellness of our employees. We work to make our communities stronger. And we are committed to being a model of inclusion and diversity in our industry and to being active stewards of the environment.

The Company monitors and tracks non-financial key-performance indicators on an ongoing basis. The Company's Executive Vice President, Eaton Business System and Sustainability, updates the Board of Directors regarding these metrics and the application and outcome of these policies, including that they are operating as intended and no material issues or incidents were identified during the year under review.

The metrics that we monitor in relation to the policies outlined below currently include:

- workplace inclusion and diversity
- supplier diversity
- charitable contributions
- health and safety
- greenhouse gas generation
- energy consumption
- water consumption
- waste-to-landfill metrics

Addressing Environmental Matters

Eaton monitors the impact of its activity on the environment. Eaton has established policies to ensure that its operations are conducted 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. We routinely review EHS performance at each of our facilities and continuously strive to improve pollution prevention.

The Company is involved in remedial response and voluntary environmental remediation at sites worldwide, including currently-owned or formerly-owned plants. None of these sites is individually significant to the Company's development, performance or position. The remediation activities generally involve soil and/or groundwater contamination and include pre-cleanup activities such as fact finding and investigation, risk assessment, feasibility study, design and action planning, and operation and maintenance of remediation systems. The estimated costs of remediation, which will be paid over a period of years, are accrued for in accordance with applicable accounting rules.

Managing Social and Employee Matters

Eaton monitors the development, performance, position, and impact of its activity on social and employee matters. Eaton follows relevant non-discrimination laws and regulations in the countries where we operate. It is our policy to make all decisions regarding employment, including hiring, compensation, training, promotions, transfers, or lay-offs, based on the principle of equal employment opportunity, unlimited by race, color, social or economic status, religion, national origin, marital status, age, disability, veteran status, sexual orientation, gender identity, or any protected status.

We are committed to the well-being of all employees. We value individual differences, communicate openly and honestly and provide competitive pay and benefits. We encourage employees to continuously learn, grow and change. We value new ideas and ask employees to be involved in their work and committed to the Company's future. We strive to improve the environment and our communities. We also provide employees with a work environment based on trust, where they are free to ask questions, provide feedback, report concerns, and be actively engaged in decision-making.

Where employees are represented by unions and/or works councils, Eaton follows local laws when dealing with their representatives.

Health and safety issues

Eaton operates under a safety policy that states safety is fundamental to everything the Company and its employees do. We strive to ensure a workplace with zero incidents. We are committed to removing conditions that cause personal injury or occupational illness and we make decisions and promote behaviors that protect others from risk of injury. We use formal problem-solving processes to reduce risk and continuously improve our safety performance.

Customer feedback

We engage our customers primarily through our Customer Advisory Board and our Customer Relationship Reviews. The Customer Advisory Board solicits unfiltered feedback from customers that helps us identify successes and areas of opportunity to continuously improve our performance. The Customer Relationship Reviews involve interviews with more than 1,000 decision makers from key strategic customers. The results from these customer feedback tools are delivered to key leaders within the Company and follow-up action plans are developed and monitored.

Community relations initiatives

Eaton cares about the communities where our employees live and work. We invest our time and money in programs that help support community needs. In our facilities around the world, local managers and employees identify specific community needs and determine the local programs their facility will support through philanthropy or volunteerism. This localized approach to community relations focuses our efforts where they can have the most positive impact.

Ensuring Respect for Human Rights

Eaton has a Code of Ethics, a Global Ethics and Compliance Office, and a Supplier Code of Conduct to assist with ensuring a positive development, performance, position, and impact of the Company's activity in relation to human rights.

Eaton's Code of Ethics establishes respect for human rights as a fundamental principle that our employees and suppliers are required to honor. Our guidelines specifically prohibit suppliers from using forced labor of any kind. The Global Ethics and Compliance Office oversees and manages our ethics and compliance program under the direction of the Senior Vice President, Global Ethics and Compliance, with ultimate oversight by the Governance Committee of the Board of Directors.

Our Supplier Code of Conduct establishes minimum workplace standards and business practices that are expected of any supplier doing business with Eaton, consistent with our Company's values as documented in our Code of Ethics. These requirements are applicable to suppliers of Eaton and their affiliates and subsidiaries globally and include prohibitions on the use of forced labor, slavery, and human trafficking. Our suppliers are required to adhere to and certify compliance with the Supplier Code. In support of all of these policies, processes and procedures, Eaton undertakes specific actions to prevent and mitigate the risk of forced labor, slavery, and human trafficking in our own business and supply chain, including: verification processes, supplier audits, certifications, internal accountability, and training.

Reducing Bribery and Corruption Risk

To assist with ensuring a positive development, performance, position, and impact of the Company's activity in relation to bribery and corruption and to manage this risk and enable us to pursue opportunities with greater confidence, we employ a comprehensive global anti-corruption strategy. Our policies prohibit bribes, kickbacks, inappropriate gifts or entertainment, and any other form of corrupt payment. We have an annual training curriculum to ensure our employees know our policies, know the law, and know the behavior we expect.

Our Principal Risks and How We Manage Them

Eaton has an Enterprise Risk Management Policy to manage risk. Identifying and managing key risks to Eaton's business operations are essential to the Company's future growth, profitability, and successful execution of its strategic plans. The Company is committed to understanding and managing these risks through a consistent approach to risk assessment, planning, reporting, and mitigation. Each operation and function is responsible for participating in the annual risk assessment process. The process covers compliance, business, legislative, and emerging risks. The objective of the annual risk assessment process is to identify key risks, develop strategies for managing the risks, and to ensure execution of mitigation strategies. Each operation and function is responsible for evaluation, mitigation, and reporting of key risks as part of their business planning.

Dealing with environmental matters

Information regarding how the Company deals with environmental matters is presented in the Environmental Contingencies section of this Directors' Report.

Additionally, Eaton's Senior Leadership Council drives our sustainability strategy, optimizes our resources and ensures that we are focusing on the environmental risks and opportunities that are most important to our customers, investors, communities and employees. We establish goals for reducing our environmental impact, and measure, review and report our progress to the public. The Company also supports collective actions that will lead to the worldwide reduction of Greenhouse Gas (GHG) emissions to address the risks of climate change. Using guidelines established by the Global Reporting Initiative, we set annual targets for reduction of our worldwide energy consumption and carbon emissions. Progress is audited by a third party and we report the results to the public. See our section on Addressing Environmental Matters above, which provides more detail on our risk management approach and due diligence.

Managing social and employee matters

With our commitment to the safety and health of our employees, our goal is to have no safety incidents. We care about providing meaningful and engaging work for our employees, and ensure a culture that allows them to flourish. Fostering a motivated, inclusive, and diverse workforce is a central focus of the Company. We support and train our employees for the changes we anticipate in the coming years to ensure we have a strong capable workforce.

Eaton is committed to having a workforce that is diverse and inclusive at all levels, reflecting the diversity of our customers and communities. Our success depends on our ability to attract and retain the best employees without regard to race, color, social or economic status, religion, national origin, marital status, age, veteran status, sexual orientation, gender identity, or any protected status. It is the policy of the Company to make all decisions regarding employment, including hiring, compensation, training, promotions, transfers, or lay-offs, based on the principle of equal employment opportunity and without discrimination.

Respecting human rights

We recognize that many independent organizations and commissions have proposed core international human rights instruments, such as the United Nations Global Compact, the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights. These instruments generally follow the principles that businesses should respect and support identified human rights and should not participate in human rights abuses. At Eaton, these important principles govern the way we conduct ourselves, and the expectations of conduct we require of our suppliers. We are also a member and participant in the Global Reporting Initiative, which is one of the world's most widely used reporting frameworks for performance on human rights, labor, environment, anti-corruption and corporate citizenship. See our section on Ensuring Respect for Human Rights above, which provides more detail on our risk management approach and due diligence.

Preventing bribery and corruption

The laws of most countries make the payment, offer of payment, receipt of a bribe, kickback or other corrupt payment a crime, potentially subjecting both Eaton and individual employees to fines and/or imprisonment. In addition, these anti-corruption laws make it a crime to pay, offer, or give anything of value to foreign governmental officials, a foreign political party (or official thereof) or candidate for foreign office, for the purpose of influencing the acts or decisions of those officials, parties or candidates. We follow all pertinent Bribery and Corruption laws of the countries where we operate to reduce any risk to Eaton.

It is the global policy of Eaton that the Company and all its affiliates, employees, officers and directors, and all persons that act as a representative, agent, or advisor to Eaton or any of its affiliates, must comply fully with applicable anti-corruption laws. Our employees are prohibited from directly or indirectly offering, giving, soliciting, or receiving any form of bribe, kickback, or other corrupt payment, or anything of value, to or from any person or organization, including government agencies, individual government officials, private companies, and employees of those private companies under any circumstances.

Policy Outcomes

Eaton has succeeded in our pledge to be active stewards of the environment - exceeding our greenhouse gas, water use and waste reduction goals. We also made progress with our employee related goals - improving safety, reducing voluntary turnover across the organization and increasing the diversity of our workforce. Eaton was recognized by Fortune magazine as one of the World's Most Admired Companies and named a Best Place to Work for LGBTQ Equality by the Human Rights Campaign. We helped strengthen our communities by investing more than $9 million in local community organizations.

Eaton's Code of Ethics and global anti-corruption strategy set out our fundamental principles of ethical behavior. The Eaton Ethics Guide has been published to provide practical guidance in complying with our Code of Ethics. We also deliver training to employees to ensure there is sufficient knowledge and awareness of our policies. More information on the outcomes of these policies can be found in the Ensuring Respect for Human Rights and Reducing Bribery and Corruption Risk sections above.

Ensuring Supply Chain Integrity

Eaton's supply chain is multi-tiered and the raw materials, parts and services that we purchase are varied and are sourced from more than 50,000 suppliers across the globe. We actively seek to do business with suppliers that are industry leaders, strategic partners and financially stable. Suppliers must also share Eaton's focus on doing business responsibly and our long-standing commitment to the highest ethical standards. An important part of this commitment is ensuring that our suppliers and supply chain do not use slave labor or engage in human trafficking. Several key governance processes and supporting policies, including our Supplier Code of Conduct, guide our actions accordingly.

Policies on Conflict Minerals

We are committed to ensuring our products do not incorporate conflict minerals, which are minerals smelted into tin, tantalum, tungsten and gold sourced from entities that directly or indirectly finance conflict in the Democratic Republic of Congo or adjoining countries. The Company's management team works to directly engage our supply chain on responsible sourcing practices. Eaton is a member of multi-stakeholder initiatives such as the Responsible Minerals Initiative, which is focused on driving supply chain responsibility and transparency deep into global supply chains.

Eaton requires its suppliers to perform sufficient due diligence into their respective supply chains to determine whether products sold to us contain tin, tantalum, tungsten or gold, and if so, whether and to what extent those metals are sourced from conflict-free smelters. Suppliers must report to Eaton the results of such due diligence to enable us to comply with our legal obligations and policy goals, so that any such metals are sourced only from conflict-free smelters. Through these actions, we are meeting and exceeding regulatory, customer, and societal expectations by supporting only conflict-free minerals and supply chains.

DIRECTORS AND SECRETARIES

The present directors and secretaries are listed in the following table, and unless noted in the following paragraph have served throughout the period to December 31, 2020 and since year end.

Ms. Lori J. Ryerkerk was appointed as director, effective April 22, 2020. Mr. Todd M. Bluedorn retired as director effective April 22, 2020.

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', SECRETARY's AND ASSISTANT SECRETARY's INTERESTS 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 22 to the Consolidated Financial Statements. The interest of the directors, secretary and assistant secretary in ordinary share capital of Eaton Corporation plc at December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020				December 31, 2019			
	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)]	350,975	586,150	54,230	—	299,227	660,950	56,287	—
Christopher M. Connor	13,650	—	19,113	30,272	13,650	—	16,980	29,333
Michael J. Critelli	28,066	—	19,113	—	55,566	—	16,980	—
Richard H. Fearon	123,382	342,670	17,735	—	200,384	340,650	20,120	—
Olivier Leonetti	630	—	1,589	—	630	—	—	—
Deborah L. McCoy	15,856	—	19,113	32,156	29,936	—	16,980	31,158
Silvio Napoli	600	—	1,589	—	600	—	—	—
Gregory R. Page	54,094	—	19,113	13,538	50,094	—	16,980	13,118
Sandra Pianalto	557	—	13,926	—	557	—	11,954	—
Lori J. Ryerkerk	600	—	—	—	—	—	—	—
Gerald B. Smith	1,791	—	19,113	—	5,791	—	16,980	—
Dorothy C. Thompson	2,205	—	8,182	—	2,205	—	6,387	—
Secretary								
Nigel Crawford	100	—	2,125	—	329	—	1,997	—
Assistant Secretary								
Estelle Diggin	—	—	—	—	—	—	—	—

(1) At December 31, 2020, Craig Arnold held 177.578 shares in the Employee Stock Plan (ESP)

(2) At December 31, 2019, Craig Arnold held 173.01 shares in the 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 24 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

Irish Company law 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 U.S. generally accepted accounting principles to the extent they do not contravene any provision of the Companies Act 2014; 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, 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 U.S. 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, 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 their 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	Richard H. Fearon
Chairman of the Board of Directors	Director
February 24, 2021	

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Eaton Corporation plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended December 31, 2020 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 24 in respect of the Group financial statements and the related notes 1 to 15 in respect to the Parent Company financial statements, including a summary of significant accounting policies as set out therein. 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. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable Irish law and accounting standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland issued in the United Kingdom by the Financial Reporting Council. (Irish Generally Accepted Accounting Practice).

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2020 and of the profit for the Group for the year then ended, and have been properly prepared in accordance with 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;

- 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 December 31, 2020, and has been properly prepared in accordance with Irish Generally Accepted Accounting Practice; and

- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and the Parent Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Accounting and Auditing Supervisory Authority (IAASA), as applies to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's Going Concern assessment process ensured key factors were considered in their assessment;
- We obtained and evaluated management's going concern assessment and the cash forecast for the going concern period which covers a year from the date of signing this audit opinion. The assessment included an analysis of the Group's cash and short-term investments position, as well as upcoming proceeds of $3.3 billion from the sale of the Hydraulics business, full availability under the Group's $2 billion credit facility, and historical and current year significant cash provided by operations;
- The Group is currently in compliance with all debt covenants and based on the current forecasts will remain in compliance for the going concern assessment period; and
- We reviewed the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate.

Based on the above, we have also observed that the Group 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.

Conclusion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and the Parent Company's ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified. These matters include those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Unrecognised Income Tax Benefits As discussed in Note 14 to the consolidated financial statements, the Company had gross unrecognized income tax benefits of $1,036 million related to its uncertain tax positions at December 31, 2020. Unrecognized income tax benefits are recorded under the two-step recognition and measurement principles when a tax position does not meet the more likely than not standard, or if a tax position meets the more likely than not standard, but the financial statement tax benefit is reduced as part of the measurement step. The balance of unrecognized income tax benefits is comprised of uncertain tax positions which meet the more likely than not standard, but the financial statement tax benefit has been reduced as part of measuring the tax position. Auditing management's analysis of its uncertain tax positions and resulting unrecognized income tax benefits is complex as each tax position carries unique facts and circumstances that must be evaluated and ultimate resolution is dependent on 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.	We obtained an understanding, evaluated the design and tested the operating effectiveness of management's controls related to uncertain tax positions. For example, we tested controls over management's application of the two-step recognition and measurement principles and management's review of the inputs and resultant calculations of unrecognized income tax benefits, as well as the identification of uncertain tax positions. We also evaluated the Company's assessment of its uncertain tax positions. Our audit procedures included evaluating management's accounting policies and documentation to assess the appropriateness and consistency of the methods and assumptions used to develop its uncertain tax positions and related unrecognized income tax benefit amounts by jurisdiction. We also tested the completeness and accuracy of the underlying data used by the Company. For example, we compared the unrecognized income tax benefits recorded with similar positions in prior periods and assessed management's consideration of current tax controversy and litigation and trends in similar positions challenged by tax authorities. We also assessed the historical accuracy of management's estimates of its unrecognized income tax benefits with the resolution of those positions. In addition, we involved tax subject matter professionals to evaluate the application of relevant tax laws in the Company's recognition determination. Further, we tested the Company's release of previously recorded unrecognized income tax benefits, which along with the recording of additional unrecognized tax benefits, impacts the Company's tax provision. We have also evaluated the Company's income tax disclosures in relation to these matters.	Our observations included an outline of the range of audit procedures performed and the results of our testing. We provided our assessment of the tax reserves in light of open tax authority examination periods, transfer pricing and various country matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Reallocation of Goodwill related to the Divestiture of the Hydraulics Business and the Re-segmentation of Certain Operating Segments As discussed in Notes 2 and 7 to the consolidated financial statements, in January 2020 the Company entered into an agreement to sell its Hydraulics business to Danfoss A/S for $3.3 billion in cash and classified the assets and liabilities of the Hydraulics business being sold (“Hydraulics”) as held for sale. In conjunction with classification of Hydraulics as held for sale, management reassigned goodwill using a relative fair value allocation to both Hydraulics and the Filtration and Golf Grip businesses previously included in the Hydraulics operating segment and subsequently included within the Aerospace operating segment as part of the re-segmentation described below. Goodwill of $907 million was allocated to Hydraulics as part of the classifying Hydraulics assets as held for sale in the first quarter. Additionally, during the first quarter of 2020, as discussed in Note 6 to the consolidated financial statements, the Company re-segmented certain operating segments due to a reorganization of the Company’s businesses. Specific to the Electrical business, the Company replaced the previous Electrical Products and Electrical Systems and Services segments with the Electrical Americas and the Electrical Global segments (collectively referred to as the “New Electrical Segments”). Management reassigned goodwill to the New Electrical Segments using a relative fair value allocation which resulted in goodwill of $6.4 billion and $4.0 billion being allocated to the Electrical Americas and Electrical Global operating segments, respectively. Auditing the Company's reallocation of goodwill to Hydraulics and the New Electrical Segments was complex due to the significant estimation required to determine each of the fair values of the impacted reporting units referred to above. These fair value estimates were sensitive to significant assumptions such as the weighted-average cost of capital, revenue growth rates, operating margins and the terminal values, which are affected by expectations about future market or economic conditions.	We obtained an understanding, evaluated the design and tested the operating effectiveness of management’s controls over the goodwill allocation processes. For example, we tested controls over management’s review of the significant assumptions described above along with the completeness and accuracy of the data used in these fair value estimates. To test the estimated fair value of the impacted reporting units, our audit procedures included, among others, evaluating the Company’s fair value methodology, testing the significant assumptions discussed above and testing the underlying data used by the Company in each of its analyses. For example, we compared the significant assumptions used by management to current industry and economic trends. We assessed the historical accuracy of management’s estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair values of the impacted reporting units that would result from changes in assumptions. We also involved EY valuation specialists to assist in our evaluation of the weighted-average cost of capital utilized in each fair value estimate. We tested the allocations of goodwill by recalculating the amounts based on the estimated fair values of each of the impacted reporting units. Furthermore, we have evaluated the Company’s disclosures in relation to the reallocation of goodwill.	Our observations included our assessment of the reasonableness of the goodwill allocated to the Hydraulics business and the re-segmentation of certain operating segments. This included our assessment of the significant assumptions (i.e., financial forecasts, industry and economic trends, and discount rates) used to determine the estimated fair value of the goodwill, including the purchase price agreed for the divestiture.

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
Valuation of Intangible Assets in the Acquisition of Souriau-Sunbank Connection Technologies As discussed in Note 2 to the consolidated financial statements, during December 2019 the Company completed the acquisition of the Souriau-Sunbank Connection Technologies business ("Souriau-Sunbank") for a total purchase price of approximately $907 million, net of cash received. The acquisition was accounted for using the acquisition method of accounting. The consideration paid in the acquisition must be allocated to the acquired assets and liabilities assumed generally based on their fair value with the excess of the purchase price over those fair values allocated to goodwill. The preliminary estimates of the fair value of intangible assets were revised during the measurement period in 2020 as third-party valuations were received and finalized resulting in the recognition of customer relationships and technology intangible assets of $250 million and $95 million, respectively. Auditing the Company's accounting for its acquisition of Souriau-Sunbank was complex because the customer relationships and technology intangible assets recognized were material to the consolidated financial statements and the estimates of fair value involved subjectivity. The subjectivity was primarily due to the sensitivity of the respective fair values to underlying assumptions about the future performance of the acquired business. The Company used discounted cash flow models to measure the intangible assets. The significant assumptions used to estimate the fair value of the intangible assets included discount rates and certain assumptions that form the basis of the forecasted results (e.g., revenue growth rates and future EBITDA margins). These significant assumptions are forward looking and could be affected by future economic and market conditions.	We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over its accounting for the acquisition of Souriau-Sunbank, including recognition and measurement of the intangible assets acquired. For example, we tested controls over the recognition and measurement of customer relationships and technology intangible assets, including management's review of the methods and significant assumptions used to develop such fair value estimates. To test the estimated fair values of the customer relationships and technology intangible assets, we performed audit procedures that included, among others, evaluating the Company's selection of the valuation methodology, evaluating the methods and significant assumptions used by the Company's valuation specialist, and evaluating the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. We also performed sensitivity analyses to evaluate the changes in the fair value of such intangible assets that would result from changes in the significant assumptions. We involved our EY valuation specialists to assist with our evaluation of the methodology used by the Company and certain significant assumptions included in the fair value estimates. For example, when evaluating the assumptions related to the revenue growth rates and future EBITDA margins, we compared the assumptions to the past performance of Souriau-Sunbank and expected industry trends and considered whether they were consistent with evidence obtained in other areas of the audit. Furthermore, we have evaluated the Company's disclosures in relation to the Souriau-Sunbank acquisition.	Our observations included our assessment of the reasonableness of the significant assumptions (i.e., financial forecasts, industry and economic trends, and discount rates) used in the valuation of intangible assets in the acquisition of Souriau-Sunbank.

In the prior year a further KAM was identified, "Reallocation of Goodwill related to the Divestiture of the Lighting Business". Given the inherent complexity and subjectivity associated with management's relative fair value calculation when they performed the re-allocation of goodwill from the Company's legacy Electrical Products reporting unit to the Lighting business, this was identified as a significant risk and was considered as a KAM in the prior year. This significant risk was addressed by our prior year audit procedures and thus the relative fair value calculation does not impact our current year risk assessment, and as a result, Reallocation of Goodwill related to the Divestiture of the Lighting Business was no longer deemed a KAM for 2020.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

Materiality is the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $127 million (2019: $141 million), which is approximately 5% (2019: 5%) of the Group average profit before tax (adjusted for non-recurring items) for the last four years (i.e. current and previous three years). Given the impact of the COVID 19 pandemic on the current year results of the Group, we considered the average adjusted profit before tax to be the most appropriate basis for our materiality calculation. Further, we believe that adjusted profit before tax is a key performance indicator to the main stakeholders of the Group.

During the course of our audit, we reassessed initial materiality and the only change in final materiality was to reflect the actual reported performance of the Group in the year.

Performance materiality

Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality should be set at 75% of our planning materiality, namely $95 million (2019: $106 million). We have set performance materiality at this percentage due to our past history of a low number of misstatements, our ability to assess the likelihood of misstatements, both corrected and uncorrected, the effectiveness of the control environment and other factors affecting the entity and its financial reporting.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $6.5 million to $95 million.

Reporting threshold

Reporting Threshold is the amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $6.5 million (2019: $7 million), which is set at approximately 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Audit Scope

- We performed an audit of the complete financial information of 15 full-scope components and performed audit procedures on specific balances for a further 41 components.
- The components where we performed either full or specific audit procedures accounted for 59% of the Group's profit before tax, 88% of the Group's Revenue and 73% of the Group's Total Assets.
- 'Components' represent business units across the Group considered for audit scoping purposes.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the Consolidated Financial Statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls and other factors when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected 56 components covering entities across the Americas, Asia, Europe, the Middle East, and Africa, which represent the principal business units within the Group.

Of the 56 (2019: 70) components selected, we performed an audit of the complete financial information of 15 (2019: 24) components ('full scope components') which were selected based on their size or risk characteristics. Of the 15 full scope components selected, 1 such component relates to the U.S. Corporate Headquarters. For the remaining 41 (2019: 46) components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 59% (2019: 57%) of the Group's profit before tax, 88% (2019: 89%) of the Group's revenue and 73% (2019: 73%) of the Group's total assets. The change in coverage of Group profit before tax is due to rotation of certain components previously included within our Group audit scope.

For the current year, the full scope components contributed 9% (2019: 29%) of the Group's profit before tax, 88% (2019: 89%) of the Group's revenue and 67% (2019: 69%) of the Group's total assets. The specific scope components contributed 50% (2019: 28%) of the Group's profit before tax. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

The remaining components together represent 41% (2019: 43%) of the Group's profit before tax with average revenues of $8.9m (2019: $10.4m) and average profit before tax of $0.5m (2019: $0.9m). Included within the remaining components are entities selected for specified procedures over certain accounts, such as cash, income taxes, pension and other postretirement benefits and inventory. For these remaining components, we also performed other procedures, including testing the effectiveness of Group-wide controls, analytical reviews, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the financial statements.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, EY Dublin, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. For all components we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. The primary team interacted with the component team where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at a Group level, gave us appropriate evidence for our opinion on the consolidated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, based solely on the work undertaken in the course of the audit:

- the information given in the directors' report, other than those parts dealing with the non-financial statement pursuant to the requirements of the European Union (Disclosure of non-financial and diversity Information by certain large undertakings and groups) Regulations 2017 (as amended) on which we are not required to report, for the financial year for which the statutory financial statements are prepared is consistent with the statutory financial statements in respect of the financial year concerned; and
- the directors' report, other than those parts dealing with the non-financial statement pursuant to the requirements of the European Union (Disclosure of non-financial and diversity Information by certain large undertakings and groups) Regulations 2017 (as amended) on which we are not required to report, has been prepared in accordance with applicable legal requirements.

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 Parent Company were sufficient to permit the financial statements to be readily and properly audited and the Parent Company statement of financial position is in agreement with the accounting records.

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

Matters on which we are required to report by exception

Based on our knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act, which relate to disclosures of directors' remuneration and transactions, are not complied with by the Company. We have nothing to report in this regard.

We are not required to report in respect of section 13 of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended), which require us to report to you if, in our opinion, the group has not provided in the non-financial statement the information required by Section 5(2) to (7) of those Regulations, in respect of year ended December 31, 2019.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasaie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Dermot Daly
For and on behalf of Ernst & Young
Chartered Accountants and Statutory Audit Firm

Dublin
24 February 2021

EATON CORPORATION plc
CONSOLIDATED PROFIT AND LOSS ACCOUNTS

(In millions except for per share data)	Note	Year ended December 31 2020	2019
Net sales	20	$ 17,858	$ 21,390
Cost of products sold		12,408	14,338
Gross profit		5,450	7,052
Selling and administrative expense		3,075	3,583
Research and development expense		551	606
Interest expense		223	282
Interest income		(74)	(83)
Gain on sale of business	2	(221)	—
Other expense		199	179
Other income		(49)	(106)
Income before income taxes	20	1,746	2,591
Income tax expense	14	331	378
Net income		1,415	2,213
Less net income for noncontrolling interests		(5)	(2)
Net income attributable to Eaton ordinary shareholders		$ 1,410	$ 2,211
Net income per share attributable to Eaton ordinary shareholders			
Diluted	15	$ 3.49	$ 5.25
Basic	15	3.51	5.28
Weighted-average number of ordinary shares outstanding			
Diluted	15	404.0	420.8
Basic	15	402.2	419.0
Cash dividends declared per ordinary share		$ 2.92	$ 2.84

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 2020	2019
Net income		$ 1,415	$ 2,213
Less net income for noncontrolling interests		(5)	(2)
Net income attributable to Eaton ordinary shareholders		1,410	2,211
Other comprehensive income (loss), net of tax			
Currency translation and related hedging instruments	15	201	16
Pensions and other postretirement benefits	15	(73)	(130)
Cash flow hedges	15	(33)	(31)
Other comprehensive income (loss) attributable to Eaton ordinary shareholders		95	(145)
Total comprehensive income attributable to Eaton ordinary shareholders		$ 1,505	$ 2,066

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

EATON CORPORATION plc
CONSOLIDATED BALANCE SHEETS

(In millions)	Note	December 31 2020		December 31 2019	
Assets					
Fixed assets					
Intangible assets - goodwill	7	$	12,903	$	13,456
Intangible assets - other	7		4,483		4,955
Operating lease assets	8		428		436
Property, plant and equipment, net	6		2,964		3,496
Investments in associate companies			680		714
Current assets					
Inventory	5		2,109		2,805
Debtors	9		4,939		5,199
Assets held for sale	2		2,487		1,377
Short-term investments	17		664		221
Cash			438		370
Total assets		$	32,095	$	33,029
Liabilities and Equity					
Shareholders' equity					
Called up share capital		$	4	$	4
Share premium			11,749		11,677
Profit and loss account			6,927		8,303
Other reserves	15		(3,748)		(3,900)
Shares held in trust			(2)		(2)
Total Eaton shareholders' equity			14,930		16,082
Noncontrolling interests			43		51
Total shareholders' equity			14,973		16,133
Provision for liabilities and charges					
Pension and other postretirement benefits	12		2,007		1,867
Deferred income taxes	14		548		620
Other provisions	13		557		410
Creditors					
Debt	11		8,058		8,322
Creditors	10		5,484		5,352
Liabilities held for sale	2		468		325
Total for provisions and creditors			17,122		16,896
Total liabilities and equity		$	32,095	$	33,029

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

The Consolidated Financial Statements were approved by the Board of Directors on February 24, 2021 and signed on its behalf by:

Craig Arnold
Chairman of the Board of Directors

Richard H. Fearon
Director

EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Year ended December 31 2020	2019
Operating activities		
Net income	$ 1,415	$ 2,213
Adjustments to reconcile to net cash provided by operating activities		
Depreciation and amortization	811	884
Deferred income taxes	(86)	(71)
Pension and other postretirement benefits expense	210	157
Contributions to pension plans	(122)	(119)
Contributions to other postretirement benefits plans	(23)	(15)
Loss (gain) on sale of businesses	(91)	66
Changes in working capital		
Accounts receivable - net	219	172
Inventory	371	(60)
Accounts payable	76	147
Accrued compensation	(65)	(23)
Accrued income and other taxes	(95)	16
Other current assets	(67)	12
Other current liabilities	196	(21)
Other - net	195	93
Net cash provided by operating activities	2,944	3,451
Investing activities		
Capital expenditures for property, plant and equipment	(389)	(587)
Cash paid for acquisitions of businesses, net of cash acquired	(200)	(1,180)
Proceeds from (payments for) sales of businesses	1,408	(36)
Purchases of short-term investments - net	(441)	(70)
Proceeds from settlement of currency exchange contracts not designated as hedges - net	94	54
Other - net	(75)	(47)
Net cash provided by (used in) investing activities	397	(1,866)
Financing activities		
Proceeds from borrowings	1	1,232
Payments on borrowings	(504)	(507)
Cash dividends paid	(1,175)	(1,201)
Exercise of employee stock options	71	66
Repurchase of shares	(1,608)	(1,029)
Employee taxes paid from shares withheld	(37)	(46)
Other - net	(6)	(9)
Net cash used in financing activities	(3,258)	(1,494)
Effect of currency on cash	(15)	(4)
Total increase in cash	68	87
Cash at the beginning of the period	370	283
Cash at the end of the period	$ 438	$ 370

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 Shares	Called up share capital Dollars	Share premium	Profit and loss account	Other reserves	Shares held in trust	Total Eaton shareholders' equity (Note 15)	Noncontrolling interests	Total equity
Balance at January 1, 2019	423.6	$ 4	$ 11,606	$ 8,294	$ (3,794)	$ (3)	$ 16,107	$ 35	$ 16,142
Net income	—	—	—	2,211	—	—	2,211	2	2,213
Other comprehensive loss, net of tax					(145)		(145)		(145)
Cash dividends paid	—	—	—	(1,201)	—	—	(1,201)	(3)	(1,204)
Issuance of shares under equity-based compensation plans	2.2	—	71	(1)	39	1	110	—	110
Acquisitions of businesses	—	—	—	—	—	—	—	55	55
Acquisition of noncontrolling interest obtained through tender offer	—	—	—	—	—	—	—	(33)	(33)
Business divestiture	—	—	—	—	—	—	—	(4)	(4)
Changes in noncontrolling interest of consolidated subsidiaries, net	—	—	—	—	—	—	—	(1)	(1)
Repurchase and cancellation of ordinary shares	(12.5)	—	—	(1,000)	—	—	(1,000)	—	(1,000)
Balance at December 31, 2019	413.3	4	11,677	8,303	(3,900)	(2)	16,082	51	16,133
Net income	—	—	—	1,410	—	—	1,410	5	1,415
Other comprehensive income, net of tax					95		95		95
Cash dividends paid	—	—	—	(1,175)	—	—	(1,175)	(9)	(1,184)
Issuance of shares under equity-based compensation plans	1.9	—	72	(3)	57	—	126	—	126
Changes in noncontrolling interest of consolidated subsidiaries, net	—	—	—	—	—	—	—	(4)	(4)
Repurchase and cancellation of ordinary shares	(17.1)	—	—	(1,608)	—	—	(1,608)	—	(1,608)
Balance at December 31, 2020	398.1	$ 4	$ 11,749	$ 6,927	$ (3,748)	$ (2)	$ 14,930	$ 43	$ 14,973

The accompanying notes are an integral part of the 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 2020 net sales of $17.9 billion. Eaton's mission is to improve the quality of life and the environment through the use of power management technologies and services. We provide sustainable solutions that help our customers effectively manage electrical, hydraulic and mechanical power – more safely, more efficiently and more reliably. Eaton has approximately 92,000 employees in 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 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. The consolidated financial statements have been prepared using a format adapted from those prescribed in accordance with the Companies Act for the benefit of those users of these financial statements who also access our Form 10-K U.S. GAAP financial statements. Accordingly, Assets held for sale is presented within Current Assets in the consolidated Balance Sheets. See Note 2 for additional information about assets held for sale.

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 have been prepared on the going concern basis and no material uncertainties have been identified that would cast significant doubt over the Company's ability to continue for twelve months past the date of this Annual Report.

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. Income from equity investments is reported in Other income or Other expense. Eaton does not have off-balance sheet arrangements with unconsolidated entities.

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 the first quarter of 2020, Eaton re-segmented certain reportable operating segments due to a reorganization of the Company's businesses. The new reportable segments are Electrical Americas and Electrical Global, which include the legacy Electrical Products and Electrical Systems and Services segments. Additionally, the Filtration and Golf Grip businesses previously included in the Hydraulics segment, and the electrical aerospace connectors business previously included in the Electrical Products segment, have been added to the Aerospace reportable segment as part of the reorganization. The Company also changed how it measures business segment performance in 2020 as it no longer allocates acquisition and divestiture charges to its operating segments. Historical segment information has been retrospectively adjusted to reflect these changes. See Note 20 for additional information related to the segments.

The Company recorded $37 of net gains for the year ended December 31, 2019 related primarily to the remeasurement of intercompany loans denominated in a foreign currency and the currency exchange derivative contracts used to hedge these exposures. In the first quarter of 2020, Eaton changed the presentation of these gains from Other income to Interest income, and reclassified all prior periods.

In the first quarter of 2020, the Company also changed the presentation of the following items within the operating activities section of the Consolidated Statements of Cash Flows:

- The non-cash gains and losses associated with currency exchange derivative contracts have been moved from Other current assets and Other current liabilities to Other-net. This puts the non-cash impact of these derivatives on the same line as the non-cash impact from the balance sheet currency exposures they are used to hedge.
- The changes in both uncertain tax positions and prepaid taxes have been moved from Other-net and Other current assets, respectively, to Accrued income and other taxes. This places the cash flow impact from all taxes on the same line.
- The changes in non-trade receivables have been moved from Accounts receivable-net to Other current assets. This separates the cash flows associated with non-trade receivables from customer collections.

The net impact of these cash flow reclassifications was a $179 inflow for 2019 to Changes in working capital with the corresponding impact to Other-net, resulting in no change to total operating cash flow.

Adoption of New Accounting Standards

Eaton adopted Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, in the first quarter of 2020. This standard introduces new guidance for accounting for credit losses on receivables. The Company did not recognize a cumulative-effect adjustment to Profit and loss reserve account as of January 1, 2020, as the adoption of this standard did not have a material impact on the consolidated financial statements.

Revenue Recognition

Sales are recognized when control of promised goods or services are transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Control is transferred when the customer has the ability to direct the use of and obtain benefits from the goods or services. The majority of the Company's sales agreements contain performance obligations satisfied at a point in time when control is transferred to the customer. Sales recognized over time are generally accounted for using an input measure to determine progress completed at the end of the period. Sales for service contracts generally are recognized as the services are provided. For agreements with multiple performance obligations, judgment is required to determine whether performance obligations specified in these agreements are distinct and should be accounted for as separate revenue transactions for recognition purposes. In these types of agreements, we generally allocate sales price to each distinct obligation based on the price of each item sold in separate transactions.

Payment terms vary by the type and location of the customer and the products or services offered. Generally, the time between when revenue is recognized and payment is due is not significant. Eaton does not evaluate whether the selling price includes a financing interest component for contracts that are less than a year. Sales, value added, and other taxes collected concurrent with revenue are excluded from sales. Shipping and handling costs are treated as fulfillment costs and are included in Cost of products sold.

Eaton records reductions to sales for returns, and 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. Returns are estimated at the time of the sale primarily based on historical experience and recorded gross on the Consolidated Balance Sheet. See Note 3 for additional information.

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, and is based on the net assets for each reporting unit, including goodwill and intangible assets. The Company's reporting units are equivalent to the reportable operating segments, except for the Aerospace segment which has two reporting units. Goodwill is assigned to each reporting unit, 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 a reporting unit is less than its carrying amount.

The annual goodwill impairment test was performed using a qualitative analysis in 2020 and 2019, except for the eMobility segment in 2020 and the Hydraulics segment in 2019 which used a quantitative analysis. A qualitative analysis 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 analysis performed for each reporting unit. The results of the qualitative analyses did not indicate a need to perform quantitative analysis.

Goodwill impairment testing was also performed using quantitative analyses in 2020 for the Electrical Americas, Electrical Global, Hydraulics and Aerospace reporting units due to a reorganization of the Company's businesses discussed in Note 1 and Note 7, and in 2020 and 2019 as a result of the Hydraulics and Lighting businesses being classified as held for sale as discussed in Note 2. The Company used the relative fair value method to reallocate goodwill.

Quantitative analyses were performed by estimating the fair value for each reporting unit using a discounted cash flow model. The model includes estimates of future cash flows, future growth rates, terminal value amounts, and the applicable weighted-average cost of capital used to discount those estimated cash flows. The future cash flows were based on the Company's long-term operating plan and a terminal value was used to estimate the reporting unit'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 judgments, including judgments about appropriate discount rates, perpetual growth rates, revenue growth, and margin assumptions. Sensitivity analyses were performed around certain of these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated fair values.

Based on these analyses performed in 2020 and 2019, the fair value of Eaton's reporting units continue to substantially exceed their respective carrying amounts and thus, no impairment exists.

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 2020 and 2019 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 2020 and 2019, the fair value of indefinite lived intangible assets exceeded the respective carrying value.

For additional information about goodwill and other intangible assets, see Note 7.

Leases

The Company determines if an arrangement is a lease at inception. Operating lease assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. As most leases do not provide an implicit interest rate, Eaton uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. The length of a lease term includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise those options. The Company made an accounting policy election to not recognize lease assets or liabilities for leases with a term of 12 months or less. Additionally, when accounting for leases, the Company combines payments for leased assets, related services and other components of a lease.

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, 2020, the weighted-average amortization period for intangible assets subject to amortization was 18 years for patents and technology; 17 years for customer relationships; and 18 for certain trademarks. Software is amortized over 5 to 15 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 6.

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. If most or all of the plan's participants are no longer actively accruing benefits, the average life expectancy is used. The amortization periods on a weighted average basis for United States and Non-United States pension plans are approximately 23 years and 10 years, respectively. The amortization period for other postretirement benefits plans is 7 years.

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 an 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. Eaton's policy is to recognize income tax effects from Other reserves when individual units of account are sold, terminated, or extinguished. For additional information about income taxes, see Note 14.

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 18 for additional information about hedges and derivative financial instruments.

Note 2. ACQUISITIONS AND DIVESTITURES OF BUSINESSES

Acquisition of controlling interest of Ulusoy Elektrik Imalat Taahhut ve Ticaret A.S.

On April 15, 2019, Eaton completed the acquisition of an 82.275% controlling interest in Ulusoy Elektrik Imalat Taahhut ve Ticaret A.S. (Ulusoy Elektrik), a leading manufacturer of electrical switchgear based in Ankara, Turkey, with a primary focus on medium voltage solutions for industrial and utility customers. Its sales for the 12 months ended September 30, 2018 were $126. The purchase price for the shares was $214 on a cash and debt free basis. As required by the Turkish capital markets legislation, Eaton filed an application to execute a mandatory tender offer for the remaining shares shortly after the transaction closed. During the tender offer, Eaton purchased additional shares for $33 to increase its ownership interest to 93.7%. Ulusoy Elektrik is reported within the Electrical Global business segment.

Acquisition of Innovative Switchgear Solutions, Inc.

On July 19, 2019, Eaton acquired Innovative Switchgear Solutions, Inc. (ISG), a specialty manufacturer of medium-voltage electrical equipment serving the North American utility, commercial and industrial markets. Its 2018 sales were approximately $18. ISG is reported within the Electrical Americas business segment.

Acquisition of Souriau-Sunbank Connection Technologies

On December 20, 2019, Eaton acquired the Souriau-Sunbank Connection Technologies (Souriau-Sunbank) business of TransDigm Group Inc. for a cash purchase price of $907, net of cash received. Headquartered in Versailles, France, Souriau-Sunbank is a global leader in highly engineered electrical interconnect solutions for harsh environments in the aerospace, defense, industrial, energy, and transport markets. Souriau-Sunbank is reported within the Aerospace business segment.

The acquisition of Souriau-Sunbank has been accounted for using the acquisition method of accounting which requires the assets acquired and liabilities assumed be recognized at their respective fair values on the acquisition date. During the measurement period which ended in December 2020, opening balance sheet adjustments were made to finalize Eaton's fair value estimates based on the final valuations received related primarily to intangible assets, goodwill, and the related deferred tax impact, as follows:

	Preliminary Allocation	Measurement Period Adjustments	Final Allocations
Accounts receivable	$ 60	$ —	$ 60
Inventory	121	4	125
Prepayments	5	(1)	4
Property, plant and equipment, net	101	2	103
Intangible assets - other	385	(15)	370
Other debtors	8	—	8
Accounts payable	(34)	1	(33)
Other liabilities	(51)	(7)	(58)
Other long-term liabilities	(130)	4	(126)
Total identifiable net assets	465	(12)	453
Noncontrolling interests	(4)	1	(3)
Intangible assets - goodwill	442	15	457
Total consideration, net of cash received	$ 903	$ 4	$ 907

Goodwill is calculated as the excess of the consideration transferred over the fair value of net assets recognized and represents the anticipated synergies of acquiring Souriau-Sunbank. Goodwill recognized as a result of the acquisition is not deductible for tax purposes. The estimated fair values of the customer relationships and technology intangible assets were $250 and $95, respectively. The Company generally determines the fair value of intangible assets acquired using third-party valuations that are prepared using discounted cash flow models that rely on the Company's estimates. These estimates require judgment of future revenue growth rates, future margins, and the applicable weighted-average cost of capital used to discount those estimated cash flows. The estimated weighted-average useful lives was 20 years for customer relationships and 15 years for technology intangible assets. See Note 7 for additional information about goodwill and other intangible assets.

Eaton's Consolidated Financial Statements include Souriau-Sunbank's results of operations. Souriau-Sunbank's sales for the years ended December 31, 2020 and 2019 were $287 and $3, respectively.

Sale of Automotive Fluid Conveyance business

On December 31, 2019, Eaton sold its Automotive Fluid Conveyance Business. The transaction resulted in a pre-tax loss of $66 which was recorded in Other expense. This business was reported within the Vehicle business segment.

Acquisition of Power Distribution, Inc.

On February 25, 2020, Eaton acquired Power Distribution, Inc. a leading supplier of mission critical power distribution, static switching, and power monitoring equipment and services for data centers and industrial and commercial customers. The company is headquartered in Richmond, Virginia, and had 2019 sales of $125. Power Distribution, Inc. is reported within the Electrical Americas business segment.

Sale of Lighting business

On March 2, 2020, Eaton sold its Lighting business to Signify N.V. for a cash purchase price of $1.4 billion. The Company recognized a pre-tax gain of $221. The Lighting business, which had sales of $1.6 billion in 2019 as part of the Electrical Americas business segment, serves customers in commercial, industrial, residential, and municipal markets.

Pending Sale of Hydraulics business

On January 21, 2020, Eaton entered into an agreement to sell its Hydraulics business to Danfoss A/S, a Danish industrial company, for $3.3 billion in cash. Eaton's Hydraulics business is a global leader in hydraulics components, systems, and services for industrial and mobile equipment. The business had sales of $1.8 billion and $2.2 billion for the years ended December 31, 2020 and 2019, respectively. The transaction is subject to customary closing conditions and regulatory approvals and is expected to close by the end of the first quarter or early second quarter of 2021.

Assets and liabilities held for sale

During the fourth quarter of 2019 and first quarter of 2020, the Company determined the Lighting business and Hydraulics business, respectively, met the criteria to be classified as held for sale. Therefore, assets and liabilities of these businesses have been presented as held for sale in the Consolidated Balance Sheets as of December 31, 2019 and December 31, 2020, respectively. Assets and liabilities classified as held for sale are measured at the lower of carrying value or fair value less costs to sell. There was no write-down as fair values of both the Lighting business and Hydraulics business assets less their costs to sell exceeded their respective carrying value. Depreciation and amortization expense is not recorded for the period in which Other long-lived assets are classified as held for sale.

The Company used the relative fair value method to allocate goodwill to both the Lighting and Hydraulics businesses. The fair values of the Lighting business and Hydraulics business were estimated based on a combination of the prices paid to Eaton by Signify N.V. and Danfoss A/S, respectively, and a discounted cash flow model. The model includes estimates of future cash flows, future growth rates, terminal value amounts, and the applicable weighted-average cost of capital used to discount those estimated cash flows. 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 judgments, including judgments about appropriate discount rates, perpetual growth rates, revenue growth, and margin assumptions.

The assets and liabilities classified as held for sale for the Lighting business on the December 31, 2019 Consolidated Balance Sheet and the Hydraulics business on the December 31, 2020 Consolidated Balance Sheet are as follows:

	December 31, 2020 (Hydraulics business)	December 31, 2019 (Lighting business)
Accounts receivable - net	$ 345	$ 220
Inventory	369	161
Prepayments	18	10
Property, plant and equipment, net	504	155
Intangible assets - goodwill	920	470
Intangible assets - other	260	334
Operating lease assets	61	25
Deferred income taxes	6	—
Other debtors	4	2
Assets held for sale - current	$ 2,487	$ 1,377
Accounts payable	$ 241	$ 184
Accrued compensation	26	7
Other liabilities	101	102
Pension and other postretirement benefits	60	3
Operating lease liabilities	35	17
Deferred income taxes	3	(1)
Other long-term liabilities	2	13
Liabilities held for sale - current	$ 468	$ 325

The Lighting business and Hydraulics business did not meet the criteria to be classified as discontinued operations as neither of these sales represent a strategic shift that will have a major effect on the Company's operations.

Agreement to Acquire a 50% stake in HuanYu High Tech

On December 15, 2020, Eaton signed an agreement to acquire a 50 percent stake in HuanYu High Tech, a subsidiary of HuanYu Group that manufactures and markets low-voltage circuit breakers and contactors in China, and throughout the Asia-Pacific region. HuanYu High Tech had 2019 sales of $106 and has production operations in Wenzhou, China. The transaction is subject to customary closing conditions and regulatory approvals and is expected to close in the second quarter of 2021. Eaton expects to account for this investment on the equity method of accounting and will report it within the Electrical Global business segment.

Agreement to Acquire Tripp Lite

On January 28, 2021, Eaton signed an agreement to acquire Tripp Lite, a leading supplier of power quality products and connectivity solutions including single-phase uninterruptible power supply systems, rack power distribution units, surge protectors, and enclosures for data centers, industrial, medical, and communications markets in the Americas. Under the terms of the agreement, Eaton will pay $1.65 billion for Tripp Lite. The transaction is subject to customary closing conditions and is expected to close in the middle of 2021. Tripp Lite will be reported within the Electrical Americas business segment.

Agreement to Acquire Cobham Mission Systems

On January 31, 2021, Eaton signed an agreement to acquire Cobham Mission Systems (CMS), a leading manufacturer of air-to-air refueling systems, environmental systems, and actuation primarily for defense markets. Under the terms of the agreement, Eaton will pay $2.83 billion. The transaction is subject to customary closing conditions and is expected to close in the second half of 2021. CMS will be reported within the Aerospace business segment.

Note 3. REVENUE RECOGNITION

Sales are recognized when obligations under the terms of the contract are satisfied and control of promised goods or services have transferred to our customers. Sales are measured at the amount of consideration the Company expects to be paid in exchange for these products or services.

The majority of the Company's sales agreements contain performance obligations satisfied at a point in time when title and risk and rewards of ownership have transferred to the customer. Sales recognized over time are less than 5% of Eaton's Consolidated Net Sales. Sales recognized over time are generally accounted for using an input measure to determine progress completed at the end of the period. Sales for service contracts generally are recognized as the services are provided. For agreements with multiple performance obligations, judgment is required to determine whether performance obligations specified in these agreements are distinct and should be accounted for as separate revenue transactions for recognition purposes. In these types of agreements, we generally allocate sales price to each distinct obligation based on the price of each item sold in separate transactions.

Due to the nature of the work required to be performed for obligations recognized over time, Eaton estimates total costs by contract. The estimate of total costs are subject to judgment. Estimated amounts are included in the recognized sales price to the extent it is not probable that a significant reversal of cumulative sales will occur. Additionally, contracts can be modified to account for changes in contract specifications, requirements or sale price. The effect of a contract modification on the sales price or adjustments to the measure of completion under the input method are recognized as adjustments to revenue on a cumulative catch-up basis.

Payment terms vary by the type and location of the customer and the products or services offered. Generally, the time between when revenue is recognized and when payment is due is not significant. Eaton does not evaluate whether the selling price includes a financing interest component for contracts that are less than a year. Sales, value added, and other taxes collected concurrent with revenue are excluded from sales. Shipping and handling costs are treated as fulfillment costs and are included in Cost of products sold.

Eaton records reductions to sales for returns, and 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. Returns are estimated at the time of the sale primarily based on historical experience and are recorded gross on the Consolidated Balance Sheet.

Sales commissions are expensed when the amortization period is less than a year and are generally not capitalized as they are typically earned at the completion of the contract when the customer is invoiced or when the customer pays Eaton.

Sales of products and services varies by segment and are discussed in Note 20.

In the Electrical Americas segment, sales contracts are primarily for electrical components, industrial components, power distribution and assemblies, residential products, single and three phase power quality, wiring devices, circuit protection, utility power distribution, power reliability equipment, and services that are primarily produced and sold in North and South America. The majority of the sales in this segment contain performance obligations satisfied at a point in time either when we ship the product from our facility, or when it arrives at the customer's facility. However, certain power distribution and power quality services are recognized over time.

In the Electrical Global segment, sales contracts are primarily for electrical components, industrial components, power distribution and assemblies, single phase and three phase power quality, and services that are primarily produced and sold outside of North and South America, as well as hazardous duty electrical equipment, emergency lighting, fire detection, intrinsically safe explosion-proof instrumentation, and structural support systems that are produced and sold globally. The majority of the sales contracts in this segment contain performance obligations satisfied at a point in time either when we ship the product from our facility, or when it arrives at the customer's facility. However, certain power distribution and power quality services are recognized over time.

Many of the products and services in power distribution and power quality services meet the definition of continuous transfer of control to customers and are recognized over time. These products are engineered to a customer's design specifications, have no alternative use to Eaton, and are controlled by the customer as evidenced by the customer's contractual ownership of the work in process or our right to payment for work performed to date plus a reasonable margin. As control is transferring over time, sales are recognized based on the extent of progress towards completion of the obligation. Eaton generally uses an input method to determine the progress completed and sales are recorded proportionally as costs are incurred. Incurred costs represent work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer.

In the Hydraulics segment, sales contracts are primarily for hydraulic components and systems for industrial and mobile equipment. These sales contracts are primarily based on a customer's purchase order. In this segment, performance obligations are generally satisfied at a point in time when we ship the product from our facility.

In the Aerospace segment, sales contracts are primarily for aerospace fuel, hydraulics, and pneumatic systems for commercial and military use, as well as filtration systems for industrial applications. These sales contracts are primarily based on a customer's purchase order, and frequently covered by terms and conditions included in a long-term agreement. In this segment, performance obligations are generally satisfied at a point in time either when we ship the product from our facility, or when it arrives at the customer's facility. Our military contracts are primarily fixed-price contracts that are not subject to performance-based payments or progress payments from the customer.

In the Vehicle segment, sales contracts are primarily for drivetrains, powertrain systems and critical components that reduce emissions and improve fuel economy, stability, performance, and safety of cars, light trucks, and commercial vehicles. These sales contracts are primarily based on a customer's purchase order or a blanket purchase order subject to firm releases, frequently covered by terms and conditions included in a master supply agreement. In this segment, performance obligations are generally satisfied at a point in time either when we ship the product from our facility, or when it arrives at the customer's facility.

In the eMobility segment, sales contracts are primarily for electronic and mechanical components and systems that improves the power management and performance of both on-road and off-road vehicles. These sales contracts are primarily based on a customer's purchase order. In this segment, performance obligations are generally satisfied at a point in time either when we ship the product from our facility, or when it arrives at the customer's facility.

In limited circumstances, primarily in the Electrical and Vehicle segments, Eaton sells separately-priced warranties that extend the warranty coverage beyond the standard coverage offered on specific products. Sales for these separately-priced warranties are recorded based on their stand-alone selling price and are recognized as revenue over the length of the warranty period.

The Company's six operating segments and the following tables disaggregate sales by lines of businesses, geographic destination, market channel or end market.

	2020			
Net sales		Products	Systems	Total
Electrical Americas		$ 2,255	$ 4,425	$ 6,680
Electrical Global		2,608	2,095	4,703
		United States	Rest of World	
Hydraulics		$ 796	$ 1,046	1,842
	Original Equipment Manufacturers	Aftermarket	Industrial and Other	
Aerospace	$ 986	$ 685	$ 552	2,223
		Commercial	Passenger and Light Duty	
Vehicle		$ 1,060	$ 1,058	2,118
eMobility				292
Total				$ 17,858

	2019			
Net sales		Products	Systems	Total
Electrical Americas		$ 3,675	$ 4,500	$ 8,175
Electrical Global		2,782	2,390	5,172
		United States	Rest of World	
Hydraulics		$ 1,000	$ 1,204	2,204
	Original Equipment Manufacturers	Aftermarket	Industrial and Other	
Aerospace	$ 1,178	$ 859	$ 443	2,480
		Commercial	Passenger and Light Duty	
Vehicle		$ 1,538	$ 1,500	3,038
eMobility				321
Total				$ 21,390

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (revenue recognized exceeds amount billed to the customer), and deferred revenue (advance payments and billings in excess of revenue recognized). Accounts receivables from customers were $2,539 and $3,090 at December 31, 2020 and December 31, 2019, respectively. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. These assets and liabilities are reported on the Consolidated Balance Sheets on a contract-by-contract basis at the end of each reporting period. Unbilled receivables were $90 and $101 at December 31, 2020 and December 31, 2019, respectively, and are recorded in Prepayments. The decrease in unbilled receivables was primarily due to billings to customers during 2020, partially offset by revenue recognized and not yet billed.

Changes in the deferred revenue liabilities are as follows:

	Deferred Revenue
Balance at January 1, 2019	$ 248
Customer deposits and billings	982
Revenue recognized in the period	(993)
Translation	3
Deferred revenue reclassified to held for sale	(6)
Balance at December 31, 2019	$ 234
Customer deposits and billings	1,041
Revenue recognized in the period	(1,014)
Translation	7
Deferred revenue reclassified to held for sale	(11)
Balance at December 31, 2020	$ 257

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 releases by customers. In measuring backlog of unsatisfied or partially satisfied obligations, only the amount of orders to which customers are firmly committed are included. Using this criterion, total backlog at December 31, 2020 was approximately $5.6 billion. At December 31, 2020, Eaton expects to recognize approximately 88% of this backlog in the next twelve months and the rest thereafter.

Note 4. CREDIT LOSSES FOR RECEIVABLES

Receivables are exposed to credit risk based on the customers' ability to pay which is influenced by, among other factors, their financial liquidity position. Eaton's receivables are generally short-term in nature with a majority outstanding less than 90 days.

Eaton performs ongoing credit evaluation of its customers and maintains sufficient allowances for potential credit losses. The Company evaluates the collectability of its receivables based on the length of time the receivable is past due, and any anticipated future write-off based on historic experience adjusted for market conditions. The Company's segments, supported by our global credit department, perform the credit evaluation and monitoring process to estimate and manage credit risk. The process includes an evaluation of credit losses for both the overall segment receivable and specific customer balances. The process also includes review of customer financial information and credit ratings, approval and monitoring of customer credit limits, and an assessment of market conditions. The Company may also require prepayment from customers to mitigate credit risk. Receivable balances are written off against an allowance for credit losses after a final determination of collectability has been made.

Accounts receivable are net of an allowance for credit losses of $48 and $49 at December 31, 2020 and 2019. The change in the allowance for credit losses includes expense and net write-offs, none of which is significant.

Note 5. INVENTORY

Inventory is carried at lower of cost or net realizable value 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:

	December 31	
	2020	2019
Raw materials	$ 803	$ 986
Work-in-process	498	640
Finished goods	808	1,179
Total inventory	$ 2,109	$ 2,805

Note 6. PROPERTY, PLANT AND EQUIPMENT

Changes in Property, plant and equipment follow:

	Land, buildings and improvements	Machinery and equipment	Construction in progress	Total
January 1, 2019				
Cost	$ 2,466	$ 5,696	$ 410	$ 8,572
Accumulated depreciation	(1,018)	(4,087)	—	(5,105)
Net book value	$ 1,448	$ 1,609	$ 410	$ 3,467
Capital expenditures and transfers	$ 74	$ 450	$ 54	578 [1]
Depreciation expense	(92)	(373)	—	(465)
Retirements and disposals	(24)	(25)	(2)	(51)
Acquisitions of businesses	45	71	8	124
Currency translation	(1)	(8)	(2)	(11)
PP&E-net reclassified to held for sale	(68)	(50)	(28)	(146)
December 31, 2019				
Cost	2,440	5,826	440	8,706
Accumulated depreciation	(1,058)	(4,152)	—	(5,210)
Net book value	$ 1,382	$ 1,674	$ 440	$ 3,496

[1] Capital expenditures and transfers of $578 exclude $9 incurred by the Lighting business subsequent to being classified as held for sale.

	Land, buildings and improvements	Machinery and equipment	Construction in progress	Total
January 1, 2020				
Cost	$ 2,440	$ 5,826	$ 440	$ 8,706
Accumulated depreciation	(1,058)	(4,152)	—	(5,210)
Net book value	$ 1,382	$ 1,674	$ 440	$ 3,496
Capital expenditures and transfers	$ 70	$ 312	$ (37)	345 [1]
Depreciation expense	(85)	(323)	—	(408)
Retirements and disposals	(21)	(12)	—	(33)
Acquisitions of businesses	1	6	—	7
Currency translation	20	14	(9)	25
PP&E-net reclassified to held for sale	(137)	(269)	(62)	(468)
December 31, 2020				
Cost	2,184	5,072	332	7,588
Accumulated depreciation	(954)	(3,670)	—	(4,624)
Net book value	$ 1,230	$ 1,402	$ 332	$ 2,964

[1] Capital expenditures and transfers of $345 exclude $41 and $3 incurred by the Hydraulics and Lighting businesses, respectively, subsequent to being classified as held for sale.

Capital expenditures are expected to be approximately $500 in 2021. Projected expenditures for 2021 will focus on capacity expansions in developing markets, development of new products, replacement equipment, and cost reduction programs.

Note 7. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill by segment follow:

	January 1, 2019	Additions	Goodwill reclassified to held for sale	Translation adjustments	December 31, 2019	Additions	Goodwill reclassified to held for sale	Translation adjustments	December 31, 2020
Electrical Americas	$ 6,819	$ 8	$ (470)	$ (5)	$ 6,352	$ 97	$ —	$ 7	$ 6,456
Electrical Global	3,942	155	—	9	4,106	7	—	182	4,295
Hydraulics	931	—	—	(10)	921	—	(907)	(14)	—
Aerospace	1,264	442	—	—	1,706	15	—	56	1,777
Vehicle	292	—	—	(1)	291	—	—	2	293
eMobility	80	—	—	—	80	—	—	2	82
Total	$ 13,328	$ 605	$ (470)	$ (7)	$ 13,456	$ 119	$ (907)	$ 235	$ 12,903

During the first quarter of 2020, Eaton re-segmented certain reportable operating segments due to a reorganization of the Company's businesses. The Company used the relative fair value method to reallocate goodwill to the associated reporting units impacted by the reorganization resulting in goodwill of $6.4 billion and $4.0 billion being allocated to the Electrical Americas and Electrical Global reportable segments, respectively. The Company's reporting units are equivalent to the reportable operating segments, except for the Aerospace segment which has two reporting units.

The fair values of the Electrical Americas and Electrical Global reportable segments were estimated based on a discounted cash flow model. The model includes estimates of future cash flows, future growth rates, terminal value amounts, and the applicable weighted-average cost of capital used to discount those estimated cash flows. 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 judgments, including judgments about appropriate discount rates, perpetual growth rates, revenue growth, and margin assumptions.

The fair value of the Hydraulics reportable segment was estimated based on a combination of the price to be paid to Eaton by Danfoss A/S and a discounted cash flow model. See Note 2 for additional information about the allocation of goodwill to the Hydraulics reportable segment.

The Filtration and Golf Grip businesses previously included in the Hydraulics reportable segment, and the electrical aerospace connectors business previously included in the Electrical Products segment, have been added to the Aerospace segment as part of the reorganization.

The 2020 additions to goodwill primarily relate to the anticipated synergies of acquiring Power Distribution, Inc. The 2019 additions to goodwill relate to the anticipated synergies of acquiring Souriau-Sunbank, Ulusoy Elektrik and ISG.

A summary of other intangible assets follows:

	December 31			
	2020		2019	
	Historical cost	Accumulated amortization	Historical cost	Accumulated amortization
Intangible assets not subject to amortization				
Trademarks	$ 1,382		$ 1,516	
Intangible assets subject to amortization				
Customer relationships	$ 3,415	$ 1,795	$ 3,260	$ 1,634
Patents and technology	1,428	773	1,542	704
Software	919	611	913	596
Trademarks	970	505	1,057	457
Other	91	38	92	34
Total other intangible assets	$ 6,823	$ 3,722	$ 6,864	$ 3,425

Changes in Other intangibles follows:

	Indefinite lived trademarks	Customer relationships	Patents and technology	Software	Trademarks	Other	Total
January 1, 2019							
Cost	$ 1,626	$ 3,463	$ 1,329	$ 879	$ 1,032	$ 92	$ 8,421
Accumulated amortization	—	(1,600)	(646)	(546)	(419)	(31)	(3,242)
Net book value	$ 1,626	$ 1,863	$ 683	$ 333	$ 613	$ 61	$ 5,179
Additions	—	—	—	54	—	1	$ 55
Acquisitions of businesses	—	158	246	—	74	1	479
Amortization expense	—	(205)	(83)	(65)	(62)	(4)	(419)
Currency translation	—	—	—	(1)	(3)	(1)	(5)
Reclassified to held for sale	(110)	(190)	(8)	(4)	(22)	—	(334)
December 31, 2019							
Cost	1,516	3,260	1,542	913	1,057	92	8,380
Accumulated amortization	—	(1,634)	(704)	(596)	(457)	(34)	(3,425)
Net book value	$ 1,516	$ 1,626	$ 838	$ 317	$ 600	$ 58	$ 4,955

	Indefinite lived trademarks	Customer relationships	Patents and technology	Software	Trademarks	Other	Total
January 1, 2020							
Cost	$ 1,516	$ 3,260	$ 1,542	$ 913	$ 1,057	$ 92	$ 8,380
Accumulated amortization	—	(1,634)	(704)	(596)	(457)	(34)	(3,425)
Net book value	$ 1,516	$ 1,626	$ 838	$ 317	$ 600	$ 58	$ 4,955
Additions	$ —	$ —	$ —	$ 60	$ —	$ —	$ 60
Acquisitions of businesses	—	48	36	—	17	—	101
Measurement period adjustments	—	152	(129)	—	(40)	—	(17)
Amortization expense	—	(196)	(87)	(61)	(55)	(4)	(403)
Retirements and disposals	—	(11)	(1)	—	—	—	(12)
Currency translation	12	31	4	2	9	2	60
Reclassified to held for sale	(146)	(30)	(6)	(10)	(66)	(3)	(261)
December 31, 2020							
Cost	1,382	3,415	1,428	919	970	91	8,205
Accumulated amortization	—	(1,795)	(773)	(611)	(505)	(38)	(3,722)
Net book value	$ 1,382	$ 1,620	$ 655	$ 308	$ 465	$ 53	$ 4,483

Amortization expense related to intangible assets (excluding software) subject to amortization in 2020, and estimated amortization expense for each of the next five years, follows:

2020	$	342
2021		339
2022		331
2023		287
2024		277
2025		273

Note 8. LEASES

Eaton leases certain manufacturing facilities, warehouses, distribution centers, office space, vehicles, and equipment. Most real estate leases contain renewal options. The exercise of lease renewal options is at the Company's sole discretion. The Company's lease agreements typically do not contain any significant guarantees of asset values at the end of a lease or restrictive covenants. Payments within certain lease agreements are adjusted periodically for changes in an index or rate.

The components of lease expense follows:

	2020	2019
Operating lease cost	$ 184	$ 166
Finance lease cost		
Amortization of lease assets	6	5
Interest on lease liabilities	1	1
Short-term lease cost	18	46
Variable lease cost	3	22
Sublease income	(2)	(3)
Total lease cost	$ 210	$ 237

The net gains recorded on sale leaseback transactions were $9 and $16 for the years ended December 31, 2020 and 2019, respectively.

Supplemental cash flow information related to leases follows:

	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows - payments on operating leases	$ (144)	$ (168)
Operating cash outflows - interest payments on finance leases	(1)	(1)
Financing cash outflows - payments on finance lease obligations	(8)	(6)
Lease assets obtained in exchange for new lease obligations, including leases acquired:		
Operating leases	$ 144	$ 114
Finance leases	16	24

Supplemental balance sheet information related to leases follows:

	December 31	
	2020	2019
Operating Leases		
Operating lease assets	$ 428	$ 436
Creditors - other liabilities	116	121
Creditors - other long-term liabilities	326	331
Total operating lease liabilities	$ 442	$ 452
Finance Leases		
Land, buildings and improvements	$ 13	$ 24
Machinery and equipment	38	18
Accumulated depreciation	(16)	(16)
Property, plant and equipment, net	$ 35	$ 26
Current portion of long-term debt	$ 8	$ 6
Long-term debt	30	21
Total finance lease liabilities	$ 38	$ 27
Weighted-average remaining lease term		
Operating leases	5.5 years	5.1 years
Finance leases	7.4 years	6.8 years
Weighted-average discount rate		
Operating leases	3.3 %	3.7 %
Finance leases	3.5 %	7.6 %

Maturities of lease liabilities at December 31, 2020 follows:

	Operating Leases	Finance Leases
2021	$ 129	$ 10
2022	103	8
2023	78	6
2024	54	5
2025	30	2
Thereafter	91	11
Total lease payments	485	42
Less imputed interest	43	4
Total present value of lease liabilities	$ 442	$ 38

Changes in Operating lease assets follows:

	Operating Lease Assets
January 1, 2019	$ 435
Assets recognized for new leases	114
Other (expense, terminations, modifications, currency translation and other activity)	(88)
Operating lease assets reclassified to held for sale	(25)
December 31, 2019	$ 436

	Operating Lease Assets
January 1, 2020	$ 436
Assets recognized for new leases	144
Other (expense, terminations, modifications, currency translation and other activity)	(91)
Operating lease assets reclassified to held for sale	(61)
December 31, 2020	$ 428

Note 9. DEBTORS

Debtors	2020	2019
Amounts falling due within one year		
Accounts receivable - net	$ 2,904	$ 3,437
Deferred income taxes	329	298
Prepayments	576	518
	3,809	4,253
Amounts falling due after more than one year		
Deferred income taxes	368	298
Pension plan assets	95	73
Other debtors	667	575
	1,130	946
Total debtors	$ 4,939	$ 5,199

Note 10. CREDITORS

Creditors	2020	2019
Amounts falling due within one year		
Accounts payable	$ 1,987	$ 2,114
Accrued compensation	351	449
Other liabilities	1,574	1,431
	3,912	3,994
Amounts falling due after more than one year		
Operating lease liabilities	326	331
Other long-term liabilities	1,246	1,027
Total creditors	$ 5,484	$ 5,352

Note 11. DEBT

A summary of debt follows:

	December 31	
	2020	2019
3.875% debentures due 2020 ($150 converted to floating rate by interest rate swap)	$ —	$ 239
3.47% notes due 2021 ($275 converted to floating rate by interest rate swap)	300	300
0.02% Euro notes due 2021	737	674
8.10% debentures due 2022 ($100 converted to floating rate by interest rate swap)	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	676	617
6.50% debentures due 2025	145	145
0.70% Euro notes due 2025	614	562
3.10% senior notes due 2027	700	700
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	137
5.80% notes due 2037	240	240
4.15% senior notes due 2042	1,000	1,000
3.92% senior notes due 2047	300	300
5.25% to 7.875% notes (maturities ranging from 2024 to 2035, including $25 converted to floating rate by interest rate swap)	165	165
Other	144	88
Total long-term debt	8,057	8,067
Short-term debt	1	255
Total debt	$ 8,058	$ 8,322

Substantially all these long-term debt instruments are fully and unconditionally guaranteed on an unsubordinated, unsecured basis by Eaton and certain of its direct and indirect subsidiaries (the Senior Notes). Further, as of December 31, 2020 all of these long-term debt instruments, except the 3.47% notes due 2021, the 0.02% Euro notes due 2021, the 3.68% notes due 2023, the 0.75% Euro notes due 2024, and the 0.70% Euro notes due 2025, are registered by Eaton Corporation under the Securities Act of 1933, as amended (the Registered Senior Notes).

The Company maintains long-term revolving credit facilities totaling $2,000, consisting of a $750 five-year revolving credit facility that will expire November 17, 2022, a $500 four-year revolving credit facility that will expire November 7, 2023, and a $750 five-year revolving credit facility that will expire November 7, 2024. 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, 2020 or 2019. The Company had available lines of credit of $1,010 from various banks primarily for the issuance of letters of credit, of which there was $268 outstanding at December 31, 2020. Borrowings outside the United States are generally denominated in local currencies.

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:

2021	$ 1,047
2022	1,708
2023	306
2024	746
2025	762

Interest paid on debt follows:

2020	$ 216
2019	279

Note 12. 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, 2020 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	
	2020	2019	2020	2019	2020	2019
Funded status						
Fair value of plan assets	$ 3,463	$ 3,433	$ 2,137	$ 1,903	$ 20	$ 23
Benefit obligations	(4,121)	(4,028)	(3,036)	(2,747)	(375)	(378)
Funded status	$ (658)	$ (595)	$ (899)	$ (844)	$ (355)	$ (355)
Amounts recognized in the Form 10-K Consolidated Balance Sheets						
Non-current assets	$ —	$ —	$ 95	$ 73	$ —	$ —
Current liabilities	(36)	(23)	(28)	(27)	(25)	(27)
Non-current liabilities	(622)	(572)	(966)	(890)	(330)	(328)
Total	$ (658)	$ (595)	$ (899)	$ (844)	$ (355)	$ (355)

At December 31, 2020 and 2019, non-current assets of $95 and $73, 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	
	2020	2019	2020	2019	2020	2019
Amounts recognized in Other reserves (pre-tax)						
Net actuarial (gain) loss	$ 1,046	$ 1,096	$ 1,005	$ 879	$ 1	$ (8)
Prior service cost (credit)	5	7	21	25	(3)	(17)
Total	$ 1,051	$ 1,103	$ 1,026	$ 904	$ (2)	$ (25)

Change in Benefit Obligations

	United States pension liabilities		Non-United States pension liabilities		Other postretirement liabilities	
	2020	2019	2020	2019	2020	2019
Balance at January 1	$ 4,028	$ 3,633	$ 2,747	$ 2,285	$ 378	$ 378
Service cost	97	91	73	58	2	2
Interest cost	103	138	45	57	9	14
Actuarial (gain) loss	223	435	217	315	11	14
Gross benefits paid	(330)	(270)	(121)	(102)	(49)	(60)
Currency translation	—	—	137	47	2	2
Plan amendments	—	1	1	—	—	1
Acquisitions and divestitures	—	—	—	(4)	—	—
Benefit obligation reclassified to held for sale	—	—	(65)	(4)	—	—
Other	—	—	2	95	22	27
Balance at December 31	$ 4,121	$ 4,028	$ 3,036	$ 2,747	$ 375	$ 378
Accumulated benefit obligation	$ 4,054	$ 3,883	$ 2,862	$ 2,592		

Actuarial losses related to changes in the United States and Non-United States benefit obligations in 2020 of $223 and $217, respectively, were primarily due to decreases in the discount rates used to measure the obligations, partially offset by curtailment gains related to amendments to freeze the Company's Unites States pension plans for its non-union employees. The freeze is effective January 1, 2021 for non-union U.S. employees whose retirement benefit was determined under a cash balance formula and effective January 1, 2026 for non-union U.S. employees whose retirement benefit is determined under a final average pay formula. Actuarial losses related to changes in the United States and Non-United States benefit obligations in 2019 of $435 and $315, respectively, were primarily due to decreases in the discount rates used to measure the obligations.

Change in Plan Assets

	United States pension liabilities		Non-United States pension liabilities		Other postretirement liabilities	
	2020	2019	2020	2019	2020	2019
Balance at January 1	$ 3,433	$ 3,068	$ 1,903	$ 1,560	$ 23	$ 37
Actual return on plan assets	342	618	185	230	1	5
Employer contributions	18	17	104	102	23	15
Gross benefits paid	(330)	(270)	(121)	(102)	(49)	(60)
Currency translation	—	—	69	58	—	—
Plan assets reclassified to held for sale	—	—	(5)	—	—	—
Other	—	—	2	55	22	26
Balance at December 31	$ 3,463	$ 3,433	$ 2,137	$ 1,903	$ 20	$ 23

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	
	2020	2019	2020	2019
Accumulated benefit obligation	$ 4,054	$ 3,883	$ 2,586	$ 1,028
Fair value of plan assets	3,463	3,433	1,756	242

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

	United States pension liabilities		Non-United States pension liabilities	
	2020	2019	2020	2019
Projected benefit obligation	$ 4,121	$ 4,028	$ 2,763	$ 2,502
Fair value of plan assets	3,463	3,433	1,770	1,585

Other postretirement benefit plans with accumulated postretirement benefit obligations in excess of plan assets have been disclosed in the Obligations and Funded Status table.

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	
	2020	2019	2020	2019	2020	2019
Balance at January 1	$ 1,103	$ 1,160	$ 904	$ 710	$ (25)	$ (52)
Prior service cost arising during the year	—	1	1	—	—	1
Net loss (gain) arising during the year	112	52	141	231	10	11
Currency translation	—	—	48	15	—	1
Other	—	—	2	—	—	—
Less amounts included in expense during the year	(164)	(110)	(70)	(52)	13	14
Net change for the year	(52)	(57)	122	194	23	27
Balance at December 31	$ 1,051	$ 1,103	$ 1,026	$ 904	$ (2)	$ (25)

Benefits Expense

	United States pension benefit expense		Non-United States pension benefit expense		Other postretirement benefits expense	
	2020	2019	2020	2019	2020	2019
Service cost	$ 97	$ 91	$ 73	$ 58	$ 2	$ 2
Interest cost	103	138	45	57	9	14
Expected return on plan assets	(231)	(235)	(109)	(106)	—	(2)
Amortization	102	62	60	38	(13)	(14)
	71	56	69	47	(2)	—
Settlements, curtailments and special termination benefits	62	48	10	14	—	—
Total expense	$ 133	$ 104	$ 79	$ 61	$ (2)	$ —

Total pension benefits expense of $165 for 2019 includes $8 of settlement expense related to the sale of the Automotive Fluid Conveyance Business discussed in Note 2. The components of retirement benefits expense other than service costs are included in Other expense.

Retirement Benefits Plans Assumptions

In 2019 and 2020, for purposes of determining liabilities related to the majority of its plans in the United States, the Company used mortality tables that are based on the Company's own experience and generational improvement scales that are based on MP-2019 and MP-2020, respectively.

To estimate the service and interest cost components of net periodic benefit cost for the vast majority of its defined benefits pension and other postretirement benefits plans, the Company used a spot rate approach by applying the specific spot rates along the yield curve used to measure the benefit obligation at the beginning of the period to the relevant projected cash flows.

Pension Plans

	United States pension plans		Non-United States pension plans	
	2020	2019	2020	2019
Assumptions used to determine benefit obligation at year-end				
Discount rate	2.48 %	3.22 %	1.59 %	2.02 %
Rate of compensation increase	3.12 %	3.14 %	3.02 %	3.05 %
Interest rate used to credit cash balance plans	2.02 %	2.59 %	0.53 %	0.54 %
Assumptions used to determine expense				
Discount rate used to determine benefit obligation	3.22 %	4.28 %	2.02 %	2.83 %
Discount rate used to determine service cost	3.34 %	4.39 %	2.78 %	4.02 %
Discount rate used to determine interest cost	2.75 %	3.94 %	1.82 %	2.56 %
Expected long-term return on plan assets	7.25 %	7.25 %	5.84 %	6.42 %
Rate of compensation increase	3.14 %	3.14 %	3.05 %	3.10 %
Interest rate used to credit cash balance plans	2.59 %	3.13 %	0.54 %	2.60 %

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 2021 are 6.75% and 5.62%, 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	
	2020	2019
Assumptions used to determine benefit obligation at year-end		
Discount rate	2.37 %	3.13 %
Health care cost trend rate assumed for next year	7.05 %	6.95 %
Ultimate health care cost trend rate	4.75 %	4.75 %
Year ultimate health care cost trend rate is achieved	2030	2029
Assumptions used to determine expense		
Discount rate used to determine benefit obligation	3.13 %	4.23 %
Discount rate used to determine service cost	3.25 %	4.29 %
Discount rate used to determine interest cost	2.67 %	3.85 %
Initial health care cost trend rate	6.95 %	7.10 %
Ultimate health care cost trend rate	4.75 %	4.75 %
Year ultimate health care cost trend rate is achieved	2029	2028

Employer Contributions to Retirement Benefits Plans

Contributions to pension plans that Eaton expects to make in 2021, and made in 2020 and 2019, follow:

	2021	2020	2019
United States plans	$ 236	$ 18	$ 17
Non-United States plans	101	104	102
Total contributions	$ 337	$ 122	$ 119

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 other postretirement benefit payments	
	Estimated United States pension payments	Estimated non-United States pension payments	Gross	Medicare prescription drug subsidy
2021	$ 406	$ 100	$ 28	$ (1)
2022	298	101	31	—
2023	289	105	27	—
2024	280	107	26	—
2025	272	112	24	—
2026 - 2030	1,218	613	107	(1)

Pension Plan Assets

Investment policies and strategies are developed on a country specific basis. The United States plans, representing 62% of worldwide pension assets, and the United Kingdom plans representing 30% 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 25% United States equities, 25% non-United States equities, 8% real estate (primarily equity of real estate investment trusts), 37% debt securities and 5% other, including private equity and cash equivalents. The United Kingdom plans' target asset allocations are 48% 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.

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, 2020 and 2019, follows:

	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)[1]
2020				
Common collective trusts				
Non-United States equity and global equities	$ 610	$ —	$ 610	$ —
United States equity	73	—	73	—
Fixed income	681	—	681	—
Fixed income securities	1,021	—	1,021	—
United States treasuries	316	316	—	—
Bank loans	110	—	110	—
Real estate	419	221	14	184
Cash equivalents	184	71	113	—
Exchange traded funds	88	88	—	—
Other	213	—	39	174
Common collective and other trusts measured at net asset value	1,987			
Money market funds measured at net asset value	6			
Pending purchases and sales of plan assets, and interest receivable	(108)			
Total pension plan assets	$ 5,600	$ 696	$ 2,661	$ 358

[1] These pension plan assets include private real estate, private credit and private equity funds that generally have redemption notice periods of six months or longer, and are not eligible for redemption until the underlying assets are liquidated or distributed. The Company has unfunded commitments to these funds of approximately $254 at December 31, 2020, which will be satisfied by a reallocation of pension plan assets.

	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)[1]
2019				
Common collective trusts				
Non-United States equity and global equities	$ 606	$ —	$ 606	$ —
United States equity	74	—	74	—
Fixed income	571	—	571	—
Fixed income securities	885	—	885	—
United States treasuries	330	330	—	—
Bank loans	104	—	104	—
Real estate	299	225	13	61
Cash equivalents	196	67	129	—
Exchange traded funds	79	79	—	—
Other	167	—	38	129
Common collective and other trusts measured at net asset value	2,108			
Money market funds measured at net asset value	6			
Pending purchases and sales of plan assets, and interest receivable	(89)			
Total pension plan assets	$ 5,336	$ 701	$ 2,420	$ 190

[1] These pension plan assets include private real estate, private credit and private equity funds that generally have redemption notice periods of six months or longer, and are not eligible for redemption until the underlying assets are liquidated or distributed. The Company has unfunded commitments to these funds of approximately $334 at December 31, 2019, which will be satisfied by a reallocation of pension plan assets.

The fair value measurement of plan assets using significant unobservable inputs (Level 3) changed during 2019 and 2020 due to the following:

	Real estate	Other	Total
Balance at January 1, 2019	$ 21	$ 75	$ 96
Actual return on plan assets:			
Gains (losses) relating to assets still held at year-end	4	12	16
Purchases, sales, settlements - net	36	42	78
Transfers into or out of Level 3	—	—	—
Balance at December 31, 2019	61	129	190
Actual return on plan assets:			
Gains (losses) relating to assets still held at year-end	2	12	14
Purchases, sales, settlements - net	121	33	154
Transfers into or out of Level 3	—	—	—
Balance at December 31, 2020	$ 184	$ 174	$ 358

Other Postretirement Benefits Plans

A summary of the fair value of other postretirement benefits plan assets at December 31, 2020 and 2019, follows:

	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
2020				
Cash equivalents	$ 3	$ 3	$ —	$ —
Common collective and other trusts measured at net asset value	17			
Total other postretirement benefits plan assets	$ 20	$ 3	$ —	$ —

	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
2019				
Cash equivalents	$ 5	$ 5	$ —	$ —
Common collective and other trusts measured at net asset value	18			
Total other postretirement benefits plan assets	$ 23	$ 5	$ —	$ —

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, 2020 and 2019.

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 - Consists of direct investments in the stock of publicly traded companies and investments in pooled funds that invest directly in real estate. The publicly traded companies are valued based on the closing price reported in an active market on which the individual securities are traded and as such are classified as Level 1. The pooled funds rely on appraisal-based valuations and as such are classified as Level 3.

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.

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, private credit and private equity investments.

For additional information regarding fair value measurements, see Note 17.

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:

2020	$ 111
2019	130

Note 13. OTHER PROVISIONS AND COMMITMENTS AND CONTINGENCIES

Changes in Other provisions follows:

	December 31, 2018	Provisions, net	Utilization	Other provisions reclassified to held for sale	Other	December 31, 2019
Warranty accrual	$ 176	$ 204	$ (175)	$ (16)	$ (2)	$ 187
Legal liabilities	20	64	(62)	(4)	—	18
Environmental liabilities	116	3	(15)	—	—	104
Workers' compensation	56	12	(15)	—	1	54
Restructuring liabilities	37	60	(50)	—	—	47
	$ 405	$ 343	$ (317)	$ (20)	$ (1)	$ 410

	December 31, 2019	Provisions, net	Utilization	Other provisions reclassified to held for sale	Other	December 31, 2020
Warranty accrual	$ 187	$ 100	$ (130)	$ (8)	$ 2	$ 151
Legal liabilities	18	52	(53)	(1)	—	16
Environmental liabilities	104	5	(10)	—	4	103
Workers' compensation	54	13	(14)	—	—	53
Restructuring liabilities	47	267	(78)	(1)	(1)	234
	$ 410	$ 437	$ (285)	$ (10)	$ 5	$ 557

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.

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 and proceedings. 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.

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 requires that its manufacturing facilities 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 2020, the Company was involved with a total of 114 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, 2020 and 2019, the Company had an accrual totaling $103 and $104, 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.

Note 14. 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.

	Income (loss) before income taxes	
	2020	2019
Ireland	$ (132)	$ (201)
Foreign	1,878	2,792
Total income before income taxes	$ 1,746	$ 2,591

	Income tax expense (benefit)	
	2020	2019
Current		
Ireland	$ 15	$ 26
Foreign	441	410
Total current income tax expense	456	436
Deferred		
Ireland	—	3
Foreign	(125)	(61)
Total deferred income tax (benefit)	(125)	(58)
Total income tax expense	$ 331	$ 378

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

	2020	2019
Income taxes at the applicable statutory rate	25.0 %	25.0 %
Ireland operations		
Ireland tax on trading income	(0.3)%	(1.0)%
Nondeductible interest expense	2.7 %	3.9 %
Ireland Other - net	0.4 %	0.1 %
Foreign operations		
Nondeductible goodwill – sale of business	5.3 %	— %
Earnings taxed at other than the applicable statutory tax rate	(16.0)%	(14.8)%
Other items	2.3 %	3.3 %
Worldwide operations		
Adjustments to tax liabilities	(0.6)%	(0.5)%
Adjustments to valuation allowances	0.2 %	(1.4)%
Effective income tax expense rate	19.0 %	14.6 %

During 2020, income tax expense of $331 was recognized (an effective tax rate of 19.0%) compared to income tax expense of $378 in 2019 (an effective tax rate of 14.6%). The increase in the effective tax rate from 14.6% in 2019 to 19.0% in 2020 was primarily due to the tax expense on the gain from the sale of the Lighting business discussed in Note 2, partially offset by a tax benefit on the restructuring charges discussed in Note 19.

With the exception of a $6 liability related to foreign subsidiaries considered as held for sale, no provision has been made for income taxes on undistributed earnings of foreign subsidiaries of approximately $28.9 billion at December 31, 2020, since it is the Company's intention to indefinitely reinvest undistributed earnings of its foreign subsidiaries. The Company expects to deploy capital to those markets which offer particularly attractive growth opportunities. The cash that is permanently reinvested is typically used to expand operations either organically or through acquisitions. 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.

Worldwide income tax payments, net of tax refunds, follow:

2020	$	391
2019		425

Deferred Income Tax Assets and Liabilities

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

	2020	2019
	Assets and liabilities	Assets and liabilities
Accruals and other adjustments		
Employee benefits	$ 553	$ 514
Depreciation and amortization	(1,101)	(1,245)
Other accruals and adjustments	505	498
Ireland income tax loss carryforwards	1	1
Foreign income tax loss carryforwards	1,815	1,826
Foreign income tax credit carryforwards	309	349
Valuation allowance for income tax loss and income tax credit carryforwards	(1,863)	(1,914)
Other valuation allowances	(67)	(52)
Total deferred income taxes	152	(23)
Deferred income taxes reported as held for sale	3	1
Deferred income taxes	$ 149	$ (24)

Changes in net deferred tax activity follows:

Balance at January 1, 2019	$ (56)
Provision - continuing operations	58
Acquisitions	(118)
Charges to equity	33
Reclassifications and other	60
Net deferred tax reclassified to held for sale	(1)
Balance at December 31, 2019	$ (24)
Balance at January 1, 2020	$ (24)
Provision - continuing operations	125
Acquisitions	4
Charges to equity	18
Reclassifications and other	28
Net deferred tax reclassified to held for sale	(2)
Balance at December 31, 2020	$ 149

At December 31, 2020, Eaton Corporation plc and its foreign subsidiaries had income 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:

	2021 through 2025	2026 through 2030	2031 through 2035	2036 through 2045	Not subject to expiration	Valuation allowance
Ireland income tax loss carryforwards	$ —	$ —	$ —	$ —	$ 8	$ —
Ireland deferred income tax assets for income tax loss carryforwards	—	—	—	—	1	(1)
Foreign income tax loss carryforwards	641	7,427	893	251	3,067	—
Foreign deferred income tax assets for income tax loss carryforwards	88	690	235	76	751	(1,655)
Foreign deferred income tax assets for income tax loss carryforwards after ASU 2013-11	76	686	226	76	751	(1,655)
Foreign income tax credit carryforwards	110	169	38	2	51	(207)
Foreign income tax credit carryforwards after ASU 2013-11	74	144	38	2	51	(207)

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 pre-tax 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, or changes in tax laws, would lead management to conclude otherwise. However, if the Company experiences cumulative pre-tax 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, changes in tax laws, 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:

	2020	2019
Balance at January 1	$ 1,001	$ 913
Increases and decreases as a result of positions taken during prior years		
Transfers from valuation allowances	—	15
Other increases, including currency translation	10	22
Other decreases, including currency translation	(10)	(10)
Increases related to acquired businesses	7	—
Increases as a result of positions taken during the current year	58	80
Decreases relating to settlements with tax authorities	(26)	(16)
Decreases as a result of a lapse of the applicable statute of limitations	(4)	(3)
Balance at December 31	$ 1,036	$ 1,001

Eaton recognizes an income tax benefit from an uncertain tax position only if it is more likely than not that the benefit would be sustained upon examination by taxing authorities, based on the technical merits of the position. The Company evaluates and adjusts the amount of unrecognized income tax benefits based on changes in facts and circumstances. 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 income tax benefits were recognized, the net impact on the provision for income tax expense would be $681, which includes the impact of deferred tax netting pursuant to ASU 2013-11.

As of December 31, 2020 and 2019, Eaton had accrued approximately $110 and $93, 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 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, and the willingness of the income tax authority to settle the issue, including the timing thereof. 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 a few exceptions, Irish and non-United States subsidiaries of Eaton are no longer subject to examinations for years before 2012.

The United States Internal Revenue Service (“IRS”) has completed its examination of the consolidated income tax returns of the Company’s United States subsidiaries (“Eaton US”) 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 has also completed its examination of the consolidated income tax returns of Eaton US for 2011 through 2013 and has issued proposed adjustments as discussed below. The statute of limitations on these tax years remains open until December 31, 2021. The IRS is currently examining tax years 2014 through 2016. The statute of limitations for tax years 2014 through 2016 is open until December 31, 2021. Tax years 2017 through 2019 are still subject to examination by the IRS.

Eaton US is also under examination for the income tax filings in various states and localities of the United States. 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.

In 2011, the IRS issued a Notice for Eaton US 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 United States. Eaton US has set its transfer prices for products sold between these affiliates at the same prices that Eaton US sells such products to third parties as required by two successive Advance Pricing Agreements (APAs) Eaton US entered into with the IRS that governed the 2005-2010 tax years. Eaton US has continued to apply the arms-length transfer pricing methodology for 2011 through the current reporting period. Immediately prior to the 2011 Notice being issued, the IRS sent a letter stating that it was retrospectively canceling the APAs. Eaton US contested the proposed assessments in United States Tax Court. The case involved both whether the APAs should be enforced and, if not, the appropriate transfer pricing methodology. On July 26, 2017, the United States Tax Court issued a ruling in which it agreed with Eaton US that the IRS must abide by the terms of the APAs for the tax years 2005-2006. The Tax Court's ruling on the APAs did not have a material impact on Eaton's consolidated financial statements.

In 2014, Eaton US 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, which the Company has also contested in Tax Court. The proposed assessments pertain primarily to the same transfer pricing issues and APA for which the Tax Court has issued its ruling during 2017 as noted above. The Company believes that the Tax Court's ruling for tax years 2005-2006 will also be applicable to the 2007-2010 years. Following the issuance of the Tax Court's ruling, Eaton and the IRS recognized that the ruling on the enforceability of the APAs did not address a secondary issue regarding the transfer pricing for a certain royalty paid from 2006-2010. Eaton US reported a consistent royalty rate for 2006-2010. The IRS has agreed to the royalty rate as reported by Eaton US in 2006. Although the IRS has not proposed an alternative rate, it has not agreed to apply the same royalty rate in the 2007-2010 years.

The 2014 Notice also includes a separate proposed assessment involving the recognition of income for several of Eaton US's controlled foreign corporations. The Company believes that the proposed assessment is without merit and is contesting the matter in Tax Court. In October 2017, Eaton and the IRS both moved for partial summary judgment on this issue. On February 25, 2019 the Tax Court granted the IRS's motion for partial summary judgment and denied Eaton's. The Company intends to appeal the Tax Court's partial summary judgment decision to the United States Sixth Circuit Court of Appeals. The Company believes that it will be successful on appeal and has not recorded any additional impact of the Tax Court's decision in its consolidated financial statements. The total potential impact of the Tax Court's partial summary judgment decision on the controlled foreign corporation income recognition issue is not estimable until all matters in the open tax years have been resolved.

In 2018 the IRS completed its examination of the Eaton US tax years 2011 through 2013 and has proposed adjustments to certain transfer pricing tax positions, including adjustments similar to those proposed in the 2011 and 2014 Notices for products manufactured in the Company's facilities in Puerto Rico and the Dominican Republic and sold to affiliated companies located in the United States. The IRS also proposed adjustments involving the recognition of income for several of Eaton US's controlled foreign corporation, which is the same issue included in the 2014 Notice described above and subject to litigation in Tax Court. The Company is pursuing its administrative appeals alternatives with respect to the IRS adjustments and believes that final resolution of the proposed adjustments will not have a material impact on its consolidated financial statements.

During 2010, the Company received a tax assessment, which included 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. In 2018 the Company received an unfavorable result at the final tax administrative appeals level, resulting in an alleged tax deficiency of $24 plus $67 of interest and penalties (translated at the December 31, 2020 exchange rate). During 2014, the Company received a tax assessment, which included interest and penalties, for the 2009 through 2012 tax years (primarily relating to the same issues concerning the 2005 through 2008 tax years). In November 2019, the Company received an unfavorable result at the final tax administrative appeals level, resulting in an alleged tax deficiency of $26 plus $91 of interest and penalties (translated at the December 31, 2020 exchange rate). The Company is challenging both of the assessments in the judicial system. Challenges in the judicial system are expected to take up to 10 years to resolve and require provision of certain assets as security for the alleged deficiencies. As of December 31, 2020, the Company pledged Brazilian real estate assets with net book value of $10 (translated at the December 31, 2020 exchange rate). During January 2021, the Company pledged additional Brazilian real estate assets with net book value of $5 and provided additional security in the form of a bond of $78 and cash deposit of $3 (translated at the December 31, 2020 exchange rate). The Company continues to believe that final resolution of both of the assessments will not have a material impact on its consolidated financial statements.

Note 15. EATON SHAREHOLDERS' EQUITY

There are 750 million Eaton ordinary shares authorized ($0.01 par value per share), 398.1 million and 413.3 million of which were issued and outstanding at December 31, 2020 and 2019, 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, 2020 and 2019, and 10 million serial preferred shares ($0.01 par value per share), none of which is outstanding at December 31, 2020 and 2019. At December 31, 2020, there were 11,390 holders of record of Eaton ordinary shares. Additionally, 16,400 current and former employees were shareholders through participation in the Eaton Savings Plan, the Eaton Personal Investment Plan, or the Eaton Puerto Rico Retirement Savings Plan.

On February 27, 2019, the Board of Directors adopted a new share repurchase program for share repurchases up to $5,000 of ordinary shares (2019 Program). Under the 2019 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 2020 and 2019, 17.1 million and 12.5 million ordinary shares, respectively, were repurchased under the 2019 Program in the open market at a total cost of $1,608 and $1,000, respectively.

Eaton has deferral plans that permit certain employees and directors to defer a portion of their compensation. A trust contains $3 and $5 of ordinary shares and marketable securities at December 31, 2020 and 2019, 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 24, 2021, Eaton's Board of Directors declared a quarterly dividend of $0.76 per ordinary share, a 4% increase over the dividend paid in the fourth quarter of 2020. The dividend is payable on March 30, 2021 to shareholders of record on March 16, 2021.

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):

	2020		2019	
	Pre-tax	After-tax	Pre-tax	After-tax
Currency translation and related hedging instruments				
Gain (loss) from currency translation and related hedging instruments	$ 154	$ 164	$ 15	$ 16
Translation reclassified to earnings	37	37	—	—
	191	201	15	16
Pensions and other postretirement benefits				
Prior service credit (cost) arising during the year	(1)	(1)	(2)	(2)
Net gain (loss) arising during the year	(263)	(203)	(294)	(232)
Currency translation	(48)	(37)	(16)	(13)
Other	(2)	(1)	—	—
Amortization of actuarial loss and prior service cost reclassified to earnings	221	169	148	117
	(93)	(73)	(164)	(130)
Cash flow hedges				
Gain (loss) on derivatives designated as cash flow hedges	(60)	(47)	(33)	(27)
Changes in cash flow hedges reclassified to earnings	17	14	(5)	(4)
Cash flow hedges, net of reclassification adjustments	(43)	(33)	(38)	(31)
Other comprehensive income (loss) attributable to Eaton ordinary shareholders	$ 55	$ 95	$ (187)	$ (145)

The changes in Other reserves follow:

	Currency translation and related hedging instruments	Pensions and other postretirement benefits	Cash flow hedges	Other	Total
Balance at January 1, 2019	$ (2,864)	$ (1,278)	$ (3)	$ 351	$ (3,794)
Other comprehensive income (loss) before reclassifications	16	(247)	(27)	—	(258)
Amounts reclassified from Other reserves	—	117	(4)	—	113
Net current-period other comprehensive income (loss)	16	(130)	(31)	—	(145)
Other equity-based compensation	—	—	—	39	39
Balance at December 31, 2019	$ (2,848)	$ (1,408)	$ (34)	$ 390	$ (3,900)

	Currency translation and related hedging instruments	Pensions and other postretirement benefits	Cash flow hedges	Other	Total
Balance at January 1, 2020	$ (2,848)	$ (1,408)	$ (34)	$ 390	$ (3,900)
Other comprehensive income (loss) before reclassifications	164	(242)	(47)	—	(125)
Amounts reclassified from Other reserves	37	169	14	—	220
Net current-period other comprehensive income (loss)	201	(73)	(33)	—	95
Other equity-based compensation	—	—	—	57	57
Balance at December 31, 2020	$ (2,647)	$ (1,481)	$ (67)	$ 447	$ (3,748)

The reclassifications out of Other reserves follow:

	December 31, 2020	Consolidated Profit and Loss Accounts
Currency translation losses		
Sale of business	$ (37)	Gain on sale of business
Tax benefit	—	
Total, net of tax	(37)	
Amortization of defined benefits pension and other postretirement benefits items		
Actuarial loss and prior service cost	(221)	[1]
Tax benefit	52	
Total, net of tax	(169)	
Gains and (losses) on cash flow hedges		
Currency exchange contracts	(18)	Net sales and Cost of products sold
Commodity contracts	1	Cost of products sold
Tax benefit	3	
Total, net of tax	(14)	
Total reclassifications for the period	$ (220)	

[1] These components of Other reserves are included in the computation of net periodic benefit cost. See Note 12 for additional information about defined benefits 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)	2020	2019
Net income attributable to Eaton ordinary shareholders	$ 1,410	$ 2,211
Weighted-average number of ordinary shares outstanding - diluted	404.0	420.8
Less dilutive effect of equity-based compensation	1.8	1.8
Weighted-average number of ordinary shares outstanding - basic	402.2	419.0
Net income per share attributable to Eaton ordinary shareholders		
Diluted	$ 3.49	$ 5.25
Basic	3.51	5.28

In 2020 and 2019, 0.6 million and 0.8 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 16. 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. The Company estimates forfeitures as part of recording equity-based compensation expense.

Restricted Stock Units and Awards

Restricted stock units (RSUs) and restricted stock awards (RSAs) have been issued to certain employees and directors. The fair value of RSUs and RSAs are determined based on the closing market price of the Company's ordinary shares at the date of grant. The RSUs entitle the holder to receive one ordinary share for each RSU upon vesting, generally over three years. RSAs are issued and outstanding at the time of grant, but remain subject to forfeiture until vested, generally over ten years. A summary of the RSU and RSA activity for 2020 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	1.7	$ 76.79
Granted	0.7	97.75
Vested	(0.8)	78.58
Forfeited	(0.1)	85.21
Non-vested at December 31	1.5	$ 85.09

Information related to RSUs and RSAs follows:

	2020	2019
Pre-tax expense for RSUs and RSAs	$ 58	$ 57
After-tax expense for RSUs and RSAs	46	45
Fair value of vested RSUs and RSAs	75	103

As of December 31, 2020, total compensation expense not yet recognized related to non-vested RSUs and RSAs was $73, and the weighted-average period in which the expense is expected to be recognized is 2.1 years. Excess tax benefit for RSUs and RSAs totaled $2 and $3 for 2020 and 2019, respectively.

Performance Share Units

Performance share units (PSUs) have been issued 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 three-year maturity as of the grant date). A summary of the assumptions used in determining fair value of these PSUs follows:

	2020	2019
Expected volatility	21 %	21 %
Risk-free interest rate	1.16 %	2.42 %
Weighted-average fair value of PSUs granted	$ 121.01	$ 92.50

A summary of these PSUs that vested follows:

(Performance share units in millions)	2020	2019
Percent payout	178 %	130 %
Shares vested	0.4	0.3

A summary of the 2020 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	0.6	$ 96.14
Granted[1]	0.2	121.01
Adjusted for performance results achieved[2]	0.2	100.86
Vested	(0.4)	100.86
Forfeited	(0.1)	101.56
Non-vested at December 31	0.5	$ 105.47

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

[2] Adjustments for the number of shares vested under the 2018 awards at the end of the three-year performance period ended December 31, 2020, being higher than the target number of shares.

Information related to PSUs follows:

	2020	2019
Pre-tax expense for PSUs	$ 25	$ 21
After-tax expense for PSUs	20	17

As of December 31, 2020, total compensation expense not yet recognized related to non-vested PSUs was $31 and the weighted-average period in which the expense is to be recognized is 1.7 years. Excess tax benefit for PSUs totaled $3 and $1 in 2020 and 2019, respectively.

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:

	2020	2019
Expected volatility	24 %	23 %
Expected option life in years	6.6	6.6
Expected dividend yield	3.2 %	3.2 %
Risk-free interest rate	0.5 to 1.5%	1.9 to 2.6%
Weighted-average fair value of stock options granted	$ 15.55	$ 14.08

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, 2020	$ 69.95	4.1		
Granted	98.16	0.7		
Exercised	63.49	(1.1)		
Forfeited and canceled	83.42	(0.1)		
Outstanding at December 31, 2020	$ 76.93	3.6	6.4	$ 156.6
Exercisable at December 31, 2020	$ 70.02	2.4	5.3	$ 117.9
Reserved for future grants at December 31, 2020		24.8		

The aggregate intrinsic value in the table above represents the total excess of the $120.14 closing price of Eaton ordinary shares on the last trading day of 2020 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:

	2020	2019
Pre-tax expense for stock options	$ 9	$ 9
After-tax expense for stock options	7	7
Proceeds from stock options exercised	70	67
Income tax benefit related to stock options exercised		
Tax benefit classified in operating activities in the Consolidated Statements of Cash Flows	10	4
Intrinsic value of stock options exercised	50	29
Total fair value of stock options vested	$ 9	$ 9
Stock options exercised, in millions of options	1.1	1.2

As of December 31, 2020, total compensation expense not yet recognized related to non-vested stock options was $10, and the weighted-average period in which the expense is expected to be recognized is 1.8 years.

Note 17. 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)
2020				
Cash	$ 438	$ 438	$ —	$ —
Short-term investments	664	664	—	—
Net derivative contracts	31	—	31	—
2019				
Cash	$ 370	$ 370	$ —	$ —
Short-term investments	221	221	—	—
Net derivative contracts	53	—	53	—

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 $8,057 and fair value of $9,075 at December 31, 2020 compared to $8,067 and $8,638, respectively, at December 31, 2019. 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. A summary of the carrying value, which approximates the fair value due to the short-term maturities of these investments, follows:

	2020	2019
Time deposits and certificates of deposit with banks	$ 168	$ 150
Money market investments	496	71
Total short-term investments	$ 664	$ 221

Note 18. 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, 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 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 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 is classified in the same line of the Consolidated Profit and Loss Accounts as the offsetting loss or gain on the hedged item. The cash flows resulting from these financial instruments are classified in operating activities on the Consolidated Statements of Cash Flows.

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.

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 had a carrying value on an after-tax basis of $2,020 and $1,845 at December 31, 2020 and 2019, respectively. See Note 11 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 11. Eaton also entered into several forward starting floating-to-fixed interest rate swaps to manage interest rate risk on a future anticipated debt issuance.

A summary of interest rate swaps outstanding at December 31, 2020, follows:

Fixed-to-Floating Interest Rate Swaps

Notional amount	Fixed interest rate received	Floating interest rate paid	Basis for contracted floating interest rate paid
$ 275	3.47%	2.25%	1 month LIBOR + 1.74%
100	8.10%	6.42%	1 month LIBOR + 5.90%
1,400	2.75%	1.20%	1 month LIBOR + 0.58%
200	3.68%	1.58%	1 month LIBOR + 1.07%
25	7.63%	3.16%	6 month LIBOR + 2.48%
50	7.65%	3.03%	6 month LIBOR + 2.57%
25	5.45%	1.02%	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	—%	3.10%	3 month LIBOR + 0.00%
50	—%	3.06%	3 month LIBOR + 0.00%
50	—%	2.80%	3 month LIBOR + 0.00%
50	—%	2.81%	3 month LIBOR + 0.00%
50	—%	2.64%	3 month LIBOR + 0.00%
50	—%	2.64%	3 month LIBOR + 0.00%
50	—%	2.30%	3 month LIBOR + 0.00%
50	—%	2.08%	3 month LIBOR + 0.00%
50	—%	1.77%	3 month LIBOR + 0.00%
50	—%	1.51%	3 month LIBOR + 0.00%
50	—%	1.50%	3 month LIBOR + 0.00%
50	—%	1.20%	3 month LIBOR + 0.00%
50	—%	1.14%	3 month LIBOR + 0.00%
50	—%	0.81%	3 month LIBOR + 0.00%
50	—%	1.24%	3 month LIBOR + 0.00%
50	—%	1.31%	3 month LIBOR + 0.00%
50	—%	0.71%	3 month LIBOR + 0.00%
50	—%	0.78%	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
December 31, 2020							
Derivatives designated as hedges							
Fixed-to-floating interest rate swaps	$ 2,075	$ 2	$ 100	$ —	$ —	Fair value	6 months to 14 years
Forward starting floating-to-fixed interest rate swaps	900	—	17	—	108	Cash flow	12 to 32 years
Currency exchange contracts	946	20	6	20	1	Cash flow	1 to 36 months
Commodity contracts	24	4	—	—	—	Cash flow	1 to 12 months
Total		$ 26	$ 123	$ 20	$ 109		
Derivatives not designated as hedges							
Currency exchange contracts	$ 5,227	$ 43		$ 34			1 to 12 months
Commodity contracts	18	2		—			1 month
Total		$ 45		$ 34			
December 31, 2019							
Derivatives designated as hedges							
Fixed-to-floating interest rate swaps	$ 2,225	$ —	$ 57	$ —	$ —	Fair value	12 months to 15 years
Forward starting floating-to-fixed interest rate swaps	500	—	3	—	42	Cash flow	13 to 33 years
Currency exchange contracts	1,146	14	3	11	6	Cash flow	1 to 36 months
Commodity contracts	9	—	—	—	—	Cash flow	1 to 9 months
Total		$ 14	$ 63	$ 11	$ 48		
Derivatives not designated as hedges							
Currency exchange contracts	$ 4,975	$ 48		$ 13			1 to 12 months
Commodity contracts	3	—		—			1 month
Total		$ 48		$ 13			

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 receivables, payables 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 cash flows resulting from the settlement of these derivatives have been classified in investing activities in the Consolidated Statement of Cash Flows.

As of December 31, 2020, the volume of outstanding commodity contracts that were entered into to hedge forecasted transactions:

Commodity	December 31, 2020		Term
Copper	7	millions of pounds	1 to 12 months
Gold	1,474	Troy ounces	1 to 12 months

The following amounts were recorded on the Consolidated Balance Sheets related to fixed-to-floating interest rate swaps:

Location on Consolidated Balance Sheets	Carrying amount of the hedged assets (liabilities)		Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged asset (liabilities) [a]	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Long-term debt	$ (2,688)	$ (2,838)	$ (139)	$ (97)

[a] At December 31, 2020 and 2019, these amounts include the cumulative liability amount of fair value hedging adjustments remaining for which the hedge accounting has been discontinued of $37 and $40, respectively.

The impact of hedging activities to the Consolidated Profit and Loss Accounts are as follow:

	2020		
	Net Sales	Cost of products sold	Interest expense or Interest income
Amounts from Consolidated Profit and Loss Accounts	$ 17,858	$ 12,408	$ 149
Gain (loss) on derivatives designated as cash flow hedges			
Currency exchange contracts			
Hedged item	$ 13	$ 5	$ —
Derivative designated as hedging instrument	(13)	(5)	—
Commodity contracts			
Hedged item	$ —	$ (1)	$ —
Derivative designated as hedging instrument	—	1	—
Gain (loss) on derivatives designated as fair value hedges			
Fixed-to-floating interest rate swaps			
Hedged item	$ —	$ —	$ (45)
Derivative designated as hedging instrument	—	—	45

	2019		
	Net Sales	Cost of products sold	Interest expense or Interest income
Amounts from Consolidated Profit and Loss Accounts	$ 21,390	$ 14,338	$ 199
Gain (loss) on derivatives designated as cash flow hedges			
Currency exchange contracts			
Hedged item	$ 7	$ (12)	$ —
Derivative designated as hedging instrument	(7)	12	—
Commodity contracts			
Hedged item	$ —	$ —	$ —
Derivative designated as hedging instrument	—	—	—
Gain (loss) on derivatives designated as fair value hedges			
Fixed-to-floating interest rate swaps			
Hedged item	$ —	$ —	$ (62)
Derivative designated as hedging instrument	—	—	62

The impact of derivatives not designated as hedges to the Consolidated Profit and Loss Accounts are as follow:

	Gain (loss) recognized in Consolidated Profit and Loss Accounts		Consolidated Profit and Loss Accounts classification
	2020	2019	
Gain (loss) on derivatives not designated as hedges			
Currency exchange contracts	$ 72	$ 73	Interest expense or Interest income
Commodity Contracts	4	—	Cost of products sold
Total	$ 76	$ 73	

The impact of derivative and non-derivative instruments designated as hedges 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	
	2020	2019		2020	2019
Derivatives designated as cash flow hedges					
Forward starting floating-to-fixed interest rate swaps	$ (52)	$ (36)	Interest expense or Interest income	$ —	$ —
Currency exchange contracts	(13)	3	Net sales and Cost of products sold	(18)	5
Commodity contracts	5	—	Cost of products sold	1	—
Non-derivative designated as net investment hedges					
Foreign currency denominated debt	(173)	15	Interest expense or Interest income	—	—
Total	$ (233)	$ (18)		$ (17)	$ 5

At December 31, 2020, a gain of $4 of estimated unrealized net gains or losses associated with our cash flow hedges were expected to be reclassified to income from Other reserves within the next twelve months. These reclassifications relate to our designated foreign currency and commodity hedges that will mature in the next 12 months.

Note 19. RESTRUCTURING CHARGES

In the second quarter of 2020, Eaton decided to undertake a multi-year restructuring program to reduce its cost structure and gain efficiencies in its business segments and at corporate in order to respond to declining market conditions. Restructuring charges incurred under this program were $214 in 2020. These restructuring activities are expected to incur additional expenses of $61 and $5 in 2021 and 2022, respectively, primarily comprised of plant closing and other costs, resulting in total estimated charges of $280 for the entire program.

A summary of restructuring program charges follows:

	2020
Workforce reductions	$ 172
Plant closing and other	42
Total before income taxes	214
Income tax benefit	44
Total after income taxes	$ 170
Per ordinary share - diluted	$ 0.42

Restructuring program charges related to the following segments:

	2020
Electrical Americas	$ 18
Electrical Global	55
Aerospace	34
Vehicle	102
eMobility	1
Corporate	4
Total	$ 214

A summary of liabilities related to workforce reductions, plant closing and other associated costs follows:

	Workforce reductions	Plant closing and other	Total
Balance at January 1, 2020	$ —	$ —	$ —
Liability recognized	172	42	214
Payments, utilization and translation	(33)	(39)	(72)
Balance at December 31, 2020	$ 139	$ 3	$ 142

These restructuring program charges were included in Cost of products sold, Selling and administrative expense, Research and development expense, or Other expense, as appropriate. In Business Segment Information, these restructuring program charges are treated as Corporate items. See Note 20 for additional information about business segments.

Note 20. 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 Americas and Electrical Global

The Electrical Americas segment consists of electrical components, industrial components, power distribution and assemblies, residential products, single and three phase power quality, wiring devices, circuit protection, utility power distribution, power reliability equipment, and services that are primarily produced and sold in North and America. The Electrical Global segment consists of electrical components, industrial components, power distribution and assemblies, single phase and three phase power quality, and services that are primarily produced and sold outside of North and South America; as well as hazardous duty electrical equipment, emergency lighting, fire detection, intrinsically safe explosion-proof instrumentation, and structural support systems that are produced and sold globally. 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 certain common global customers, but a large number of customers are located regionally. Sales are made through distributors, resellers, and manufacturers' representatives, as well as directly to original equipment manufacturers, utilities, and certain other end users.

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; industrial drum and disc brakes. 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, as well as filtration systems for industrial applications. 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; fuel systems including fuel pumps, sensors, valves, adapters and regulators; high performance interconnect products including wiring connectors and cables. The Aerospace segment also includes filtration systems including hydraulic filters, bag filters, strainers and cartridges; and golf grips. The principal markets for the Aerospace segment are manufacturers of commercial and military aircraft and related after-market customers, as well as industrial applications. 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, and fuel vapor components 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.

eMobility

The eMobility segment designs, manufactures, markets, and supplies electrical and electronic components and systems that improve the power management and performance of both on-road and off-road vehicles. Products include high voltage inverters, converters, fuses, onboard chargers, circuit protection units, vehicle controls, power distribution, fuel tank isolation valves, and commercial vehicle hybrid systems. The principle markets for the eMobility segment are original equipment manufacturers and aftermarket customers of passenger cars, commercial vehicles, and construction, agriculture, and mining equipment.

Other Information

No single customer represented greater than 10% of net sales in 2020 or 2019, 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 and the cost of any special termination benefits 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 all the Company's costs associated with acquisitions, divestitures, and gains and losses on the sale of certain businesses, restructuring program costs (Note 19) 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

	2020	2019
Net sales		
Electrical Americas	$ 6,680	$ 8,175
Electrical Global	4,703	5,172
Hydraulics	1,842	2,204
Aerospace	2,223	2,480
Vehicle	2,118	3,038
eMobility	292	321
Total net sales	$ 17,858	$ 21,390
Segment operating profit (loss)		
Electrical Americas	$ 1,352	$ 1,549
Electrical Global	750	897
Hydraulics	186	193
Aerospace	414	595
Vehicle	243	460
eMobility	(8)	17
Total segment operating profit	2,937	3,711
Corporate		
Amortization of intangible assets excluding software	(354)	(367)
Interest expense	(223)	(282)
Interest income	74	83
Pension and other postretirement benefits expense	(40)	(12)
Restructuring program charges	(214)	—
Other expense	(434)	(542)
Income before income taxes	1,746	2,591
Income tax expense	331	378
Net income	1,415	2,213
Less net income for noncontrolling interests	(5)	(2)
Net income attributable to Eaton ordinary shareholders	$ 1,410	$ 2,211

	2020	2019
Identifiable assets		
Electrical Americas	$ 2,333	$ 2,360
Electrical Global	2,334	2,319
Hydraulics	—	1,293
Aerospace	1,363	1,562
Vehicle	1,950	2,145
eMobility	180	141
Total identifiable assets	8,160	9,820
Goodwill	12,903	13,456
Other intangible assets	4,483	4,955
Corporate	4,062	3,421
Assets held for sale	2,487	1,377
Total assets	$ 32,095	$ 33,029
Capital expenditures for property, plant and equipment		
Electrical Americas	$ 95	$ 160
Electrical Global	71	106
Hydraulics	41	80
Aerospace	59	61
Vehicle	77	127
eMobility	24	8
Total	367	542
Corporate	22	45
Total expenditures for property, plant and equipment	$ 389	$ 587
Depreciation of property, plant and equipment		
Electrical Americas	$ 101	$ 118
Electrical Global	94	93
Hydraulics	—	58
Aerospace	53	37
Vehicle	98	102
eMobility	6	5
Total	352	413
Corporate	56	52
Total depreciation of property, plant and equipment	$ 408	$ 465

Geographic Region Information

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

	2020	2019
Net sales		
United States	$ 10,044	$ 12,336
Canada	757	941
Latin America	939	1,312
Europe	3,818	4,311
Asia Pacific	2,300	2,490
Total	$ 17,858	$ 21,390
Long-lived assets		
United States	$ 1,510	$ 1,821
Canada	25	24
Latin America	249	316
Europe	738	797
Asia Pacific	442	538
Total	$ 2,964	$ 3,496

Note 21. EMPLOYEES

The average number of persons employed by Eaton follow:

(In thousands)	2020	2019
Electrical Americas	27	30
Electrical Global	25	27
Hydraulics	10	11
Aerospace	11	10
Vehicle	11	13
eMobility	1	1
Corporate	8	8
Total average number of persons employed	93	100

Employee costs follow:

	2020	2019
Salaries and wages	$ 3,764	$ 4,190
Pension and other postretirement benefits	172	151
Share based compensation	92	87
Other benefits	1,125	1,231
Total employee costs	$ 5,153	$ 5,659

Note 22. 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). 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. 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.

	2020	2019
Aggregate emoluments in respect of qualifying services	$ 5	$ 7
Aggregate amount of the money or value of other assets under long term incentive plans in respect of qualifying services	16	20
Aggregate gains on the exercise of share options granted in respect of qualifying services	14	6
Total	$ 35	$ 33

Note 23. AUDITORS' REMUNERATION

Fees paid to Ernst & Young for services provided follow:

	2020	2019
Audit fees	$ 19	$ 18
Audit-related fees	4	6
Tax fees		
Tax compliance services	1	1
Tax advisory services	1	3
Reimbursement of auditor's expenses	1	1
Total	$ 26	$ 29

The fees paid to Ernst & Young Ireland in respect of the audit of the group accounts were $0.2 in each of 2020 and 2019. In addition, Ernst & Young Ireland received fees of $0.7 for other assurance services in each of 2020 and 2019. Ernst & Young Ireland did not receive any fees for non-audit services in 2020 or 2019. Ernst & Young Ireland received fees of $0.3 and $0.1 for tax advisory services in 2020 and 2019, respectively.

Note 24. 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 Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, 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 Iberica S.L.	Operations	Calle Monte Esquinza 30, 28010, Madrid, EMEA, Spain	100 %
Aeroquip-Vickers Canada Company	Operations	Suite 900, 1959 Upper Water Street, Halifax NS B3J 2X2, Canada	100 %
Aeroquip-Vickers Limited	Inactive	P.O. Box 554, Abbey Park, Southampton Road, Titchfield, PO14 4QA, 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	155 Federal Street, Suite 700, Boston MA 02110	100 %
Beijing Yoosung Shinhwa Automobile Parts Co., Ltd.	Operations	M2-5. 10, Xinggu, Industrial Development Zone of Pinggu Dist, Beijing, China	100 %
Blessing International B.V.	Inactive	6 Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire, CV31 3RZ, United Kingdom	100 %
Blinda Industria e Comercio Ltda.	Operations	Rodovia Marechal Rondon, km 125 - Parte D1, Soamin , Porto Feliz, SP, 18540-000, Brazil	100 %
Bussmann do Brasil Ltda.	Operations	Rodovia Marechal Rondon, Km 125 - Soamin, Parte C, Porto Feliz, SP, 18540-000, Brazil	100 %
Bussmann International Holdings, LLC	Operations	1209 Orange Street, Wilmington DE 19801	100 %
Bussmann International, Inc.	Operations	1209 Orange Street, Wilmington DE 19801	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 Sarl	General Corporate Administration	12, rue Eugène Ruppert, L-2453 Luxembourg, LUXEMBOURG	100 %
Cannon Technologies, Inc.	Operations	1010 Dale Street N. , Saint Paul MN 55117-5603	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, D-59494, Soest, Germany	100 %
Chagrin Highlands III Ltd.	General Corporate Administration	1400 West 6th Street, Suite 400, Cleveland OH 44113, United States	100 %
CLS (Canada) Company	General Corporate Administration	Queen's Marque, 600-1741 Lower Water Street, Halifax NS B3J 0J2, Canada	100 %
CLS Industries (UK) Limited	General Corporate Administration	USK House, Llantarnam Park, Gwent, Cwmbran, NP44 3HD, United Kingdom	100 %
Cooper (China) Co., Ltd.	General Corporate Administration	No. 955 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 B-Line, Inc.	Operations	1209 Orange Street, Wilmington DE 19801	100 %
Cooper Bussmann, LLC	Operations	1209 Orange Street, Wilmington DE 19801	100 %
Cooper Capri S.A.S.	Operations	36 rue des Fontenils, Lamotte Beuvron, 416000, Nouan Le Fuzelier, France	100 %
Cooper Crouse-Hinds (LLC)	Operations	P.O. Box 30861, Office 302, Building 49, Dubai Healthcare City, United Arab Emirates	100 %
Cooper Crouse-Hinds AS	Operations	Ryensvingen 5, Oslo, 0680, 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	1209 Orange Street, Wilmington DE 19801	100 %

Cooper Crouse-Hinds, LLC	Operations	1209 Orange Street, Wilmington DE 19801	100 %
Cooper Crouse-Hinds, S. de R.L. de C.V.	Operations	Av. Santa Fe 481 Piso 16, Col. Cruz Manca, Col. Cuajimalpa de Morelos, Cuajimalpa de Morelos, Ciudad de Mexico, 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	No. 336, Huanghe Road, High-tech Industrial Development Zone, Pingdingshan City, Henan Province, China	100 %
Cooper Electric (Changzhou) Co., Ltd.	Operations	No. 189 Liuyanghe Road, Xinbei District, Changzhou City, Jiangsu Province, APAC, 213031, 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 International, LLC	General Corporate Administration	1209 Orange Street, Wilmington DE 19801	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	100 %
Cooper Finance USA, Inc.	General Corporate Administration	1209 Orange Street, Wilmington DE 19801	100 %
Cooper Germany Holdings GmbH	Operations	Senator-Schwartz-Ring 26, D-59494 Soest, Germany	100 %
Cooper Industries (Canada) Company	General Corporate Administration	Suite 900, 1959 Upper Water Street, Halifax NS B3J 3N2, 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.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	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	Ambacht 6, 5301 KW , Zaltbommel, Netherlands	100 %
Cooper Industries International, LLC	General Corporate Administration	1209 Orange Street, Wilmington DE 19801	100 %
Cooper Industries Japan K.K.	Operations	7th FL, Unizo Nogizaka Bldg, 8-11-37 Akasaka, Minato-ku , Tokyo, Japan	100 %
Cooper Industries Malaysia SDN BHD	Operations	170-09-01, Livingston Tower, Jalan Argyll 10050, George Town, Pulau Pinang, Malaysia	100 %
Cooper Industries Poland, LLC	Operations	1209 Orange Street, Wilmington DE 19801	100 %
Cooper Industries Romania SRL	Operations	Street 1, Industrial Zone, Arad Vest nr10, Arad, Romania	100 %
Cooper Industries Russia LLC	Operations	33 Electrozavodskaya Str., Building 4, 107076, Moscow, Russia	100 %
Cooper Industries Trading Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Cooper Industries Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Cooper Industries, LLC	General Corporate Administration	1209 Orange Street,New Castle, Wilmington DE 19801	100 %
Cooper Interconnect, Inc.	Operations	1209 Orange Street,New Castle, Wilmington DE 19801	100 %
Cooper International Holdings S.a.r.l	General Corporate Administration	Rue Eugene Ruppert 12, L-2453 Luxembourg, Luxembourg	100 %
Cooper Korea Ltd.	Operations	5-7F Eonju-ro (Parkland Building, Nonhyun-dong), Gangnam-gu, Seoul, Korea, Republic of	100 %
Cooper Menvier France SARL	Operations	Rue Beethoven, Parc Europeen Entreprises Rii, 63200, Riom, France	100 %
Cooper Notification, Inc.	Operations	1209 Orange Street,New Castle, Wilmington DE 19801	100 %
Cooper Power Systems do Brasil Ltda.	Operations	Rodovia Marechal Rondon, km 125, Part A, Soamin, Porto Feliz, Sao Paulo, 18540-000, Brazil	100 %
Cooper Power Systems, LLC	Operations	1209 Orange Street,New Castle, Wilmington DE 19801	100 %

Cooper Pretronica Unipessoal 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	Van Voordenpark 1d, 5301, KP Zaltbommel, Netherlands	100 %
Cooper Securite S.A.S.	Operations	Rue Beethoven, 63200, Riom, France	100 %
Cooper Shanghai Power Capacitor Co., Ltd.	Operations	Building A, No. 955, Shengli Road, Heqing Pudong, Shanghai, PRC, China	65 %
Cooper Technologies Company	General Corporate Administration	1209 Orange Street,New Castle, Wilmington DE 19801	100 %
Cooper Univel S.A.	Operations	88 Thessalonikis Street, Katerini , 60134, Greece	100 %
Cooper Wheelock, Inc.	Operations	820 Bear Tavern Road, West Trenton NJ 08628	100 %
Cooper Wiring Devices de Mexico, S.A. de C.V.	Operations	Carr Tlane Cuautitlan KM 17.8, SN Villa Jardin, Mexico, 54800, Mexico	100 %
Cooper Wiring Devices Manufacturing, S. de R.L. de C.V.	Operations	Carretera Tlalnepantla Cuautitlan KM 178, S N Villa Jardin, Mexico, 54800, Mexico	100 %
Cooper Wiring Devices, Inc.	Operations	111 Eighth Avenue, New York NY 10011, United States	100 %
Cooper Xi'an Fusegear Co., Ltd.	Operations	No. 86, Jinye Road, High Tech Zone,Xi'an, Shaanxi 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 %
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	Einzingergasse 4, 1210 Wien, Austria	100 %
Cutler-Hammer Electrical Company	General Corporate Administration	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	100 %
Cutler-Hammer Industries Ltd.	General Corporate Administration	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	100 %
Cutler-Hammer, SRL	General Corporate Administration	Pereyra & Asociados, Torre Sonora, Pisos 7 y 8, Avenida Abraham Lincoln No. 1069, Jacinto Mañón, Ensanche Serallés, Santo Domin, Dominican Republic	100 %
Cyme International T & D Inc.	Operations	1485 rue Roberval, Suite 104, Saint-Bruno-de-Montarville QC J3V 3P8, Canada	100 %
D.P. Eaton Electric	Operations	Ul. Bereznjakovskaja 29, 6 floor , Kiev, 02098, Ukraine	100 %
Digital Lighting (Dong Guan) Co., Ltd.	Operations	Xinmin Village, Chang An Town, Guan Dong Province, Dong Guan City, Georgia, China	100 %
Digital Lighting Co., Limited	Operations	Level 54, Hopewell Centre, 183 Queen's Road East , Hong Kong	100 %
Digital Lighting Holdings Limited	Operations	P.O. Box 3140, Road Town, Tortola, VG1110, Virgin Islands, British	100 %
Dongguan Cooper Electronics Co. Ltd.	Operations	Xin Min Road, Xin Min District, Changan Town, Guangdong Province, Dongguan City, China, 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	Avenida Santa Fe no. 481, Floor 16, Cuajimalpa de Morelos , Ciudad de México CP 05348	100 %
Eaton (China) Investments Co., Ltd.	General Corporate Administration	Eaton Center Shanghai, No. 3 Lane 280 Linhong Road, Shanghai, 200335, China	100 %
Eaton (Switzerland) Holding III G.m.b.H.	General Corporate Administration	Route de la Longeraie 7, 1110, Morges, Switzerland	100 %
Eaton Aeroquip LLC	General Corporate Administration	4400 Easton Commons Way, Suite 125, Columbus OH 43219, United States	100 %
Eaton Aerospace LLC	General Corporate Administration	1209 Orange Street,New Castle, Wilmington DE 19801	100 %
Eaton Ann Arbor LLC	General Corporate Administration	40600 Ann Arbor Rd. E., Suite 201, Plymouth MI 48170-4675	100 %
Eaton Arabia LLC	Operations	Plot Number Tp010505, National Industrial Park, Dubai, United Arab Emirates	49 %
Eaton Automated Transmission Technologies Corporation	Operations	1209 Orange Street,New Castle, Wilmington DE 19801	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-Biała, Śląskie, Poland	100 %
Eaton Automotive Systems Spolka z o.o.	Operations	Ul. Rudawka 83, 43-382, Bielsko-Biała, Śląskie, Poland	100 %
Eaton B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100 %
Eaton Capital Global Holdings Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Capital Unlimited Co	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	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	6 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	4400 Easton Commons Way, Suite 125, Columbus OH 43219, United States	100 %
Eaton Cummins Automated Transmission Technologies LLC	Operations	Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States	50 %
Eaton Cummins Automated Transmission Technologies S. de R.L. de C.V.	Operations	Carretera 57 # 4380, San Luis Potosí City, San Luis Potosí State, 78395, Mexico	100 %
Eaton Cummins Automated Transmission Technologies Sarl	Operations	Route de la Longeraie 7, 1110, Morges, Switzerland	50 %
Eaton Domhanda I Limited	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Domhanda Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Electric & Engineering Services Limited	General Corporate Administration	Units 19-30, 19/F., Corporation Park, 11 On Lai Street, Siu Lek Yuen, Shatin, N.T., Hong Kong, APAC, Hong Kong	100 %
Eaton Electric (Japan) Ltd.	Operations	Mainichi Intecio 12F, 3-4-5, Umeda, Kita-ku,Osaka City,, Japan	100 %
Eaton Electric (Singapore) Pte. Ltd.	Operations	8 Marina Boulevard #05-02, Marina Bay Financial Centre, Tower 1, Singapore, 018981, Singapore	100 %
Eaton Electric (South Africa) Pty Ltd.	General Corporate Administration	CNR Osborn and Esander Rds, Wadeville, Germiston, Gauteng, 1407, South Africa	100 %
Eaton Electric (Thailand) Limited	Operations	No. 89/1 Kasemsap Building, 4th Floor, Vibhavadi-Rangsit Road, Khwaeng Jompol, Khet Chatuchak, Bangkok, Thailand	100 %
Eaton Electric (Vietnam) Company Limited	General Corporate Administration	Floor 6, Geleximco Building, No. 36 Hoang Cau Street, O Cho Dua Ward, Dong Da District, Ha Noi, APAC, Vietnam	100 %
Eaton Electric AB	Operations	Kista Science Tower, 16451, Kista, Sweden	100 %
Eaton Electric ApS	Operations	Niels Bohrs Vej 2, DK-7100, Vejle, Denmark	100 %
Eaton Electric AS	Operations	Postboks 113 Manglerud, Oslo, 0612, Norway	100 %
Eaton Electric BV	Operations	Industrialaan 3, B-1702 Groot-Bijgaarden, , Belgium	100 %
Eaton Electric d.o.o.	Operations	Rumski drum 13, Sremska Mitrovica, 22000, Serbia, Republic of	100 %
Eaton Electric G.m.b.H.	Operations	Hein-Moeller Straße 7-11, D-53115, Bonn, Germany	100 %
Eaton Electric Holdings LLC	General Corporate Administration	1209 Orange Street,New Castle, Wilmington DE 19801	100 %
Eaton Electric Limited	General Corporate Administration	Reddings Lane, Tyseley, Birmingham, West Midlands, B11 3EZ, United Kingdom	100 %
Eaton Electric S.a.r.l.	General Corporate Administration	Rue Socrate, Epinal 6, 1st Floor Maarif Extension, Casablanca, 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 n° 42-44, Sector 1, Cladirea B2, etaj 3, Bucuresti, EMEA, 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 Spolka z.o.o.	Operations	Ul. Galaktyczna 30, 80-299, Gdansk, Poland	100 %
Eaton Electrical (Australia) Pty Ltd	Operations	10 Kent Road, Mascot NSW 2020, Australia	100 %
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	6 Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire, CV31 3RZ, United Kingdom	100 %
Eaton Electrical Srl	Operations	Moravia de la Antigua Entrada del Colegio, Saint Clare 300, Metros Al Oeste, San Jose, 10156-1000, Costa Rica	100 %
Eaton Electrical Systems Limited	Operations	6 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, Piso 14, Oficina 14-A, Urbanización Sabana Grande, Libertador, Caracas, Venezuela, Bolivarian Republic of	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 Kadiköy, Istanbul, Turkey	100 %
Eaton Elektrotechnika s.r.o.	Operations	Komárovská 2406, Praha 9 - Horní Počernice, 193 00, Czech Republic	100 %
Eaton eMobility France SAS	Operations	Lieu Dit Les Auberges, 69770, MONTROTTIER, France	100 %
Eaton Enterprises (Hungary) Kft.	General Corporate Administration	Nagyenyed u. 8-14, Budapest, 1123, Hungary	100 %
Eaton Enterprises Limited	Operations	Room 1604, 16/F, Kodak House II, 39 Healthy Street East,, North Point , HongKong, Hong Kong	100 %
Eaton Enterprises, S. de R.L. de C.V.	General Corporate Administration	De La Montana, 128 Parque Industrial Queretaro, Queretaro, 76220, Mexico	100 %
Eaton Filtration (Italy) S.r.l.	Operations	Via Vittor Pisani 27, 20124, Milano, Italy	100 %
Eaton Filtration (Poland) Sp. z o.o.	Operations	Milczany 79, 27 600, Sandomierz, Poland	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 BV	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 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.	General Corporate Administration	Via Privata Maria Teresa, 7, 20123, Milano, Italy	100 %
Eaton France Holding SAS	General Corporate Administration	11 avenue de l'Atantique les Ulis, 91955, Courtaboeuf, France	100 %
Eaton Fu Li An (Changzhou) Electronics Co., Ltd.	Operations	No 60, Hehuan Road, Zhonglou economic development zone, Changzhou, APAC, China	100 %
Eaton FZE	Operations	Plot No. S30805, Jebel Ali Free Zone South 5, Dubai, United Arab Emirates	100 %
Eaton Germany G.m.b.H.	General Corporate Administration	Dr.-Reckeweg-Strasse 1, D-76532, Baden-Baden, Germany	100 %
Eaton Germany Holdings GmbH	Operations	Senator-Schwartz Ring 26, D-59494, Soest, Germany	100 %

Eaton Global Limited	General Corporate Administration	12-14 Finch Road, Douglas, IM1 2PT, Isle of Man	100 %
Eaton Global Holdings II Limited	General Corporate Administration	12-14 Finch Road, Douglas, IM1 2PT, Isle of Man	100 %
Eaton Global Holdings III Limited	General Corporate Administration	33-37 Athol Street, Douglas, IM1 1LB, Isle of Man	100 %
Eaton Global Holdings Limited	General Corporate Administration	12-14 Finch Road, Douglas, IM1 2PT, Isle of Man	100 %
Eaton GmbH & Co. KG	General Corporate Administration	Rolandstr. 44, 40476, 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	6 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 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 IV S.a.r.l.	General Corporate Administration	Rue Eugene Ruppert 12, L-2453 Luxembourg, Luxembourg	100 %
Eaton Holding IX S.a.r.l.	General Corporate Administration	Rue Eugene Ruppert 12, L-2453 Luxembourg, Luxembourg	100 %
Eaton Holding Limited	General Corporate Administration	P.O. Box 554, Abbey Park, Southampton Road, Titchfield, PO14 4QA, United Kingdom	100 %
Eaton Holding S.a.r.l.	General Corporate Administration	Rue Eugene Ruppert 12, 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 Turlock B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	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	Rue Eugene Ruppert 12, L-2453 Luxembourg, Luxembourg	100 %
Eaton Holding VI B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100 %
Eaton Holding VII B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100 %
Eaton Holding VIII B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100 %
Eaton Holding VIII S.a.r.l.	General Corporate Administration	Rue Eugene Ruppert 12, L-2453 Luxembourg, Luxembourg	100 %
Eaton Holding XIII S.a.r.l.	General Corporate Administration	Rue Eugene Ruppert 12, L-2453 Luxembourg, Luxembourg	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	CNR Osborn and Esander Rds, Wadeville, Germiston, Gauteng, 1407, South Africa	100 %
Eaton Hydraulics LLC	General Corporate Administration	1209 Orange Street,New Castle, Wilmington DE 19801	100 %
Eaton Hydraulics Systems (Jining) Co., Ltd.	Operations	8 Kangtai Rd., High and New Tech Industrial Develop Area, Jining, China	100 %
Eaton I Spolka z.o.o.	Operations	Ul. Rudawka 83, 43-382, Bielsko-Biała, Śląskie, 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, Puducherry, APAC, 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 Products Pvt. Ltd.	Operations	Plot No. 234, 235 and 245, Gala No. 2, 15 and 16 , India Land Global Industrial Park, Hinjewadi, Pune, Maharashtra, 411057, India	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) BV	Operations	Industrialaan 1, B-1702 Groot-Bijgaarden, Belgium	100 %
Eaton Industries (Canada) Company	General Corporate Administration	Suite 900, 1959 Upper Water Street, Halifax NS B3J 3N2, Canada	100 %
Eaton Industries (Chile) S.p.A.	General Corporate Administration	Panamericana Norte Km. 15 1/2, Comuna de Lampa, Región Metropolitana, Chile	100 %
Eaton Industries (Colombia) S.A.S.	General Corporate Administration	AV EL DORADO NO. 68C 61 OFC 829, Bogotá D.C.	100 %
Eaton Industries (Egypt) LLC	Operations	Fifth Settlement, 4th Floor, Building on Plot No. 289, Second Administrative Sector, 90th Street, New Cairo, Cairo, EMEA, Egypt	100 %
Eaton Industries (England) Limited	Operations	6 Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire, CV31 3RZ, 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) II Limited	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries (Ireland) Limited	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries (Israel) Ltd.	General Corporate Administration	13 Zarhin , St. Ra'anana, 4366241, Israel	100 %
Eaton Industries (Italy) S.r.l.	Operations	Via S. Bovio, 3, 20090 Segrate, 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	601 Eonju-ro (Parkland Building, Nonhyun-dong), Gangnam-gu, Seoul, APAC, Korea, Republic of	100 %
Eaton Industries Morocco S.à.r.l.	Operations	Zone Franche d'Exportation Midparc, Nouaceur, Casablanca, 27182, Morocco	100 %
Eaton Industries (Netherlands) B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100 %
Eaton Industries (Philippines), LLC	Operations	1209 Orange Street, Wilmington DE 19801	100 %
Eaton Industries (Spain) S.L.	General Corporate Administration	Plaça Europa, 9-11 2º planta, (Barcelona), 08908, L'Hospitalet de Llobregat , 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, 106 Wrights Road, Addington, Christchurch, NZ, 8041, New Zealand	100 %
Eaton Industries EOOD	Operations	83 Gioeshevo Str., Room 412, Floor 4 , Sofia, 1330, Bulgaria	100 %
Eaton Industries G.m.b.H.	General Corporate Administration	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 Bermuda, 12, Bermuda	100 %
Eaton Industries I Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries II G.m.b.H.	Operations	Im Langhag 14, 8307, Illnau-Effretikon, Switzerland	100 %
Eaton Industries II Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries III Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries IV Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries IX LLC	General Corporate Administration	1209 Orange Street, Wilmington DE 19801	100 %
Eaton Industries KFT	Operations	Nagyenyed u. 8-14, Budapest, 1123, 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.	General Corporate Administration	Route de la Longeraie 7, 1110, Morges, Switzerland	100 %
Eaton Industries Middle East, LLC	Operations	1209 Orange Street, Wilmington DE 19801	100 %
Eaton Industries Panama S.A.	Operations	Avenida Boulevard El Dorado, Edificio Centro Comercial Boulevard El Dorado Apto 33, El Dorado, Panama, Panama	100 %
Eaton Industries Pte. Ltd.	General Corporate Administration	8 Marina Boulevard #05-02, Marina Bay Financial Centre, Tower 1, Singapore, 018981, Singapore	100 %
Eaton Industries Pty. Ltd.	General Corporate Administration	105 HENDERSON ROAD, ROWVILLE VIC 3178, Australia	100 %
Eaton Industries SAC	General Corporate Administration	Calle Amador Merino Reyna No. 496, Int. 201, San Isidro, Lima 18, Peru	100 %
Eaton Industries Sdn. Bhd.	General Corporate Administration	Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia	100 %
Eaton Industries V Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries VI Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries VII Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries VIII LLC	General Corporate Administration	1209 Orange Street, Wilmington DE 19801	100 %
Eaton Industries X Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries XI Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries XII Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries XIII Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries XIV Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries XIX Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries XV Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries XVI LLC	General Corporate Administration	1209 Orange Street, Wilmington DE 19801	100 %
Eaton Industries XVIII Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Industries XX Unlimited Company	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	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 Intelligent Power Limited	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton International B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100 %
Eaton International Industries Nigeria Limited	Operations	81 Adeniyi Jones Street, Lagos, Nigeria	100 %
Eaton IV LP	General Corporate Administration	Tay House, 300 Bath Street, Glasgow, G2 4NA, United Kingdom	100 %
Eaton Japan G.K.	General Corporate Administration	Unizo Nogizaka Building, 8-11-37 Akasaka, Minato-ku, Tokyo, 107-0052, Japan	100 %
Eaton Leasing Corporation	General Corporate Administration	4400 Easton Commons Way, Suite 125, Columbus OH 43219, United States	100 %
Eaton Limited	General Corporate Administration	P.O. Box 554, Abbey Park, Southampton Road, Titchfield, PO14 4QA, 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 Management Services LLP	General Corporate Administration	145, Off Mumbai Pune Road,, Pimpri,, Pune, Pune, APAC, 411018, India	100 %
Eaton Manufacturing G.m.b.H.	General Corporate Administration	Route de la Longeraie 7, 1110, Morges, Switzerland	100 %
Eaton Manufacturing Hungary Kft.	Operations	Berkenyefa sor 7, Gyor, 9027, Hungary	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 Limited	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Manufacturing LP	General Corporate Administration	Tay House, 300 Bath Street, Glasgow, G2 4NA, United Kingdom	100 %
Eaton MEDC Limited	Operations	Unit B, Sutton Parkway, Oddicroft Lane, Sutton-In-Ashfield, NG17 5FB, United Kingdom	100 %
Eaton Moeller B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100 %
Eaton Moeller S.a.r.l.	General Corporate Administration	Rue Eugene Ruppert 12, L-2453 Luxembourg, Luxembourg	100 %
Eaton Phoenixtec MMPL Co. Ltd.	General Corporate Administration	No.269-1, Baodong Rd., Guanmiao Dist., Tainan City 71841, APAC, Taiwan	100 %
Eaton Power (Shanghai) Trading Limited Partnership	General Corporate Administration	Room 209, No. 3, Lane 280, Linhong Road, Changning District,, APAC, China	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 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 Solution Ltda.	Operations	Avenida Benedito Quina da Silva 271, Galpao 3 Loteamento Multivias, Bairro Jardim Ermida II, Jundiai, SA, 13212-141, 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.	General Corporate Administration	2 Rue Lavoisier, 78310, Coignieres, France	100 %
Eaton S.r.l.	Operations	Via Privata Maria Teresa, 7, 20123, Milano, Italy	100 %
Eaton Safety Limited	Operations	6 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 Rd. Zhuqiao Zhen Pudong new distric, Shanghai, China	49 %

Eaton SE	General Corporate Administration	Hein-Moeller Straße 7-11, D-53115, Bonn, Germany	100 %
Eaton Services S.a.r.L.	General Corporate Administration	Rue Eugene Ruppert 12, 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, QE 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	Rue Eugene Ruppert 12, L-2453 Luxembourg, Luxembourg	100 %
Eaton Technologies G.m.b.H.	General Corporate Administration	Auf der Heide 2, Nettersheim, D-53947, 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. de R.L. de C.V.	General Corporate Administration	Avenida de la Montana Num 128, Parque Indusrtrial Queretaro, Santa Rosa Jauregui, Queretaro, Qro. C.P., 76220, Mexico	100 %
Eaton Teorainn Limited	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Eaton Trading (FZC) LLC	General Corporate Administration	Sohar Free Zone, Sohar, North Al Batinah, 322, Oman	100 %
Eaton Trading Company, S. de R.L. de C.V.	General Corporate Administration	Avenida de la Montana Num 128, Parque Indusrtrial Queretaro, Santa Rosa Jauregui, Queretaro, Qro. C.P., 76220, Mexico	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.	General Corporate Administration	Monterrey, Nuevo Leon, Federal District, Monterrey Cty; Federal District Rgn, Mexico	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 %
Electronic and Electrical Industries Company	Operations	PO Box 1684, Alkhobar, EMEA, 31952, Saudi Arabia	50 %
ETN Asia International Limited	General Corporate Administration	33 Edith Cavell Street, Port Louis, 11324, Mauritius	100 %
ETN Holding 1 Limited	General Corporate Administration	33 Edith Cavell Street, Port Louis, 11324, Mauritius	100 %
ETN Holding 2 Limited	General Corporate Administration	33 Edith Cavell Street, Port Louis, 11324, Mauritius	100 %
ETN Holding 3 Limited	General Corporate Administration	33 Edith Cavell Street, Port Louis, 11324, Mauritius	100 %
Fast Eaton (Baoji) Light Duty Transmission Company Ltd.	Operations	No. 1 Shaan 6 Road Automobile Industry Zone High Technology, Baoji, APAC, China	49 %
Fast Eaton (Xi'an) Drivetrain Company Ltd.	Operations	United Fourth Factory of Xi'an Fast Automotive Transmission Co., Ltd., 129 West Avenue, High-tech district, Xi'an City, Shanxi Province, China	49 %
FHF Bergbautechnik GmbH & Co. KG	Operations	Gewerbeallee 15-19, 45478 Mülheim an der Ruhr, Duisburg, Germany	100 %
FHF Funke+Huster Fernsig GmbH	Operations	Gewerbeallee 15-19, 45478 Mülheim an der Ruhr, Duisburg, Germany	100 %
Funke+Huster GmbH	Operations	Gewerbeallee 15-19, 45478 Mülheim an der Ruhr, 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 %
Gitiesse Asia Pte. Ltd.	General Corporate Administration	Blk 196 Pandan Loop #04-15 Pantech Business Hub Singapore , 128384, Singapore	30 %
Gitiesse S.r.l.	Operations	Via Ponte Polcevera 8/14 - 16161, Partita Iva, 01070220106, Genova, Italy	100 %
Green Holding S.a.r.l.	General Corporate Administration	12 rue Eugene Ruppert, Luxembourg, L-2453, Luxembourg	100 %
Guangzhou Nittan Valve Co. Ltd.	Operations	No. 79, Junye Rd., East Area, Econo & Tech Dev. Zone, Guangzhou, Guangdong Province, China	100 %

Hein Moeller Stiftung G.m.b.H.	General Corporate Administration	Hein-Moeller Straße 7-11, D-53115, Bonn, Germany	100 %
Hernis Scan Systems A/S	Operations	Tangen Alle 41, P.O. Box 791 Stoa, Arendal, 4809, Norway	100 %
Institute for International Product Safety G.m.b.H.	Operations	Hein-Moeller Straße 7-11, D-53115, Bonn, Germany	100 %
Joslyn Sunbank Company, LLC	Operations	1740 Commerce Way, Paso Robles, CA, 93446, United States	100 %
Kaicheng Funke+Huster (Tangshan) Mining Electrical Co. Ltd.	Operations	No. 183 Huoju Road, New & Hi-tech Industrial Park, Trangshan, Hebei, 063020, China	60 %
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 GmbH	Operations	Bachstrasse 6, 77883, Ottersweier, Germany	100 %
Martek Power S.A. de C.V.	Operations	Calle Doce Norte 20714, Ejido Chilpancingo, Baja California, 22440, Mexico	100 %
McGraw-Edison Development Corporation	Operations	1209 Orange Street, Wilmington DE 19801	100 %
Menvier Overseas Holdings Limited	Operations	6 Jephson Court, Tancred Close, Queensway, Royal Leamington Spa, Warwickshire, CV31 3RZ, United Kingdom	100 %
Moeller Electric (Shanghai) Co., Ltd.	Operations	No. 3 Building, Lane 280 Lin Hong Road, Shanghai, 200335, China	100 %
Moeller Electric Ltda.	Operations	Rua Clark, 2061 - Bairro Macuco , Valinhos , Sao Paulo, 13279-400, Brazil	100 %
Moeller Industria de electro-electronicos do Amazonas Ltda.	Operations	Av Ephigenio Sales 86, Adrianopolis, Manaus - Amazonas, 69050-050, Brazil	100 %
MP Group SAS	Operations	19, Rue des Campanules, 77185, Lognes, France	100 %
MTL Instruments B.V.	Operations	Ambacht 6, 5301 KW , Zaltbommel, Netherlands	100 %
MTL Instruments GmbH	Operations	Heinrich-Hertz-Strasse 12, 50170, Kerpen, Germany	100 %
MTL Instruments LLC	Operations	1209 Orange Street, Wilmington DE 19801	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, 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	100 %
MTL Partners, Inc.	Operations	1209 Orange Street, Wilmington DE 19801	100 %
Nittan BVI Co. Ltd.	General Corporate Administration	PO Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands	100 %
Nittan Euro Tech Spolka z o.o.	Operations	Ul. Rudawka 83, 43-382, Bielsko-Biała, 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 %
Optimum Path Systems, Shanghai, LTD	Operations	Room 1204, No. 251 Xiao Muqiao Road, Xuhui District, Shanghai, P.R. China	100 %
PDI Intermediate Corp.	Operations	1209 Orange Street, Wilmington DE 19801, United States	100 %
Phoenixtec Electronics (Shenzhen) Co., Ltd.	Operations	Building 16 & 6-7F, Building 19 Free Trade Zone, Shatoujiao, Shenzhen, 518081, China	100 %
Phoenixtec International Corp.	Operations	Offshore Incorporations Limited, 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 %
Plumtree I Limited	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Plumtree Mauritius Limited	General Corporate Administration	33 Edith Cavell Street, Port Louis, 11324, Mauritius	100 %
Polimer Kaucuk Sanayi ve Pazarlama A.S.	General Corporate Administration	Maslak Office Building, Maslak Mah. Sümer Sk., No:4 İç Kapı No:14, Sarıyer/İstanbul, 34485, Turkey	100 %

Power Distribution Holdings, Inc.	Operations	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801	100 %
Power Distribution, Inc.	Operations	C T CORORATION SYSTEM, 4701 Cox Road, Ste 285, Glen Allen VA 23060, United States	100 %
Productos Eaton Livia S.L.	Operations	Ave. Juan Carlos I, Number 13, Torre Garena, Alcalá de Henares , 28806, Madrid, EMEA, Spain	100 %
PT Eaton Industries	General Corporate Administration	Menara Bidakara 2 Lantai 9 Unit 04, JI. Jend. Gatot Subroto Kav 71-73, Jakarta, Indonesia	100 %
PT Ulusoy Electric Indonesia	Operations	Jl. Kayu Manis II Blok F10 No. 3J Kawasan Industri Delta Silicon III, Cikarang Selatan – Jawa Barat, Indonesia 17550	100 %
PT Ulusoy Electric Industry	Operations	JL. Kayu Manis II Blok F10, No. 3K, Kawasan Industri Delta Solicon III, APAC, 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 Nittan Valve Co., Ltd.	Operations	No. 79 Shantu Road, Wuxi Road, Rizhao Economic Technological Development Area, Rizhao, Shandong Province, China, 276826	49 %
Rizhao Shinhwa Precision Co., Ltd.	Operations	79 Shantou Rd., Electric Development District, Rizhao City, Shandong Province, P.R. China	30 %
Rizhao Yoosung Shinhwa Automobile Parts Co., Ltd.	Operations	West of Modern Road and North of Quanzhou Road, Nantunling Village, Kuishan Subdistrict, Economic and Technical Development District, Rizhao City, Shandong Province, China	100 %
RTE Far East Corporation	Operations	No. 114, Sec. 2, , SiWan Road, Sijhih District, New Taipei City, 221, Taiwan	100 %
Santak Electronic (Shenzhen) Co., Ltd.	Operations	No. 8 Baoshi Road, Block 72 Baoan District Shenzhen, China	100 %
Santak Electronics Company Limited	Operations	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	Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda	100 %
Scantronic Benelux BV	Operations	Ambacht 6, 5301 KW , Zaltbommel, Netherlands	100 %
Scantronic Holdings Limited	Operations	6 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	77855 Achern,Karl-Bold-Str.40, Achern, Germany	100 %
Sefelec SAS	Operations	19 rue des Campanules, Parc du Mandinet, 77185 Lognes, France	100 %
Senyuan International Holdings Limited	General Corporate Administration	P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands	100 %
Senyuan International Investments Limited	General Corporate Administration	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, Virgin Islands, British	100 %
Shinhwa Precision Co., Ltd.	Operations	1095-10, Shindang-dong, Dalseo-gu, Daegu, Korea, Republic of	30 %
Shinhwa Takahashi Press Co. Ltd.	Operations	110-7, Cheomdangieop 5-ro,, Sandong-myeon, Gumi-si, Gyeongsangbuk-do, Korea, Korea, Republic of	51 %
Silver Light International Limited	Operations	Vistra (BVI) Limited, Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, Virgin Islands, British	100 %
Silver Victory Hong Kong Limited	Operations	5/F East Asia Textile Building, 2 Ho Tin Street, Tuen Nun, New Territories, Hong Kong	100 %
Souriau Dominican Republic, Ltd.	Operations	Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda	100 %
Souriau Germany GmbH	Operations	Steuerberater Uwe Jeske, Linderhauser Strasse 60, 42279, Wuppertal, Germany	100 %
Souriau India Pvt Ltd	Operations	1/516B, Vadakkuthottam Salai, Coimbatore, Tamil Nadu, 641021, India	100 %
Souriau Italy Srl	Operations	Corso Brunelleschi 173, Torino, 10141, Italy	100 %

Souriau Japan KK	Operations	Parale Mitsui Building 15F, 8 Higadashi-cho Kawasaki - ku, Kawasaki-Shi, Kanagawa, 210-0005, Japan	100 %
Souriau MAROC Sarl	Operations	Ilot 63, Lot 1, Zone Franche, Aeroportuaire de Tanger, Route de Rabat, Tanger, 90000, Morocco	100 %
Souriau S.A.S.	Operations	9 rue de la Porte du Buc, Versailles, 78000, France	100 %
Souriau UK Ltd	Operations	4 Cromwell Court, New Street Aylesbury, Bucks HP20 2PB, United Kingdom	100 %
Souriau USA, Inc.	Operations	1209 Orange Street, Wilmington DE 19801, United States	100 %
Standard Automation & Control LP	Operations	1209 Orange Street, Wilmington DE 19801, United States	100 %
Sunbank de Mexico, S. de R.L. de C.V Mexico	Operations	Valle Bonito Industrial Park, Tijuana, Baja California, Mexico	100 %
Sunbank Family of Companies, LLC	Operations	1740 Commerce Way, Paso Robles, CA, 93446, United States	100 %
Sure Power, Inc.	Operations	780 Commercial Street SE, Ste 100, Salem OR 97301, United States	100 %
Taiwan Nittan Industrial Co., Ltd.	Operations	No.729, Changxing Rd., Bade City, Taoyuan County 334, Taiwan, Taiwan	49 %
Technocontact	Operations	Z.I. des Grands Pres, B.P. 37, Cluses, 74301, France	100 %
The MTL Instruments Group Limited	Operations	Great Marlings, Butterfield, Luton, Bedfordshire, LU2 8DL, United Kingdom	100 %
TT (Ireland) Acquisition Limited	General Corporate Administration	Eaton House, 30 Pembroke Road, Dublin 4, D04 Y0C2, Ireland	100 %
Turlock B.V.	General Corporate Administration	Europalaan 202, 7559 SC, Hengelo Ov, Netherlands	100 %
U.S. Engine Valve Company	Operations	1209 Orange Street, Wilmington DE 19801, United States	49 %
Ultronics Nordic Sales AB	Operations	Kista Science Tower, 16451, Kista, Sweden	100 %
Ulusoy Elektrik Imalat Taahhut ve Ticaret AS	Operations	1. Organize Sanayi Bölgesi Oğuz Caddesi , No:6 Sincan / Ankara, EMEA, Turkey	94 %
Vickers Systems Limited	Operations	1401 Hutchison House, 10 Harcourt Road, Hong Kong	100 %
Winner Hydraulics Ltd.	General Corporate Administration	CITCO B.V.I. Limited, Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, Virgin Islands, British	100 %
Wright Line Holding, Inc.	General Corporate Administration	1209 Orange Street, Wilmington DE 19801, United States	100 %
Wright Line LLC	General Corporate Administration	1209 Orange Street, Wilmington DE 19801, United States	100 %
Zhenjiang Daqo Eaton Electrical Systems Co., Ltd.	Operations	Development Area, Yangzhong, China	50 %

As of December 31, 2020, the Company had the following branches outside of Ireland:

Name	Type	Country
Blessing International B.V.	Branch	United Kingdom
BussDansk	Branch	Denmark
Cooper (China) Co. Ltd	Representative Office	China
Cooper (China) Co. Ltd	Branch	China
Cooper (China) Co., Ltd.	Branch	China
Cooper Crouse-Hinds B.V.	Branch	Belgium
Cooper Crouse-Hinds GmbH	Liason Office	India
Cooper Crouse-Hinds GmbH	Representative Office	Libya
Cooper Industries Global B.V.	Branch	Kazakhstan
Cooper Industries International, LLC	Branch	Philippines
Cooper Industries Poland, LLC	Branch	Poland
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 Industries Middle East, LLC	Representative Office	Qatar
Eaton Corporation	Branch	Czech Republic
Eaton Corporation	Branch	Jordan
Eaton Corportion	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 Electric (Vietnam) Company Limited	Representative Office	Vietnam
Eaton Electrical S.A.	Branch	El Salvador
Eaton Electrical S.A.	Branch	Honduras
Eaton Electrical S.A.	Branch	Nicaragua
Eaton Electrical S.A.	Branch	Panama
Eaton Electrical S.A. - Guatemala Branch	Branch	Guatemala
Eaton Electrical Systems Limited	Branch	Ireland
Eaton Elektrotechnika s.r.o.	Representative Office	Kazakhstan
Eaton Enterprises (Hungary), Limited Liability Company	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 Middle East, LLC	Branch	Kingdom of Bahrain
Eaton Industries Middle East, LLC	Branch	Saudi Arabia
Eaton Industries Middle East, LLC	Branch	Saudi Arabia
Eaton Industries Middle East, LLC	Representative Office	Saudi Arabia
Eaton Industries Middle East, LLC	Representative Office	Saudi Arabia
Eaton Industries Middle East, LLC	Representative Office	Saudi Arabia
Eaton Industries Middle East, LLC	Branch	United Arab Emirates
Eaton Industries Philippines, LLC	Branch	Philippines
Eaton Industries Pte Ltd	Representative Office	Vietnam
Eaton Manufacturing LP	Branch	Algeria

Eaton Manufacturing LP	Branch	Greece
Eaton Manufacturing LP	Representative Office	Ivory Coast (Cote D'Ivoire)
Eaton Manufacturing LP	Branch	Portugal
Eaton Power Quality OY	Branch	Denmark
Eaton Power Quality OY	Branch	Norway
Eaton Production International G.m.b.H.	Branch	United Kingdom
McGraw-Edison Development Corporation	Branch	Greece
Saudi Arabia Technical and Scientific	Branch	Saudi Arabia
Souriau Dominican Republic, Ltd.	Branch	Dominican Republic
Souriau S.A.S.	Representative Office	China
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 (Luxembourg)	Branch	Switzerland

Eaton Corporation plc

Parent Company Financial Statements
For the Year Ended December 31, 2020

EATON CORPORATION plc
COMPANY STATEMENT OF FINANCIAL POSITION

(In thousands)	Note	December 31 2020	December 31 2019
Fixed Assets			
Financial Assets - Investment in Group Undertakings	4	$ 27,671,967	$ 27,581,591
Current Assets			
Cash at bank and in hand		47	76
Debtors (amounts falling due within one year)	5	9,763	12,747
		9,810	12,823
Total Assets		$ 27,681,777	$ 27,594,414
Capital and Reserves			
Called up share capital presented as equity	6	$ 4,043	$ 4,196
Share premium	7	748,554	676,454
Capital redemption reserve fund	7	913	741
Other reserves	7	713,206	620,880
Profit and loss account	7	25,047,450	25,170,288
Total Capital and Reserves		26,514,166	26,472,559
Creditors			
Creditors (amounts falling due after one year)	8	672,601	956,357
Creditors (amounts falling due within one year)	9	495,010	165,498
Total Liabilities		1,167,611	1,121,855
Total Capital and Reserves and Liabilities		$ 27,681,777	$ 27,594,414

The profit for the financial year amounted to $2,662,523 (2019 profit $1,388,257).

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

The Financial Statements were approved by the Board of Directors on February 24, 2021 and signed on its behalf by:

Craig Arnold
Chairman of the Board of Directors

Richard H. Fearon
Director

EATON CORPORATION plc
COMPANY STATEMENT OF COMPREHENSIVE INCOME

(In thousands)	Note	December 31 2020	2019
Profit for the financial year	7	$ 2,662,523	$ 1,388,257
Total other comprehensive income	7	—	—
Total comprehensive profit for the year		$ 2,662,523	$ 1,388,257

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, 2018	$ 4,298	$ 605,755	$ 616	$ 535,094	$ 25,985,592	$ 27,131,355
Profit and loss for the period	—	—	—	—	1,388,257	1,388,257
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	1,388,257	1,388,257
Dividends	—	—	—	—	(1,200,592)	(1,200,592)
Share based payment expense for the period	—	—	—	85,786	—	85,786
Issue of shares under share based payment plans	23	70,699	—	—	(3,394)	67,328
Repurchase and cancellation of Ordinary shares	(125)	—	125	—	(999,575)	(999,575)
December 31, 2019	4,196	676,454	741	620,880	25,170,288	26,472,559
Profit and loss for the period	—	—	—	—	2,662,523	2,662,523
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	2,662,523	2,662,523
Dividends	—	—	—	—	(1,175,380)	(1,175,380)
Share based payment expense for the period	—	—	—	92,326	—	92,326
Issue of shares under share based payment plans	19	72,100	—	—	(2,021)	70,098
Repurchase and cancellation of Ordinary shares	(172)	—	172	—	(1,607,960)	(1,607,960)
December 31, 2020	$ 4,043	$ 748,554	$ 913	$ 713,206	$ 25,047,450	$ 26,514,166

Dollar amounts are in thousands unless indicated otherwise.

Note 1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE

Eaton Corporation plc 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 and its incorporation number is 512978. 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 (Generally Accepted Accounting Practice in Ireland) as it applies to the financial statements of the Company for the year ended 31 December 2020.

The financial statements of Eaton Corporation plc for the year ended 31 December 2020 were authorised for issue by the Board of Directors on February 24, 2021.

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 due to the COVID-19 pandemic. The Company continues to monitor the pandemic's impact throughout the world, including guidance from governmental authorities and world health organizations. Eaton's products and support services are vital to hospitals, emergency services, military sites, utilities, public works, transportation, and shipping providers. In addition, data centers, retail outlets, airports, and governments, as well as the networks that support schools and remote workers, rely on Eaton's products to serve their customers and communities. As a result, Eaton's businesses are deemed essential to continue operations by almost all governments around the world, and all of Eaton's plants are currently operating. Eaton has implemented procedures and guidance to protect the health and safety of its workforce, as well as support customer's needs during the pandemic.

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 7 Statement of Cash Flows and section 3 Financial Statement Presentation paragraph 3.17(d).
b. the requirements of section 26 Share Based Payment: paragraph 26.18 (b), 26.19 to 26.21 and 26.23.
c. 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 2020.

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 judgments 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 whichever is higher. 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.

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. The recoverable amount of an investment 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.

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. Management has determined that there are no indicators of impairment in the current year.

(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. Management has determined that as there are no future taxable profits against which to offset any carried forward tax losses, a deferred tax asset has not been included in the financial statements.

(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 a 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 at bank and in hand 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 2020 and 2019, the Company's net profit was $2,662,523 and $1,388,257, 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. At 31 December 2020, it owns all of the outstanding ordinary shares of Cooper Industries Unlimited Company (2019: 100%) and Eaton Industries (Ireland) Limited (2019: 0%) and a 10.1% (2019: 10.1%) 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

January 1, 2019 - at cost	$ 27,497,139
Capital contribution for share based payment expense, including estimated forfeitures of $37 for dividends paid on unvested restricted stock awards	84,452
December 31, 2019 - at cost	27,581,591
Capital contribution for share based payment expense, including estimated forfeitures of $40 for dividends paid on unvested restricted stock awards	90,401
Reduction in reallocation of Eaton Intelligent Power Limited to Cooper Industries Unlimited Company	(25)
December 31, 2020 - at cost	$ 27,671,967

At December 31, 2020, the Company had the following subsidiaries:

Company Name	% Shareholding	Registered Office	Nature of Business
Cooper Industries Unlimited Company	100% [1]	30 Pembroke Road, Ballsbridge, Dublin 4, Ireland	Investment Holding
Eaton Industries (Ireland) Limited	100% [2]	30 Pembroke Road, Ballsbridge, Dublin 4, Ireland	Trading Company
Eaton GmbH & Co. KG	10.1% [3]	Alegis Rheinland GmbH Steuerberatungsgesellschaft, Bornestrasse 10, 40211, Dusseldorf, Germany	Real Estate Holding Company

[1] 163,600,724 ordinary shares of $0.01 par value
[2] 1 ordinary share of $0.01 par value
[3] The interest in Eaton GmbH & Co. KG represents a partnership interest with the remaining 89.9% being held indirectly by the Company.

On 7 December 2020, Cooper Industries Unlimited Company distributed its shares in Eaton Industries (Ireland) Limited to the Company. This resulted in Eaton Industries (Ireland) Limited moving from an indirect subsidiary to a direct subsidiary of the Company. This distribution had no impact on the Company's financial assets.

On 7 December 2020, the Company sold its interest in Eaton Intelligent Power Limited to Eaton Domhanda I, an indirect subsidiary, in exchange for $25. This resulted in Eaton Intelligent Power Limited moving from a direct subsidiary to an indirect subsidiary of the Company. The carrying value of the financial assets was reduced by the value of the consideration received.

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

	December 31	
	2020	2019
Amounts due from subsidiary undertakings	$ 9,763	$ 12,745
Prepayments and accrued income	—	2
	$ 9,763	$ 12,747

Note 6. CALLED UP SHARE CAPITAL

	December 31	
	2020	2019
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
	$ 7,662	$ 7,662
Allotted, called-up and fully paid share capital		
398,124,646 (2019: 413,378,582) Ordinary shares of $0.01 par value each	$ 3,981	$ 4,134
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
	$ 4,043	$ 4,196

During the year, 1,856,142 ordinary shares of $0.01 par value each were issued under share based payment plans and 17,110,078 ordinary shares of $0.01 par value each were repurchased and cancelled. The consideration received for the repurchased and cancelled shares was $1.6 billion.

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, 2018	$ 605,755	$ 616	$ 535,094	$25,985,592	$27,127,057
Dividends	—	—	—	(1,200,592)	(1,200,592)
Share based payment expense for the period	—	—	85,786	—	85,786
Issue of shares under share based payment plans	70,699	—	—	(3,394)	67,305
Repurchase and cancellation of Ordinary shares	—	125	—	(999,575)	(999,450)
Profit and loss for the period	—	—	—	1,388,257	1,388,257
December 31, 2019	676,454	741	620,880	25,170,288	26,468,363
Dividends	—	—	—	(1,175,380)	(1,175,380)
Share based payment expense for the period	—	—	92,326	—	92,326
Issue of shares under share based payment plans	72,100	—	—	(2,021)	70,079
Repurchase and cancellation of Ordinary shares	—	172	—	(1,607,960)	(1,607,788)
Profit and loss for the period	—	—	—	2,662,523	2,662,523
December 31, 2020	$ 748,554	$ 913	$ 713,206	$25,047,450	$26,510,123

Share premium account

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

Capital redemption reserve fund

This reserve represents the nominal value of shares cancelled.

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.

Profit and loss account

Included in the profit and loss account is Dividend Income received of $2.9 billion from Cooper Industries Unlimited Company in 2020.

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

	December 31	
	2020	2019
Notes payable to subsidiary undertakings falling due within two to five years	$ 671,277	$ 955,033
Amounts due to subsidiary undertakings	1,324	1,324
Total creditors (amounts falling due after one year)	$ 672,601	$ 956,357

The notes payable are unsecured.

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

	December 31	
	2020	2019
Accruals	$ 190	$ 642
Amounts due to subsidiary undertakings	1,996	24,365
Notes payable to subsidiary undertakings	492,824	140,491
Total creditors (amounts falling due within one year)	$ 495,010	$ 165,498

The notes payable are unsecured.

Note 10. LOANS

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

	December 31	
	2020	2019
Repayable within one year	$ 492,824	$ 140,491
Repayable within two to five years	671,277	955,033
	$ 1,164,101	$ 1,095,524

Details of loans are as follows:

	December 31	
	2020	2019
Interest at 3.74% repayable in 2023	$ —	$ 342,044
Interest at 0.92% repayable in 2024	671,277	612,989
Repayable within two to five years	$ 671,277	$ 955,033

Loan with a value of $342 million (Interest at 3.74%) was repaid in full in August 2020.

Note 11. SHARE BASED PAYMENTS

The Income statement includes $1.965 million for 2020 and $1.370 million for 2019 of share based Directors' fees. The remaining portion of the share based payment expense of $90.401 million, including estimated forfeitures of $40 for dividends paid on unvested restricted stock awards, for 2020 and $84.452 million share based payment expense, including estimated forfeitures of $37 for dividends paid on unvested restricted stock awards, for 2019 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 16 to the Consolidated financial statements.

Note 12. RELATED PARTY TRANSACTIONS

Directors' fees and expenses

The Income statement includes $9.539 million for 2020 and $9.865 million for 2019 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. It is expected that the tax losses will be group relieved to other group undertakings. The Company has accumulated tax losses of $7.1 million that are available indefinitely for offset against future taxable profits.

Note 14. EVENTS AFTER THE REPORTING PERIOD

On February 24, 2021, Eaton's Board of Directors declared a quarterly dividend of $0.76 per ordinary share, a 4% increase over the dividend paid in the fourth quarter of 2020. The dividend is payable on March 30, 2021 to shareholders of record on March 16, 2021.

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 2020 and 2019. In addition, Ernst & Young Ireland received fees of $0.8 million for other assurance services in each of 2020 and 2019. Ernst & Young Ireland received $0.3 million and $0.1 million in 2020 and 2019 respectively, for tax advisory services. Ernst & Young Ireland did not receive any fees for other non-audit services in 2020 and 2019. Note 23 to the Consolidated Financial Statements provides additional information regarding Auditors' remuneration.